

FRANCHISE DISCLOSURE DOCUMENT



F.C. FRANCHISING SYSTEMS, INC.
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A Fresh Coat franchise sells residential and commercial painting services.

The total investment necessary to begin operation of a Fresh Coat franchise is from \$66,150 to \$96,250. This includes \$44,900 that must be paid to the franchisor or an affiliate. If the population of your territory is greater than 200,000, you must pay an additional \$500 for all or part of every 1,000 people over 200,000.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of your disclosure in different formats, contact our contracts administrator at 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio 45242 and (513) 999-9918.

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 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 of this Franchise Disclosure Document: April 17, 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:

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Ohio. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Ohio than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00 the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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.

Any questions regarding the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48933 (517) 373-7117.

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

In order to make this disclosure document easier to understand, "Fresh Coat" or "we" means the franchisor, F.C. Franchising Systems, Inc. The terms "Fresh Coat" and "we" do not include F.C. Franchising Systems, Inc.'s officers, directors, or shareholders. "You" means the person, corporation, partnership, limited liability company, or other entity that buys the franchise. If the franchise is purchased by a corporation, partnership, limited liability company, or other entity, certain provisions of the franchise agreement will also apply to the owners and will be noted.

Fresh Coat is an Ohio corporation that was incorporated on January 1, 2005. Our principal business address is 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio, 45242. We do business under our name, F.C. FRANCHISING SYSTEMS, INC., and under the trade name FRESH COAT. Our agents for service of process are listed in Exhibit A. We do not have any parents or predecessors.

Fresh Coat offers franchises to operate painting businesses under the trade name FRESH COAT. We will train you to operate the franchised business. You will offer both interior and exterior painting and wallpapering services to the general public, including both residential and commercial clients, through, among other things, direct mail advertising and through referral sources such as real estate agents. The market for painting services is well developed throughout the United States. Your competition will be other local painting services in the same geographic area, including those that may be franchised by other national competitors.

State and federal environmental laws may regulate the handling and disposal of solvents, lead-based paints, rags and other materials used to clean or wipe solvents from other surfaces, and leftover paint. Some states have licensing, certification, or registration requirements applicable to the services you will be providing as a Fresh Coat franchisee. You may be required to pay a fee to the state agency responsible for enforcing these requirements. As of the date of this disclosure document, we are aware that the following states have statutes that may require a license for some or all of the services you may provide: Arizona, California, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, and Virginia. We are also aware that individual counties in Florida and New York may require a license for some or all of the services that you may provide. These statutes may require a minimum level of education or related work experience, and/or the payment of a fee in order to obtain the license; if you yourself do not have the work experience necessary to get a particular license, you may choose to hire someone who does. There may be other states, counties, or municipalities that have licensing, certification, or registration requirements. We are not aware of any other laws or regulations that are specific to the painting industry, but you will be responsible for investigating and complying with all laws and regulations, including environmental laws and licensing requirements, which may apply to your franchised business. You will also be responsible for complying with employment, workers' compensation, insurance, corporate, tax, and similar laws and regulations, as well as any federal, state, or local laws of a more general nature that may affect the operation of your franchised business. We recommend that you consult with an attorney regarding the regulations that may apply to your franchised business.

The Environmental Protection Agency (EPA) requires certain training and certification for home improvement contractors that may encounter lead-based coating in buildings. Among other things, the EPA regulation requires the contractor to notify homeowners, be present during certain types of jobs, train employees, and maintain certain administrative documentation. You and your employees will need to be trained to comply with this regulation by a certified trainer.

Fresh Coat was formed to sell and support painting franchises. We have offered Fresh Coat franchises since January 2005. We have never offered franchises in any other business. Except as disclosed in this Item 1, Fresh Coat does not have any parents, predecessors or affiliates that offer franchises or products or services to franchisees.

Fresh Coat has never operated a painting business. However, a company named REM Painting, Inc. operated a painting business under the trade name FRESH COAT in Cincinnati, Ohio from May 2004 through 2008. REM Painting became the first Fresh Coat franchise in January 2005. REM Painting was owned by some of the same individuals who own Fresh Coat.

Affiliates. The following companies are affiliates of ours:

1. G.C. Franchising Systems, Inc. (“Growth Coach”) offers franchises under the name GROWTH COACH® to provide business and sales coaching, business management, and consulting services to business owners, managers and executives. Growth Coach has offered franchises of this type since December 2002. Growth Coach franchise owners help their clients develop or enhance effective business habits, management and organizational skills, business strategies, action plans, and sales techniques, and provide project management assistance. Growth Coach franchise owners market their services through direct advertising targeted to potential clients and through personal solicitation of business professionals. As of December 31, 2022, Growth Coach had 46 franchises. Growth Coach does not offer franchises in any other line of business. Growth Coach’s principal business address is 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio, 45242.

2. C.T. Franchising Systems, Inc. (“Caring Transitions”) offers franchises in the business of organizing and conducting sales of estate assets, moving management, personal belongings, and household goods under the trade name CARING TRANSITIONS®. Caring Transitions has offered franchises of this type since July 2006. As of December 31, 2022, Caring Transitions had 272 franchises. Caring Transitions does not offer franchises in any other line of business. Caring Transitions’ principal business address is 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio 45242.

3. T.B. Franchising Systems, Inc. (“TruBlue”) offers franchises to operate a residential maintenance and repair business under the trade name TRUBLUE®. TruBlue has offered franchises of this type since June 2011. TruBlue franchises offer residential maintenance, snow removal, and repair services to the general public through direct mail advertising and through referral sources. In the course of providing home maintenance services, a TruBlue franchise may provide incidental painting services necessary to complete the repairs. As of December 31, 2022, TruBlue had 84 franchises. TruBlue does not offer franchises in any other line of business. TruBlue’s principal business address is 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio 45242.

4. Pet Wants Franchise System, LLC (“Pet Wants”) offers franchises to operate a business that sells pet food and supplies at a retail location and/or by home delivery services under the trade name PET WANTS®. Pet Wants has offered franchises of this type since April 2015. Pet Wants franchise owners offer products to dog and cat owners through advertising in various media and through referral sources. As of December 31, 2022, Pet Wants had 138 franchises. Pet Wants does not offer franchises in any other line of business. Pet Want’s principal business address is 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio 45242.

ITEM 2. BUSINESS EXPERIENCE

President, Director: Tara Riley

Ms. Riley has been President of Fresh Coat since December 2014 and has been a member of its Board of Directors since January 1, 2016.

Vice President of Training and Business Systems: Tom Tucker

Mr. Tucker has been Vice President of Training and Business Systems for Fresh Coat since January 2023 and was Vice President of Operations from May 2017 through January 2023.

Vice President of Sales: Leo Haley

Mr. Haley has been Vice President of Sales for Fresh Coat since January 2022. From October 2014 through December 2021, Mr. Haley was with the Blue Book Building & Construction Network in Columbus, Ohio, serving as Area General Manager, Regional Director, and then Regional Business Development Manager.

Chief Operating Officer: Wayne Scherger

Mr. Scherger has been Chief Operating Officer for Fresh Coat since December 2022. He has been Chairperson of Peer Group Forums International in Norcross, Georgia since September 2018. Mr. Scherger has been an executive business coach with Next Steps Systems in Atlanta, Georgia since July 2011.

Senior Vice President of National Accounts, Commercial Division: Greg Platz

Mr. Platz has been Vice President of National Accounts for Fresh Coat since November 2019. From September 2008 through December 2015, Mr. Platz served as Fresh Coat's operations manager, Director of Operations, and then Vice President of Operations. Mr. Platz served as President of our affiliate, TruBlue, from February 2016 through November 2019.

Vice President of Marketing: James Farinacci.

Mr. Farinacci has been Vice President of Marketing for Fresh Coat since January 2021. From January 2018 through December 2020, Mr. Farinacci was Vice President of Marketing for Primax Studio in Cincinnati, Ohio.

Chief Financial Officer: Peter McKnight

Mr. McKnight has been Chief Financial Officer for Fresh Coat and its affiliates Caring Transitions, TruBlue, Pet Wants, and Growth Coach since October 2020. From February 2016 through October 2020 Mr. McKnight was Chief Financial Officer of Jackmont Hospitality, Inc. in Atlanta, Georgia.

Director: Chris Seman

Mr. Seman has been a member of the Board of Directors of Fresh Coat and of our affiliates Growth Coach, TruBlue, and Pet Wants since February 2019. He served as President of our affiliate Caring Transitions from February 2012 through February 2019 and has been a member of its Board of Directors since January 2016. Mr. Seman has been president of Strategic Franchising in Cincinnati, Ohio since March 2019.

Director: Dan Murphy

Mr. Murphy has been a member of the Board of Directors of Fresh Coat since January 2012. He has also been a member of the Board of Directors of our affiliate, the Growth Coach, since December 2002, was its CEO from January 2011 through November 2016, and its President from February 2013 through January 2014. He has been a member of the Board of Directors of our affiliate TruBlue since May 2011 and of our affiliate Caring Transitions since January 2012.

General Counsel, Vice President, Secretary: Jeff Siehl

Mr. Siehl has been General Counsel and Secretary of Fresh Coat since September 2007 and Vice President since February 2018. He has been General Counsel and Secretary Fresh Coat's affiliates Growth Coach and Caring Transitions since September 2007, of TruBlue since May 2011, of Pet Wants since August 2015, and has been Vice President of these affiliates since February 2018.

ITEM 3. LITIGATION

Commonwealth of Virginia v. F.C. Franchising Systems, Inc.; Case No. SEC-2020-00036. We entered into a Settlement Order with the Virginia State Corporation Commission's Division of Securities and Retail Franchising on March 3, 2021. The Division alleged that our 2012 and 2013 disclosure documents did not disclose a material fact concerning one of our officers in violation of the Virginia Retail Franchising Act. After investigation, we discovered that an officer had filed personal bankruptcy during the course of his employment and, as a result, the personal bankruptcy was not disclosed. We agreed to offer to refund the initial franchise fees of three purchasers, offer a refund and rescission of the franchise agreement to another owner, and pay the Division \$8,000 in costs/penalties. The three franchise purchasers accepted the refund offers; the franchise owner declined the rescission offer and continues to operate its franchise.

Commissioner of Financial Protection and Innovation v. G.C. Franchising Systems, Inc.; C.T. Franchising Systems, Inc; F.C. Franchising Systems, Inc.; T.B. Franchising Systems, Inc.; Pet Wants Franchise System, LLC. We and our affiliates entered into a Consent Order with the California Commissioner of Financial Protection and Innovation on July 20, 2021 resulting from an officer/director's failure to inform us of a 2012 personal bankruptcy filing. We acknowledged that the personal bankruptcy was not disclosed in certain disclosure documents between 2012 and October 2016. Pursuant to the Consent Order, we agreed to comply with the Corporations Code.

Commissioner of Financial Protection and Innovation v. G.C. Franchising Systems, Inc.; C.T. Franchising Systems, Inc; F.C. Franchising Systems, Inc.; T.B. Franchising Systems, Inc.; Pet Wants Franchise System, LLC. We and our affiliates entered into a Consent Order with the California Commissioner of Financial Protection and Innovation on December 13, 2021 acknowledging that the certified public accountant that audited our financial statements was not registered as a public accounting firm in Ohio as required by Ohio accounting regulations. Although we were unaware of the CPA's oversight, we agreed to pay an administrative penalty of \$5,000 and to comply with the Corporations Code. We obtained reimbursement from the CPA.

Commonwealth of Virginia v. G.C. Franchising Systems, Inc.; Case No. SEC-2022-00021. Our affiliate, G.C. Franchising Systems, Inc. ("GCFSI") entered into a Settlement Order with the Virginia State Corporation Commission's Division of Securities and Retail Franchising on August 11, 2022. The Division alleged that GCFSI's 2015 disclosure document did not disclose a material fact concerning one of its officers in violation of the Virginia Retail Franchising Act. After investigation, GCFSI discovered that a former member of its board of directors failed to inform it of a personal bankruptcy filed during the course of his tenure and, as a result, the board member's personal bankruptcy was not disclosed. GCFSI agreed to offer a refund and rescission of a franchise agreement to a franchise owner, and pay the Division \$3,500 in costs/penalties. The franchise owner declined the rescission offer and continued to operate its franchise.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

You must pay an initial franchise fee¹ when you sign the franchise agreement. The franchise fee for a territory with a population of between 175,000 and 200,000 is \$44,900. If the population of your territory exceeds 200,000, you must pay an additional \$500 for each 1,000-population unit (or any portion of a 1,000-population

¹ All dollar figures are in U.S. currency.

unit) in excess of 200,000. For example, for a territory with a population of 201,135, the total franchise fee would be \$45,900 [$\$44,900 + (2 \times \$500)$]. The initial franchise fee is fully earned and non-refundable upon receipt.

You can reserve a specific territory for up to 30 days by paying a \$5,000 deposit and sending us a signed Remittance Form. The deposit is fully earned and non-refundable upon our receipt, in consideration of our reservation and removal from the market of your territory for 30 days, and will be applied toward your initial franchise fee. The required deposit to reserve a second territory is \$10,000. We must provide this disclosure document to you at least 14 days before you sign the Remittance Form or pay a deposit.

During the first 24 months after you purchase your first franchise, you may be eligible for a 10% discount on the then-current initial franchise fee for each additional franchise that you purchase. To be eligible for this discount, you must pay the entire franchise fee at the time you sign the franchise agreement for the initial franchise and for each additional franchise. We may cancel or modify this discount policy at any time.

We are a member of the International Franchise Association and participate in the IFA's Veterans Transition Franchise Initiative ("VetFran Program"), which encourages franchise ownership by offering financial incentives to honorably discharged veterans of the U.S. Armed Forces. We offer a discount of up to 15% of the initial franchise fee to veterans who meet our requirements and those of the VetFran program.

You may receive only one discount or referral fee on the purchase of any given franchise. We currently intend to impose each initial franchise fee uniformly except as stated otherwise in this Item 5.

We presently offer a rebate program called "The Winners' Circle" for new Fresh Coat owners that meet our qualifications and that achieve certain revenue goals. For qualifying owners, we will rebate \$10,000 of the franchise fee they paid if they attain cumulative gross revenues of at least \$900,000 during the two-year period after the Commencement Date; we will rebate an additional \$10,000 of the franchise fee if they received the first rebate and attain cumulative gross revenues of at least \$1,700,000 during the three-year period after the Commencement Date; we will rebate an additional \$10,000 of the franchise fee if they received the first two rebates and attain cumulative gross revenues of at least \$2,700,000 during the four-year period after the Commencement Date; and we will rebate the remainder of the franchise fee they paid if they received the first three rebates and attain cumulative gross revenues of at least \$3,900,000 during the five-year period after the Commencement Date. The "Commencement Date" is the first day of the month following the month in which the training program for new owners is completed. If the owner fails to achieve any one of these revenue goals, then he or she will not be eligible to receive any additional rebate. To be eligible for any rebate, the owner must not default on any agreement between us, must be current on all obligations to us, must have timely reported all gross revenues as required by the franchise agreement, must have paid when due all royalties, national branding fees, and other amounts due under the franchise agreement, must attend all franchise system national conferences, must sign a general release, and must have substantially complied with all other material terms and conditions of each agreement and instrument between us. If the Franchise Agreement is terminated for any reason prior to the end of its initial term, then the owner must return all rebates to us, if any. NOTE: we make no representation that you or any other Fresh Coat owner has or will be able to achieve any of the revenue goals required to receive a rebate under this program, except as disclosed in Item 19. We reserve the right to cancel or modify this rebate program at any time, but owners who have already been accepted into The Winners' Circle will be permitted to complete the program.

Your franchise agreement does not give you any option, right of first refusal, or similar right to acquire additional franchises.

ITEM 6. OTHER FEES

OTHER FEES

<i>Name of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Royalty fee – Note 1	6% down to 4% of Gross Revenues; \$500 monthly minimum for 1st year; \$1,000 monthly minimum thereafter	Payable by the fifth day of each month – Note 1	Paid on Gross Revenues for preceding month; the actual rate you pay will depend upon your annual Gross Revenues (see Table 6-2 below for the specific rates) – Note 2
National Branding Fund – Note 3	2% of Gross Revenues; \$350 monthly minimum	Payable by the fifth day of each month	See Item 11 of this disclosure document for an explanation of national branding fees
Local Cooperative Advertising	Up to 3% of your Gross Revenues unless a majority of the cooperative members agree on a higher contribution – Note 4	Monthly	If an advertising cooperative is established or operating in your area, you must contribute
Transfer Fee – Note 1	The greater of either \$10,000 or 3% of the purchase price, plus legal and administrative costs	Prior to consummation of transfer	Payable when you sell your franchise; no Transfer Fee is payable for transfers to a company you form for the convenience of ownership
Lead Referral Fee	\$10,000	Upon the sale of your franchise to a third-party buyer who was already listed in our sales database at the time you and the buyer began discussing a sale	Intended to partially reimburse us for our costs in developing leads who then purchase from existing owners
Formation of Business Entity	Variable	Within 90 days after signing the franchise agreement	If you sign the franchise agreement individually then you must form a business entity (such as a corporation) and assign your individual rights in the franchise to the business entity
Grand Opening Promotion	\$3,000 to \$4,000	1-2 months before opening	Before opening, you must spend at least \$3,000, as directed by us, on a grand opening promotion
Electronic Copies of Marketing Materials	Variable	Upon order by you	Should you request electronic copies of marketing materials you will need to reimburse the national branding fund for its costs in creating the materials
Technology/Software License Fee – Note 9	\$499	Monthly	You must pay a fee to the national branding fund for technology/proprietary software that we license or make available to you for use in the operation of the business
Local Advertising	The greater of 5% of Gross Revenues or \$1,500	Monthly	You are required to spend the greater of 5% of Gross Revenues or \$1,500 a month, up to a maximum of \$25,000 a year, on local advertising
Franchise Owner Meetings	\$599 per person	Prior to attending meeting	We may hold regional and/or national meetings with our support personnel and franchise owners
Late Fee – Note 5	Greater of \$100.00 or 10% of royalty or branding fee; \$50.00 for ACH payments returned for insufficient funds; \$100 for late sales reports or other business records	On demand	You must pay a late fee on any payment or sales report that we receive more than 5 days late
Interest – Note 6	18% – Note 7	On demand	In addition to the late fee above, any payments more than 30 days late accrue interest at the rate of 18% per year

<i>Name of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Audit Fee – Note 1	Cost of audit plus 18% interest on under-payment – Note 7	On demand	Payable only if audit is prompted by your failure to maintain or submit records or audit shows an understatement of Gross Revenues of at least 3% for any week
Territory Amendment Fee	\$1,500	Prior to amending Territory	If we allow you to amend your franchise territory, you must pay a fee to compensate us for our costs
Sales/Use Taxes – Note 8	Variable	Payable with your royalty or national branding fee payments	You must pay any state or local sales or use tax that may be assessed on the royalties, advertising fees, or other fees you pay to Fresh Coat
Reimbursements – Notes 1	Amount of expense advanced plus 18% interest	On demand	You must reimburse us if we pay your expenses if you fail to so do, such as rent, taxes, customer refunds, or other liabilities
Legal Expenses – Note 1	Amount of expense advanced plus 18% interest	On demand	You must pay any legal expenses we incur, including attorney fees, to enforce your franchise agreement
Indemnification – Note 1	Amount of expense advanced plus 18% interest	On demand	You must reimburse us fully if we are held liable for claims arising from your business

Notes to Table:

1. Imposed by and payable to Fresh Coat. All fees are non-refundable. We currently intend to impose all fees uniformly except as otherwise stated in this Item 6. You must pay a monthly Royalty equal to between 6% to 4% (see Table 6-2) of actual Gross Revenues from the prior month or the Minimum Royalty, whichever is greater. The Minimum Royalty is \$500 a month for 12 months after the minimum royalty start date and then \$1,000 a month. You are not required to pay the Minimum Royalty until the fifth day of the second month following the month in which you complete the initial training program. We will extend the Minimum Royalty start date for an additional month if you comply with System Standards for opening your business (including completing a business plan and recommended marketing activities), sign a general release, and are in full compliance with the Franchise Agreement.
2. “Gross Revenues” means all income (recognized on an invoice/accrual basis), whether cash, credit, or any other consideration, less all refunds and discounts to customers and any sales or excise taxes.
3. Payable to Fresh Coat national branding fund beginning on the fifth day of the second month following the month in which you complete the initial training program. We will extend the National Branding Fund start date for an additional month if you comply with System Standards for opening your business (including completing a business plan and recommended marketing activities), sign a general release, and are in full compliance with the Franchise Agreement.
4. Either Fresh Coat or the advertising cooperative will determine the amount of your monthly cooperative advertising contribution, but it cannot exceed 3% of your Gross Revenues unless a majority of the cooperative members agree on a higher contribution. Your cooperative contribution will not be credited toward your national branding fee. Each member of an advertising cooperative will have one vote for each Fresh Coat franchise they own. Each franchised business operated by Fresh Coat or an affiliate of Fresh Coat in an area in which an advertising cooperative has been established will contribute to the cooperative on the same basis as other members of that cooperative. As of the date of this disclosure document, we have not established any advertising cooperatives.
5. Late fees on royalty payments and sales reports are payable to Fresh Coat. Late fees on national branding fee payments are payable to the national branding fund.
6. Interest on royalty payments and late sales reports is payable to Fresh Coat. Interest on national branding fee payments is payable to the national branding fund.
7. Interest accrues from the date payment was due.

8. The royalties, national branding fees, or other fees you pay to Fresh Coat may be entirely or partially subject to state or local sales or use tax, depending upon the law in your state. If we are required to pay these taxes in your state, you must add the tax to your royalty or national branding fee payment.
9. There is a monthly technology fee of \$499 payable to the national branding fund to cover the cost of websites, proprietary software programs and other technology to be used in the operation of your business.

TABLE 6-2
Royalty

Benchmark Amount	Royalty Rate
First \$1,000,000 of Annual Gross Revenues	6%
Over \$1,000,000 of but less than \$2,000,000 of Annual Gross Revenues	5%
Over \$2,000,000 of Annual Gross Revenues	4%

Caution: The figures listed in Table 6-2 above are not to be construed as projections or estimates of actual or potential earnings, sales, or revenues.

As an incentive for you to fully develop the franchised business and your territory, you may apply for a reduced royalty rate if your annual Gross Revenues exceed certain benchmarks that we have established. You will only be entitled to a reduced royalty rate if you are in good standing. The royalty rate is based upon your level of total Gross Revenues in each calendar year as listed in Table 6.2 above.

The royalty rate at the beginning of each calendar year will be 6%. When you reach the Gross Revenues benchmark, you can ask for a royalty rate adjustment. The request must be submitted to us in writing within three months after the end of the calendar month in which you attained the applicable benchmark (the “application period”). If you are in good standing when we receive the request and are otherwise entitled to an adjustment, then the royalty rate adjustment will be effective beginning in the next calendar month after the month in which your Gross Revenues reached the applicable benchmark. All royalty rate adjustments will expire at the end of each calendar year. If you are not in good standing when we receive the request or you are otherwise not entitled to the adjustment, we will notify you of the reasons for refusing the request. If the adjustment was refused because you are not in good standing, but you return to good standing and satisfy us of that before the end of the application period, then we will approve the royalty rate adjustment to be effective beginning in the next calendar month after the month in which you returned to good standing. If you don’t request an adjustment within the application period or, after submitting a request, you are not in and fail to return to good standing, then the royalty rate adjustment for the benchmark will be forfeit for the rest of that calendar year. If you cease to be in good standing at any time after being approved for a royalty rate adjustment, then the royalty rate adjustment will be forfeit and you must resume paying a royalty rate of 6%.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

<i>Type of Expenditure</i>	<i>Amount</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment is to be Made</i>
Initial Franchise Fee	\$44,900	Note 1	Upon signing of franchise agreement	Fresh Coat
Furniture and Equipment	\$0 to 1,000	As Incurred	Prior to commencement of business	Suppliers

<i>Type of Expenditure</i>	<i>Amount</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment is to be Made</i>
Computer System (Note 2)	\$1,000 to 3,000	As Incurred	Prior to commencement of business	Suppliers
Travel & living expenses while training (Note 3)	\$2,000 to 3,500	As Incurred	Prior to or at time of training	Hotel, airline, restaurants, employees
Initial Rent, Telephone, Bank, Licensing Fees, and Other Deposits (Note 4)	\$0 to 2,000	As Incurred	Prior to commencement of business	Suppliers
Insurance (Note 5)	\$2,800 to 8,000	Note 5	Prior to effective date of policy	Insurance Company
Grand Opening Promotion (Note 9)	\$3,000 to 4,000	As Incurred	1-2 months before opening and up to 60 days thereafter	National branding fund and/or various suppliers
Compliance with regulations (Note 10)	\$450 to \$1,350	As Incurred	Prior to commencement of business	Suppliers
Additional Funds – 3 Months (Note 6)	\$12,000 to 25,000	As Incurred	As expenses are incurred	Employees, tax authorities, suppliers, etc.
Monthly Office Rental Payment (Note 7)	\$0 to 1,000	Monthly	Depends on lease terms	Landlord
Vehicle (Note 11)	\$0 – 2,500	As incurred	Before Opening	Suppliers
Total (Note 8)	\$66,150 to \$96,250			

Notes to Table:

1. The amount of the initial franchise fee for a Fresh Coat franchise for a territory with a population of between 175,000 and 200,000 is \$44,900. If the population of your territory exceeds 200,000, you must pay an additional \$500 for each 1,000-population unit (or any portion of a 1,000-population unit) in excess of 200,000.
2. The cost of the computer equipment and software you will need to operate your franchise will depend upon the manufacturer, the operating features, and whether the equipment is new or used.
3. We do not charge an additional fee for the initial training, but you must pay the expenses of travel, lodging, food, wages, and workers' compensation for you and/or your employees during the training program. We estimate that these expenses will range from \$500 to \$1,500, depending upon the distance and method of travel and the availability and quality of your hotel accommodations and living expenses during the training program.
4. Your telephone service provider may require a normally refundable deposit for commercial service. You are required to have a separate business telephone line for your franchise and either an employee to answer your line or a live answering service at all times during regular business hours. Some states also require a deposit for workers' compensation coverage or a licensing fee.
5. You must obtain and maintain the types and amounts of insurance coverage described in Item 8 under the heading "Insurance." We must be named as an additional insured on these policies. We estimate that the average total annual cost for the required insurance coverage will be between \$2,800 and \$8,000. The premium is typically due prior to the effective date of the coverage unless your insurance company offers installment payment terms. Insurance costs will vary depending upon the location and size of your office, the number of employees, the value of your equipment, your claims history, and other factors, and may change from time to time due to changes in insurance rates. You must also maintain workers' compensation and employers' liability coverage and any other insurance that may

be required by law in your territory, but premiums for these coverages are not included in the table above.

6. We estimate that you should have approximately \$12,000 to \$25,000 of additional funds for the on-going costs of your business, such as payroll, utilities, advertising, taxes and similar items, to the extent that business costs are not covered by revenues during the first 3 months of operation. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business, that these amounts will be adequate, or that additional investment by you will not be necessary during the 3 months of initial operation or afterwards. Your costs will depend on factors such as how closely you follow our recommended methods and procedures; effectiveness of advertising; your management, marketing and general business skills and experience; local economic conditions; the local market for your services; the prevailing wage rate; local competition; and the sales level you achieve during the initial phase. You may also incur expenses for business license fees, legal fees, accounting fees, and local permits and operating authorizations necessary to start your business, which may vary considerably from one area to another. In formulating the amount required for additional funds, we relied upon the experience of our executives in operating the Fresh Coat franchise system and other service franchises.
7. The terms of your lease will depend on the size, location, condition, and desirability of the premises. You will probably be required to pay a normally refundable security deposit, which is reflected in the above chart. We recommend that you operate your franchise from your home.
8. The estimates listed in the above chart relate only to costs associated with the franchised business, not personal, "living," or other expenses you may have. The estimates do not include compensation for your time or labor, or take into account any finance charges, interest, debt service, or other costs that you may incur to finance all or any portion of your investment. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.
9. Grand Opening Promotion. Before you open your Fresh Coat franchise and during the first 60 days thereafter, you must spend at least \$3,000, as directed by us, on a Grand Opening Promotion. This will include marketing materials and advertising to promote the business. You may wish to spend more than \$3,000 on the Grand Opening Promotion, depending upon the size of your market, the marketing techniques you use, and the cost of advertising in your market, but you must provide us with receipts confirming that you spent the required minimum amount as directed by us. No part of the Grand Opening Promotion expenses will be refundable. You will purchase the marketing materials and advertising from approved suppliers.
10. Compliance with EPA regulations. The Environmental Protection Agency requires certain training and certification for home improvement contractors that may encounter lead-based coating in buildings. Among other things, the EPA regulation requires the contractor to notify homeowners, be present during certain types of jobs, train employees, and maintain certain administrative documentation. Before you open your Fresh Coat franchise, you and your employees will need to be trained to comply with this regulation by a certified trainer. The training will be at or near your location and will require 8 hours of training for you and 4 to 8 hours for each of your employees. We estimate the registration to be \$300 for the initial certification and an additional \$150 to \$325 for training.
11. You will need a vehicle to move from site to site and to speak with clients and potential clients. It is anticipated and recommended that you and your employees will use their own vehicles. If necessary, we anticipate that you can lease a vehicle for \$500 a month or less. Having a suitable vehicle may be

a requirement of employment for your employees. Vehicles may need to be out fitted to accommodate ladders and tools.

12. All expenditures are non-refundable unless specifically noted otherwise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

System Standards. You should understand that every detail of your franchised business will be important, not only to you, but to us and to every other Fresh Coat franchise owner as well, in order to develop and maintain high and uniform operating standards based on the concepts of consistency, reliability and professionalism; increase the demand for the programs and services sold by Fresh Coat franchises; and establish and maintain a reputation for offering uniform and high quality services exemplifying high client servicing standards, ethical business practices, and integrity. A fundamental requirement of your joining and remaining a part of the Fresh Coat system will be your commitment to the operation of your franchise in accordance with our system standards. During the term of the franchise agreement, you must, at all times, develop, maintain and operate your Fresh Coat franchise in full compliance with all Fresh Coat system standards, as we may modify and supplement them in the future.

We formulate our specifications and standards based on input from our management and operations personnel. We make modifications to our specifications and standards according to operational needs and risk and opportunity assessments. The specifications and standards are issued to you through our training program, operations manual, and our intranet Web site.

Materials Bearing Our Marks. Your marketing materials, business cards, business stationary and other items bearing our trademarks must comply with specifications for content, size, typeface, color, and paper stock. These specifications are contained in the operations manual. You may purchase these items from any approved supplier, which are listed in the operations manual.

You may also purchase certain marketing materials and specialty items bearing Fresh Coat's service marks and logo from the Fresh Coat national branding fund. The national branding fund will make these items available to our franchise owners through a designated fulfillment company. For a fee, the fulfillment company offers our franchise owners Web-based procurement services to order marketing and promotional items online. The national branding fund may derive revenue from the sale of marketing materials to franchise owners. Should you request electronic copies of marketing materials, you will need to reimburse the national branding fund for its costs in creating the materials. During the one-year period ending December 31, 2022, none of the national branding fund's revenues were derived from the sale of marketing materials to franchisees. The national branding fund received \$404,405 from arrangements with suppliers. Fresh Coat and its affiliates will not otherwise derive revenue from your purchases.

Insurance. Before opening the franchised business, you must obtain, and maintain at all times during the term of your franchise agreement, the following insurance coverages:

All-Risk Insurance on all furniture, fixtures, equipment, supplies and other property used in the operation of the franchised business, for their full replacement cost.

Commercial General Liability Insurance covering claims for bodily and personal injury, death, and property damage with a minimum per occurrence limit of \$1,000,000 and a minimum general aggregate limit of \$2,000,000.

Automobile Liability Insurance covering owned, hired, and non-owned vehicles with a minimum combined single limit for each accident of \$1,000,000.

Worker's Compensation Insurance that complies with the statutory requirements of the state in which the franchised business is located and Employers' Liability Insurance with a minimum limit of \$100,000 or, if greater, the statutory minimum limit required by state law.

Employment Practices Liability Insurance with a \$500,000 minimum limit covering defense costs and damage for claims of sexual harassment, discrimination and wrongful termination.

A first-party and third-party Fidelity Bond (or Employee Dishonesty Insurance) with a minimum limit of \$25,000 per incident. The policy must not contain a Conviction Clause.

Umbrella Insurance of \$1,000,000.

All insurance policies must name us as an additional insured, and no policy may have a deductible of more than \$1,000. You must also maintain any other insurance that may be required by your landlord or by law in your area. You must purchase your insurance from an insurance company that is licensed in the state in which the franchised business operates and has at least an "A" rating classification in A.M. Best's Key Rating Guide. You cannot open your franchise until you have obtained all the required insurance coverages. If you fail to obtain and maintain this insurance coverage, we have the right to obtain it on your behalf and to charge you for the cost of the premiums plus interest. We have the right to increase the minimum coverage, decrease the maximum deductible, or require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. We must give you at least 30 days' written notice. Neither Fresh Coat nor any affiliate of Fresh Coat will derive revenue from your insurance purchases.

Computer System. To operate your Fresh Coat franchise, you will need a computer system and certain required computer programs. The specifications for the computer system are contained in the operations manual. You may purchase the computer system from any supplier. You may be required to purchase or lease proprietary software from us, an affiliate of ours, or a third party designated by us.

We estimate that the cost of the goods purchased in accordance with the specifications described above will range from approximately 4% to 22% of your initial investment to commence the operation of your Fresh Coat franchise (the exact percentage will depend upon the size of the franchise territory you purchase and the amount of your other start-up expenses—see Item 7 above for a description of your initial investment) and approximately 10% to 20% of your ongoing operating expenses.

Except as disclosed in this Item 8, neither we nor any of our affiliates will derive revenue from your required purchases.

Suppliers. We will make available to you a list of approved suppliers for marketing materials, business cards, business stationary, equipment and services you will need to operate the franchised business. Other suppliers may be approved by sending us a written request for approval along with a sample of the supplier's product. You will typically be notified whether the supplier is approved within 30 days after we receive all the necessary information. We will base our approval of suppliers upon a variety of factors, including their ability to meet our standards and specifications, their quality controls, their capacity to supply our franchisees' needs promptly and reliably, and their prices. To support our National Branding Fund, we may require that approved suppliers pay a fee of up to five percent of franchisee sales that we will pass through to the National Branding Fund. Because of price discounts, benefits or other sales incentives, we may require you to participate with us or with other franchise owners when purchasing certain products or services to be sold or used in the franchised business. We do not charge a fee for approving suppliers. We may revoke approval of any approved supplier at any time if the quality of the product and the supplier's financial condition and ability to satisfy your requirements do not continue to meet our satisfaction. Neither Fresh Coat nor any persons affiliated with Fresh Coat are currently approved suppliers and no officer of Fresh Coat has an ownership interest in any approved supplier.

We have not established specifications for the equipment and supplies necessary to operate your Fresh Coat franchise, although we provide you with a list of suggested equipment and supplies. We do not currently offer or sell equipment or supplies to you.

Arrangements With Suppliers. We have negotiated an arrangement with The Sherwin-Williams Company and PPG Porter Paints to provide products and services to Fresh Coat franchisees at reduced prices. The Sherwin-Williams Company and PPG Porter Paints are national manufacturers and retailers of paint, wall coverings, and ancillary supplies. Our franchisees receive a discount of 20-40% on paints, tools, and equipment from their local Sherwin-Williams Paints and PPG Porter Paints locations. Although full retail prices for these products and services will vary from one area of the country to another, the prices applicable to Fresh Coat franchisees are generally more favorable than full retail prices. This arrangement is subject to change without notice.

Some suppliers pay fees for sponsorships or display space at our meetings for franchise owners. These fees defray our costs for the meeting, but there are not specific restrictions on their use. In calendar year 2022, we receive \$38,850 in proceeds from suppliers for sponsorships or display space at our annual conference.

Except as disclosed herein, neither we nor our affiliates derived revenue, rebates, or other material consideration based on required purchases or leases.

We do not provide material benefits to you based upon your use of designated or approved sources. There are no purchasing or distribution cooperatives, although we have the right to require you to participate with us or with other franchise owners when purchasing certain products or services to be sold or used in the franchised business. Except as described above, we have not negotiated any purchase arrangements with suppliers for your benefit. In the future, we may negotiate alliance programs or purchase arrangements with suppliers for the benefit of Fresh Coat and the franchise system. Among other things, we may receive rebates, price adjustments, or discounts on products or services sold to you by approved suppliers. We may, in our discretion, either pass through to the National Branding Fund all or some portion of the funds we receive as a direct result of products or services you purchase from approved suppliers, retain the funds, use the funds to help pay for periodic franchisee conferences, or, if a franchisee is in compliance with all agreements with us, return rebates to franchise owners pro rata based on their purchases from approved suppliers. Except for a local cooperative advertising fee, there are no minimum advertising expenditures you are required to make.

ITEM 9. FRANCHISEE’S OBLIGATIONS

The following 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.

<i>Obligation</i>	<i>Section in Agreement</i>	<i>Item in Disclosure Document</i>
a. Site selection and acquisition/lease	§1.2, Art 3	11 and 12
b. Pre-opening purchases/leases	7.4 and 7.5	5 and 7
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	7.1	11
e. Opening	7.6 and 13.1	11
f. Fees	Art 4 and 5	5 and 6
g. Compliance with standards and policies/operating manual	§7.1, Art 9	8, 11, 12 and 16
h. Trademarks and Proprietary information	Art 8, 9, 10	13 and 14
i. Restrictions on products/services offered	7.3	16

<i>Obligation</i>	<i>Section in Agreement</i>	<i>Item in Disclosure Document</i>
j. Warranty and customer service requirements	7.12	6
k. Territorial development and sales quotas	Not Applicable	12 and 17
l. Ongoing product/service purchases	7.5	8
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	7.9(b)	7 and 8
o. Advertising	Art 11	8 and 11
p. Indemnification	§7.9(a), Art 17	17
q. Owner's participation/ management/staffing	7.6, 7.14 and 15.1	17
r. Records/reports	7.8 and 7.15(f)	17
s. Inspections/audits	7.8(g)	6 and 17
t. Transfer	Art 12	17
u. Renewal	2.2	17
v. Post-termination obligations	Art 14	17
w. Non-competition covenants	15.2 and 15.3	17
x. Dispute resolution	Art 16, § 18.4	17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

Except as listed below, Fresh Coat is not required to provide you with any assistance.

Before you open your business, Fresh Coat will:

Approve or disapprove the boundaries that you submit for your franchise territory. Your territory must be a geographic area delineated by postal code. If the postal service alters the boundary or number of the postal codes assigned to you, we will re-define the boundaries of your territory to correspond as nearly as possible to your original territory. Our decision on this matter will be final. (Franchise Agreement § 1.2).

Provide written specifications and a list of suppliers for all equipment, products, services, and supplies necessary to operate your franchise. (Franchise Agreement §6.1). You may purchase certain marketing materials from the Fresh Coat national branding fund.

Provide you with advertisements, layouts and images for use in various media, and a set of templates for business cards and stationary. We may, at our election, provide these items in a digital format. (Franchise Agreement § 6.1).

Loan you one copy of our operations manual, which contains mandatory and suggested specifications, standards, and procedures. (Franchise Agreement § 6.3). The manual is confidential and remains our property. You will receive a copy of the manual when you begin the initial training program. We may provide the manual in a digital format in addition to or instead of a paper copy. We have the right to modify the manual from time to time, but the modification cannot alter your status and rights under the franchise agreement. (Franchise Agreement § 6.3). The total number of pages in the manual as of the date of this disclosure document is 239. The table of contents of the manual is attached to this disclosure document as Exhibit J.

Provide you with 1 copy of the forms you will use to report your sales, order supplies, and communicate with us. You may purchase additional copies from any approved supplier or use photocopies of the originals. We may, at our election, provide the forms in a digital format. (Franchise Agreement § 6.2).

Provide an initial training program for up to 2 people, one of which must be the person responsible for the general oversight and management of the franchised business. (Franchise Agreement § 6.1).

During the operation of the franchised business, we will:

Provide you with assistance via telephone and electronic mail to the extent we deem necessary. (Franchise Agreement § 6.1).

Provide you with such other materials, information and assistance as we may deem necessary. (Franchise Agreement § 6.1).

Advertising. You are required to spend the greater of \$1,500 or 5% of your Gross Revenues each month on local advertising, up to a maximum of \$25,000 per year, and provide us with verification of your expenditure upon request. Your franchise agreement does not otherwise restrict or mandate the amount of advertising you may conduct or the media in which any advertising may be placed, except that we reserve the exclusive right to control all Internet promotion and online marketing of your services. We will provide you with advertisements, layouts and images for use in various media, but you are free to use your own advertising material so long as we approve it first. If you wish to use an advertisement that we have not provided and that has not been previously approved, you must submit it to us by electronic mail for approval. You will typically be notified whether the advertisement is acceptable within 30 days after we receive it. The approval of advertising will be made on a case-by-case basis using purely subjective criteria. All of your advertising in any medium must be conducted in a dignified manner, be completely accurate and truthful, conform to standards and requirements listed in the operations manual and to all applicable laws and regulations regarding consumer advertising, and contain a notice that your franchise is independently owned and operated. (Franchise Agreement § 11.7). Any advertisement that you develop for your franchised business automatically becomes our property, and we may use it or provide it to our other franchisees for their use without compensating you. (Franchise Agreement § 11.9). There is no advertising council composed of franchisees that advises Fresh Coat on advertising policies or other matters.

Web Site. Although we are not required to do so by the franchise agreement, we may maintain a Web site to promote our franchisees' services and the sale of our franchises and to provide contact information for Fresh Coat locations. We may include your franchise contact information on a separate page on our Web site, paid for by the National Branding Fund. You are prohibited from establishing, without our prior written consent, your own Web site, Web page, listing, banner, URL, advertisement, or any other service or link on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services using our service marks or otherwise in connection with the franchised business. We reserve the right to control all Internet and online advertising and promotion of the services offered by our franchisees. We may also establish an intranet for our franchisees. If we do so, you will be required to use the intranet to communicate with us and to download our operations manual, updates to the manual, advertising materials, and other items. (Franchise Agreement §§ 7.15, 11.8).

Advertising Cooperatives. We may establish, change, dissolve, or merge local or regional marketing and advertising cooperatives in geographical areas with two or more Fresh Coat franchises. Advertising cooperatives may be established for areas covered by advertising media relevant to particular geographic markets, Metropolitan or Micropolitan Statistical Areas, the painting industry, or our advertising strategies, in our discretion. If we establish an advertising cooperative in an area, each franchise within the cooperative area must join and contribute to the cooperative each month. Your cooperative contribution will not be credited toward your national

branding fee. Either the cooperative or we will determine the amount of your monthly contribution, but it cannot exceed 3% of your Gross Revenues unless a majority of the cooperative members agree on a higher contribution. The members of each cooperative will be responsible for its administration, subject to our approval. Each member of an advertising cooperative will have one vote per franchise. Each cooperative will operate from written governing documents and must prepare monthly financial statements, all of which will be available for its members' review. Each franchisor-owned location in an area in which an advertising cooperative has been established will contribute to the cooperative on the same basis as other members of that cooperative. As of the date of this disclosure document, we have not established any advertising cooperatives. (Franchise Agreement § 11.10).

National Branding Fund. Although we are not obligated to do so under the franchise agreement, we make certain marketing materials and promotional services available to you through a national branding fund (the "National Branding Fund"). Some of the services may include a periodic publication for your customers, the development of new marketing programs, and other periodic drawings for services or promotional items. The marketing materials available for purchase from the National Branding Fund include all brochures and mailers used in our marketing program and promotional items bearing our logos and service marks.

You are required to pay a national branding fee of 2% of your monthly gross revenues or \$350, whichever is greater, to the National Branding Fund. (Franchise Agreement § 5.2). We have the right to increase the National Branding Fee at any time. Any increase in the National Branding Fee will be effective 30 days after you receive notice of the increase. All National Branding Fees are maintained in a separate bank account and may only be spent on advertising, promotion and marketing of the services provided by Fresh Coat franchises, the development of new advertising, promotional and marketing materials for the Fresh Coat system, employment of marketing personnel, the solicitation of National Accounts, and administrative costs associated with the maintenance of the National Branding Fund. Our current policy is to use the National Branding Fund for the development of new advertising, promotional and marketing materials and to advertise the services provided by franchisees in certain media. However, we have the right to change this policy at any time and use the National Branding Fund to place advertising in national, regional or local media (including broadcast, print, Internet, or other media), or develop and maintain Website(s) to promote our franchisees' services. We are reimbursed for any overhead, postage or labor provided to the National Branding Fund. Each franchisor-owned location (including those owned by our affiliates), if any, will contribute to the National Branding Fund on the same basis as franchisees.

The National Branding Fund is administered by our accounting personnel. An unaudited annual financial statement of the National Branding Fund is available to you after March 1 of each year. You may obtain an accounting of National Branding Fund expenditures by sending a written request to our corporate office. We do not presently have the National Branding Fund audited by an independent certified public accountant, but we reserve the right to do so at the National Branding Fund's expense. During the one-year period ending on December 31, 2022, the National Branding Fund had total receipts of \$1,696,203 and total expenses of \$1,259,461, of which 0.8% was spent on marketing materials, 37.5% on promotional programs, 20.7% on Web-based programs, 2.9% on regional and national meetings, and 38.1% on shipping and administration expenses.

The National Branding Fund is not and will not be an asset of Fresh Coat. The National Branding Fund is not a "trust", and we will have no fiduciary duty to you or any other franchisee in connection with the management of the National Branding Fund. The National Branding Fees you pay are not refundable or transferable under any circumstances, even upon the expiration, termination or transfer of your franchise. We are not required to spend any amount on advertising in your territory or to ensure that you benefit directly or pro rata from the National Branding Fees you pay. We are not required to spend equal or pro rata amounts on Fresh Coat franchises. Except as disclosed above, neither Fresh Coat nor any affiliate of Fresh Coat receives any payment from the National Branding Fund.

No portion of the Fund is used for advertising that is principally a solicitation for the sale of franchises, but solicitations for the sale of Fresh Coat franchises may be an incidental part of advertising paid for by the Fund. If any of the National Branding Fees are not spent in the fiscal year in which they accrue, expenditures made from the National Branding Fund in the following year will be made first out of accumulated earnings from previous years (if any), next out of earnings in the current year, and finally from contributions.

Computer Hardware and Software. You must obtain and use the computer hardware and software complying with specifications that we periodically establish, including hardware components, dedicated telephone lines, printers, and other computer-related accessories and peripheral equipment (the “Computer System”). You will be issued an e-mail account that is capable of receiving and sending attached files. You will need a high-speed Internet connection through a commercial Internet Service Provider for purposes of accessing our franchisee intranet site and communicating via email. (Franchise Agreement § 7.13). You must use or Smart Quote™ estimating software. The Computer System may store some data and information about your clients, finances, and operations based on information you input. We estimate that the cost for the required Computer System will range from \$2,000.00 to \$3,000.00. The Computer System currently includes a laptop computer and data management software and peripherals. The minimum Computer System requirements include:

- Windows® 8 (or higher)
- 8 GB RAM
- Storage 500 GB (HD) or 256 GB (SSD)
- USB ports and USB drive for data back-up
- 17” LED or LCD monitor capable of HD resolution
- 300 dpi laser printer
- Smart Quote™

We have the right to require you to provide us with independent access to your Computer System via the Internet for any information relating to the business. (Franchise Agreement § 7.8). There are no other contractual limits on our right to access the information and data stored on your Computer System, but we do not have access to the Computer System without your acknowledgement and without you providing access to us. You are contractually required to upgrade or update your Computer System if we require it during the term of the franchise. (Franchise Agreement §§ 7.4, 9.3). There are no contractual limitations on the frequency or cost of any update or upgrade. We are not obligated to provide or assist you in obtaining the computer system, although we will provide you with the name of one or more vendors from whom you may purchase the equipment.

We recommend that you obtain local Information Technology (“IT”) support for the operation and continued maintenance of the hardware, software and network configurations to support the franchised business. We estimate the annual cost for this recommended IT support will range from \$250 to \$1,000. This estimate may vary depending on your specific IT needs, knowledge, and local market conditions. Fresh Coat is not required to establish, maintain, and/or troubleshoot any issues with your Computer System.

Location of Franchised Business. You will operate the franchised business from at least one office site. We do not select or approve a site, or provide you with assistance in selecting a site, for your office. You may operate your franchise from an office in your home, provided that doing so will not violate any zoning or building code or other laws. You may also operate your franchise from rented office or warehouse space. Your office must be located in your territory unless your office is in your home and you live outside your territory, in which case you may not use your home address on your business cards or stationery or in any advertisements (including online and “help-wanted” ads)—you must maintain and use a business address in your territory and the telephone number for your franchise must be listed under that address. We do not impose any other restrictions upon the location of your office. Your office should be near the more densely populated areas of your territory and convenient to major thoroughfares. You must provide us with the address of the office and notify us promptly of any change in the location. You may not relocate the franchised business without our approval. Whether or not we would allow relocation depends on the circumstances at the time and what is in the systems’ best interests,

based on our business judgment. Any relocation, if approved, would be at your sole cost. (Franchise Agreement, Article 3).

Length of Time to Open Franchise. Franchisees typically begin operating their franchises 1 to 4 months after signing the franchise agreement, depending on how quickly they are able to attend our initial training program. Training programs are typically held every 4 to 6 weeks. Other factors that affect this time are the availability and timing of your financing, any previous employment commitments, your ability to complete our training program, hire and train personnel, comply with any applicable licensing requirements, and schedule your initial marketing campaign. You must open your franchise within 90 days after you complete the initial training program or we have the right to terminate your franchise without refunding any fees you have paid. (Franchise Agreement §§ 7.6, 13.1).

Promotions. We may, in our sole discretion, periodically offer certain promotions to prospective franchisees. Such promotions may vary in nature and may include, by way of example and without limitation, partial reimbursement for expenses and marketing materials. All such promotions will be made available to all prospective franchisees that receive a franchise disclosure document within a certain defined time period.

Referral Fee. If you refer a prospective franchisee to us who is not already in our sales system, then we will provide you a referral fee of \$7,500.00 if that person purchases a franchise from us or from one of our affiliates. If you “self-refer” within 30 days after your completion of the initial training program, then in addition to the referral fee, we will waive the minimum royalty on your second territory for six months. The referral fee is \$20,000 for the fifth referral within a 12-month period. You will not otherwise participate in the awarding of the franchise to the prospective franchise owner and are not authorized to make financial performance representations. You are entitled to the referral fee when payment in full is received for the initial franchise fee from the person that you refer to us, a franchise agreement is signed, and the person has completed the initial training program. We may cancel or modify this referral policy at any time.

Existing owners may receive a prospective franchisee conversation fee if they answer questions of prospective candidates who become franchise owners. There is a pool (currently \$500) that is split among all franchise owners who speak with a candidate who becomes a franchise owner. We do not control the content of any communications between existing owners and prospective owners, and existing owners do not act as our agents or representatives in any way. We may cancel or modify this conversation fee policy at any time.

Training. After you sign the franchise agreement and pay the initial franchise fee, you will begin our “Base Coat Program.” The Base Coat Program is a preliminary training phase that you will engage in at home. During the Base Coat Program, you will receive and read your operations manual, collect information about advertising media in your market, prepare a business plan, form a business entity to operate the franchised business, secure financing (if needed), obtain insurance, establish a bank account, and schedule your training dates. We will provide you with instructions and guidelines for the Base Coat Program and telephone support during this time.

If this is your first Fresh Coat franchise then, before you open your franchise, we will train up to 2 people to operate the franchise. All of the initial training is conducted at our corporate headquarters in Cincinnati, Ohio, by or under the supervision of our President, Tara Riley, and our Vice President of Training and Business Systems, Tom Tucker. Ms. Riley has been involved in this field and has overseen the training and supporting of our franchisees since December 2014. Mr. Tucker has been doing so since May 2017. We do not employ a separate staff whose sole function is to train franchisees. The training is conducted by our employees with various administrative and operational responsibilities and by third-party vendors. We may change the trainers at any time. We do not charge a fee for the initial training, but you are responsible for paying the costs of travel, lodging, food, and compensation for you and your employees during the training program. The initial training program is mandatory—you, or the person designated as responsible for the general oversight and management of the franchised business, must begin the training program within 90 days after you sign the franchise agreement and complete it to our satisfaction, or we have the right to terminate your franchise without refunding any fees

you have paid. Training programs are typically scheduled on a monthly basis, subject to demand. At the present time, we do not require you to attend other training programs after your successful completion of the initial training program, although we have the right to require additional training and to charge you a reasonable fee for it. We also provide training for additional or replacement managers, for which we may also charge a reasonable fee. (Franchise Agreement §§ 7.1, 7.6 and 13.1).

The agenda of our initial training program is described below:

TRAINING PROGRAM

<i>Subject</i>	<i>Classroom Training Hours</i>	<i>On-the-Job Training Hours</i>	<i>Location</i>
Orientation	1	0	Cincinnati, Ohio
Pro-forma/Financial Workshop	1	0	Cincinnati, Ohio
Pre-Opening	1	0	Cincinnati, Ohio
Estimating/EPIC Software	24	0	Cincinnati, Ohio
Human Resource Management	2	0	Cincinnati, Ohio
Hiring Process	3	0	Cincinnati, Ohio
Scheduling & Planning	2	0	Cincinnati, Ohio
Financial Management	1	0	Cincinnati, Ohio
Equipment Set-up; Electronic Resources, Services & Sites	1	0	Cincinnati, Ohio
Marketing & Promotion	2	0	Cincinnati, Ohio
Review	2	0	Cincinnati, Ohio

The instructional materials for our training program include the Operations Manual and handouts. We reserve the right to extend the hours of the training program, the require additional training, or to require that training be conducted on-line.

Additional Training. The Environmental Protection Agency requires certain training and certification for home improvement contractors that may encounter lead-based coating in buildings. Among other things, the EPA regulation requires the contractor to notify homeowners, be present during certain types of jobs, train employees, and maintain certain administrative documentation. Before you open your Fresh Coat franchise, you and your employees will need to be trained to comply with this regulation by a certified trainer. The training will be at or near your location and will require 8 hours of training for you and 4 to 8 hours for each of your employees. We estimate the registration to be \$300 for the initial certification and an additional \$150 to \$325 for training per person.

Franchise Owner Meetings. We may hold regional and/or national meetings with our support personnel and franchise owners to discuss sales techniques, service procedures, personnel issues, and marketing methods, and to introduce new management tools, marketing programs, and promotional items. We do not presently require attendance at these meetings, but we may do so. We may charge reasonable registration fees for these meetings. Currently, the attendance fee for the national meeting is approximately \$599 per person; first year franchise owners may receive a refund of the fee after attendance. If attendance at these meetings is required, we reserve the right to charge the registration fee even if the required attendee does not attend. All expenses, including travel and lodging, are your responsibility. (Franchise Agreement § 7.21).

Office Visits. We may, in our discretion, visit your office from time to time in order to provide additional operational support. Presently we do not charge you a fee for such office visits, but we reserve the right to require you to reimburse us for the cost of our travel to your office and for related expenses. (Franchise Agreement § 7.19).

Grand Opening Promotion. Before you open your Fresh Coat franchise, you must spend at least \$3,000, as directed by us, on a Grand Opening Promotion. This will include marketing materials and advertising to promote the business. You may wish to spend more than \$3,000 on the Grand Opening Promotion, depending upon the size of your market, the marketing techniques you use, and the cost of advertising in your market, but you must provide us with receipts confirming that you spent the required minimum amount as directed by us. No part of the Grand Opening Promotion expenses will be refundable. You will purchase the marketing materials and advertising from approved suppliers.

ITEM 12. TERRITORY

We will grant you an exclusive protected territory delineated by postal codes. Your territory will have a population of between 175,000 and 200,000 for the minimum franchise fee. If the population of your territory exceeds 200,000, you must pay an additional franchise fee of \$500 for each unit of 1,000 population in excess of 200,000. There is no maximum limit on the population of your territory. The population of your territory will be determined using extrapolated census figures, demographic data, and our designated mapping system.

There are no minimum sales quotas. Your rights to your territory are not dependent upon your achievement of a certain sales volume, market penetration, or other contingency. You maintain the rights to your territory even if the population increases. If the boundaries of your territory are altered by a third party (for example, if the Postal Service alters the boundary or number of a postal code assigned to you), we have the right to redefine the boundaries of your territory to correspond as nearly as possible to the original territorial border. Our decision on this matter will be final. There are no other circumstances that would permit us to modify your territorial rights.

You do not have the right to operate your franchise in another franchisee's territory or anywhere outside your protected territory, but we may, in our business judgment, permit you to do so in certain circumstances described below. If we permit you to solicit or accept clients outside your territory, then you may use any commercially reasonable channel of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing method to obtain and service clients outside your territory.

"Operate your franchise in another franchisee's territory" means providing products or services at a job site located in another franchisee's territory. The exclusivity of your territory begins once you complete our initial training program and become fully operational.

Although we are not obligated to do so under the franchise agreement, we may permit you to operate your franchise in areas outside your territory that are not part of another Fresh Coat franchisee's territory. We may, in our discretion, allow you to continue serving existing contracts to clients located in areas outside your territory after such area later becomes part of another franchisee's territory, but you must stop soliciting and serving new clients in any such area. Similarly, earlier franchisees may have operated their franchises in areas that later became part of your territory; if so, they may be permitted to continue to provide services in your territory to clients they already had in your territory before you opened your franchise, but they will be prohibited from soliciting and serving any new clients in your territory once you open your franchise. In addition, we may permit you to operate in the territory of a franchisee that has been provided written notification of a default under the franchise agreement and who has not cured the default within 30 days. In this event, the exclusivity of the defaulting franchisee's territory could, in our discretion, be suspended until the default is cured. You do not acquire any rights to any areas outside your territory, and you must immediately stop operating your franchise in any area outside your territory upon notification from us.

You may not relocate your franchise territory without our approval. Whether or not we would allow relocation depends on the circumstances at the time and what is in the systems' best interests, based on our business judgment. Any relocation, if approved, would be at your sole cost.

The exclusivity of your territory does not extend to clients that we identify as a National Account. A "National Account" is a business, association, or other organization with members, affiliates, policyholders, offices, stores, plants, buildings or other facilities that are not confined to the territory of a single Fresh Coat franchisee. With our prior written consent, you may service National Accounts at or from locations in another franchisee's territory. We have the exclusive right to identify clients or potential clients as National Accounts, to service National Accounts, and to award the right to service National Accounts to any Fresh Coat franchisee, in our sole and absolute discretion.

The exclusivity of your territory does not include marketing, advertising and promotional activities. Other Fresh Coat franchisees (no matter who owns them) may advertise and promote their services in media that are distributed, circulated or broadcast in your territory. It is possible that some part or all of your territory may have previously been owned by a former franchisee. If you submit a written request to us by certified mail, return receipt requested, then we will notify you whether or not a former franchisee previously owned the exact boundaries of your territory.

Fresh Coat does not reserve the right to provide competing services or to use any alternative distribution, including the Internet, within your territory, under its principal trademarks or different trademarks. We will not solicit or accept orders inside your territory.

You can reserve a specific territory for up to 30 days before you sign the franchise agreement by paying a \$5,000 deposit and sending us a signed Remittance Form. The deposit will be applied toward your initial franchise fee.

We may not operate or grant another Fresh Coat franchise within your protected territory, but nothing prohibits us from operating or granting other Fresh Coat franchises anywhere outside your protected territory, no matter how close their office may be to your office, and other franchisees' territories may border your territory. Nothing prohibits us from operating or granting, within your territory, other franchises that offer some of the same services offered by Fresh Coat franchises, so long as the business is not "substantially similar" to a Fresh Coat franchise and they operate under different trademarks.

Your franchise agreement does not give you any option, right of first refusal, or similar right to acquire additional franchises.

Except as disclosed in this Item 12, we may not modify your territorial rights without your consent.

ITEM 13. TRADEMARKS

If you purchase a Fresh Coat franchise, you will be granted the right to operate a painting franchise under the trade name FRESH COAT and to use the service marks FRESH COAT and FRESH COAT PAINTING DONE RIGHT to identify the services offered by the franchise. You may also use the logo depicted on the cover of this disclosure document and other service marks we may adopt in the future. You may only use names and service marks that we authorize you to use.

We registered the mark FRESH COAT with the U.S. Patent and Trademark Office (the "Trademark Office") on January 10, 2017 (Reg. No. 5,117,759). We have entered into a Consent Agreement with a South Carolina corporation named Kerry Customs, Inc., which has registered the mark DR. FRESHCOAT; pursuant to the Consent Agreement, neither party will challenge the other's right to use the FRESH COAT and DR. FRESHCOAT marks, respectively. We will file all affidavits necessary to maintain the registrations. To date, no renewal filings have been required.

You must modify or discontinue your use of FRESH COAT and adopt any new or replacement marks at your expense if we modify or discontinue a mark or adopt a new or replacement mark. We are not required to reimburse you for your costs if you do. You must not directly or indirectly contest our right to our service marks, trade secrets or business techniques that are part of our business. We, at our option, will control any proceedings or litigation arising from or relating to our trademarks.

You must follow our rules when you use any of our marks. You cannot use a name or mark as part of the name of a business entity. You cannot use a name or mark with modifying words, designs or symbols other than those that we license you to use. You cannot, without our prior consent, use a name or mark on or as part of any Web site, domain name, URL, Web page, electronic mail address, listing, banner, advertisement or any other service or link on, to, or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services. You cannot register a name or mark as a service mark, trademark, or Internet domain name. You may not use any of the marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us. You must not use, in advertising or any other form of promotion, any of our trademarks or commercial symbols without the appropriate notices that we or the law may require, including, ®, SM, or other trademark notice.

Except as disclosed above, there are no effective determinations of the Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, no pending infringement, opposition or cancellation, nor any pending material litigation involving our marks that are material to a Fresh Coat franchise. Affidavits will be filed as necessary to preserve our trademark registrations.

You must notify us immediately when you learn about any infringement of or challenge to your use of our service mark. We will take whatever action we think appropriate. We are not required to defend you against a claim against your use of our marks or indemnify you for your liability or expenses arising from your defense of such a claim.

We are aware of the following third-party uses of our marks. Any franchisees in or around these geographic areas could be materially affected by these infringing uses:

1. A company named McGarrity Enterprises, Inc. claims to have been operating a painting business under the name FRESH COAT PAINTERS in Illinois since 1992. It claims a superior right to use the name in its business area, which it claims consists of the state of Illinois. Although we have not agreed upon or established the exact boundaries of its business area, it may be able to prevent us from using or licensing the use of the FRESH COAT mark in certain areas.
2. A company named Fresh Coat Painting Inc. claims to have been operating a painting business under the name FRESH COAT PAINTING INC. in Kissimmee, Florida since 2004. Although we have not agreed upon or established the exact boundaries of its business area, it may be able to prevent us from using or licensing the use of the FRESH COAT mark in certain areas.
3. A company named A Fresh Coat Painting claims to have been operating a painting business under the name A FRESH COAT PAINTING in Beaverton, Oregon since 2006. Although we have not agreed upon or established the exact boundaries of its business area, it may be able to prevent us from using or licensing the use of the FRESH COAT mark in certain areas.

Except as disclosed above, we have no actual knowledge of any infringing uses that could materially affect your use of our marks. No agreements limit our right to use or license the use of our marks. There may be other businesses offering similar services and using the name FRESH COAT whose use predates our first use of the name. Fresh Coat and its franchisees may not be able to use the name FRESH COAT in the market areas of other painting businesses that are using the name FRESH COAT or a similar name.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise.

We have not obtained any copyright registrations, but claim common law copyrights in our operations manuals (which contain proprietary information), marketing materials, and any other original or proprietary works developed by Fresh Coat. All materials of that nature will bear copyright notices. All rights and interests in these materials will be retained by Fresh Coat.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the copyrights in any manner material to the franchise. There are no effective determinations of the U.S. Copyright Office, no pending infringement, opposition or cancellation, nor any pending material litigation involving any of the items or information in which we claim copyrights that are material to a Fresh Coat franchise.

We have developed distinctive systems for the operation of painting businesses. Our systems include pricing methods, management techniques, proposals and management forms/formats, specifications, procedures, knowledge, and expertise in the operation of the businesses, much of which is not commonly known to the public or to our competitors, gives us an advantage over competitors who do not know or use it, and which we have identified or may identify as proprietary and confidential information. We will disclose proprietary and confidential information to you in the operations manual, during ongoing training seminars, and in guidance furnished to you during the term of your franchise agreement.

You will not acquire any interest in any proprietary and confidential information we may communicate to you, other than the right to utilize it in the operation of your franchised business during the term of your franchise agreement. The information is disclosed to you solely on the condition that you (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the term of your franchise agreement; (3) will not make unauthorized copies of any portion of the operations manual or any other written communication from us; and (4) will adopt and implement all reasonable procedures we may require to prevent unauthorized use or disclosure of the information, including restrictions on disclosure of the information to employees of the franchised business and the use of nondisclosure and noncompetition clauses in employment agreements.

You must notify us immediately when you learn about any infringement of or challenge to your use of our copyrighted materials. We will take whatever action we think appropriate. We are not required to defend you against a claim against your use of our copyrighted materials or indemnify you for your liability or expenses arising from your defense of such a claim.

You may not use, in advertising or any other form of promotion, any of our copyrighted materials, trademarks, or commercial symbols without the appropriate notices that we or the law may require, including © or other copyright notice. You must discontinue your use, at your expense, of any item or information in which we claim a copyright if any party demonstrates to our satisfaction a superior right to the use of such item or information. We are not required to reimburse you for your costs if you do. You must not directly or indirectly contest our right to any item or information in which we claim a copyright.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require that you personally supervise the franchised business, although we recommend that you do so. Each franchised business must be directly supervised "on-premises" by a manager who has been approved by us and has successfully completed our training program. The manager need not have an ownership interest in a franchisee that is a corporation, partnership, limited liability company, or other entity. The manager must

sign a written agreement to maintain the confidentiality of any confidential information about Fresh Coat or your business that may be disclosed to him or her and a covenant not to compete with your business that is enforceable within your jurisdiction. If you acquire additional Fresh Coat franchised businesses, each franchised business must have its own full-time manager or marketing employee.

You may not compete with, or own an interest in any business that competes with, your franchise anywhere during the term of your franchise agreement, or in or within 15 miles of your franchise territory or any other franchisee's territory for 2 years after the expiration, transfer, or termination of your franchise agreement. If the franchisee is a corporation, partnership, limited liability company, or other entity, the restrictions in this paragraph also apply to all of the owners of the franchisee. If the franchisee is a corporation, partnership, limited liability company, or other entity, all of its owners must sign an agreement to maintain the confidentiality of any confidential information about Fresh Coat or your business that may be disclosed to them, and an agreement personally guaranteeing all of the franchisee's obligations under the franchise agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

There are no restrictions on the goods or services you may offer for sale, except as described below in this Item 16.

You may use no name for your franchised business other than FRESH COAT without our approval, and you may use only trademarks that we authorize you to use.

You may not provide products or services at a job site located in another franchisee's territory. Although we are not obligated to do so under the franchise agreement, we may permit you to operate your franchise in areas outside your territory that are not part of another Fresh Coat franchisee's territory. You do not acquire any rights to any areas outside your territory, however, and you must immediately stop operating your franchise in any area that becomes part of another franchisee's territory. There are no other restrictions on your customers.

You may not use the premises on which the franchised business is located for any purpose other than the operation of the franchised business and the sale of permitted products and services (this restriction does not apply if you operate the franchised business from an office in your home).

You are required to offer and sell only those products and services that we have authorized. You are prohibited from offering any other products and services without our approval. You must offer all products and services that we designate as required for all franchise owners. We have the unlimited right to authorize additional products and services that you are required or permitted to offer. We also have the right to designate some services as optional for franchise owners in certain markets.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
a. Length of the Franchise term	2.1	10 years

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
b. Renewal or extension of the term	2.2	Your renewal right permits you to remain as a franchise after the initial term of your franchise agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to obtain 2 additional 10–year terms. You must sign our then-current franchise agreement for the renewal term, and this new agreement may contain materially different terms and conditions (including, e.g., higher royalty and/or advertising contribution) from the agreement that covered your original term.
c. Requirements for you to renew or extend	2.2	“Renewal” means that, if you are in full compliance with the Franchise Agreement at its term’s expiration and we are then continuing to offer new franchise opportunities, then you may acquire a successor franchise term of 10 years. If you wish to acquire a successor franchise term, you must satisfy the pre-conditions to renewal that we then require, including giving 6-12 months written notice, signing our then-current franchise agreement (which may contain materially different terms and conditions such as a higher royalty and/or branding contribution) and (if state law allows) a form of general release, and comply with any new training requirements.
D. Termination by you	1.2	Not Applicable, subject to state law
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	1.2 and 13.1	We can terminate your franchise if you do not complete the training program to our satisfaction.
g. “Cause” defined – defaults which can be cured	13.1(a) – (f)	You have 30 days to cure: non-payment of fees or notes, failure to submit reports, understatement of Gross Revenues, infringement of another franchisee’s territory, and any other default not listed in sections 13.1(g) through (s).
h. “Cause” defined – defaults which cannot be cured	13.1(g)- (s)	Non-curable defaults: failure to begin training within 90 days after franchise agreement signed, failure to open franchise within 90 days after you complete training, certain assignments, abandonment, failure to comply with applicable law, unapproved transfers, misrepresentation, submission of false report, knowing understatement of Gross Revenues, knowing infringement into another franchisee’s territory, failure to maintain and provide proof of liability insurance, bankruptcy ¹ , seizure of or execution against your franchise, certain criminal misconduct, conduct which reflects negatively on the system, danger to public.
i. Your obligations on termination/nonrenewal	Article 14	Stop operating franchise, stop using confidential information and trademarks, complete de-identification, return manuals, records, files, and materials containing marks, cancel assumed name registration, assign or cancel telephone number, obtain insurance tail coverage, pay outstanding amounts due and damages (also see r, below).
j. Assignment of contract by us	12.1	No restriction on our right to assign.
k. “Transfer” by you – definition	12.2	Includes transfer of contract or assets, ownership change, and encumbrance.
l. Our approval of transfer by you	12.2	We have the right to approve all transfers but may not unreasonably withhold consent.

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
m. Conditions for our approval of transfer	12.2(b)	All your financial obligations and transfer fee paid, new franchisee qualifies, you release claims (if permitted by state law), new franchisee signs current agreement and completes training (also see r, below).
n. Our right of first refusal to acquire your business	12.4	We can match any offer for your business.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	12.5	Your heirs may inherit your franchise provided they qualify and meet other requirements for transfer (see m, above).
q. Non-competition covenants during the term of the franchise	15.2	No involvement in business that competes with Fresh Coat, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	15.3	No involvement in business that competes with Fresh Coat for 2 years in or within 15 miles of any franchise territory, subject to state law, no solicitation of customers for 2 years, no solicitation of referral sources in or within 15 miles of any franchise territory for 2 years, subject to state law
s. Modification of the agreement	9.3 and 18.1	Modification only by written agreement, but we may modify operations manual so long as it does not change your fundamental status and rights.
t. Integration/merger clause	18.1	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable, subject to state law.
u. Dispute resolution by arbitration or mediation	16.2 and 16.3	Except for certain claims, all disputes must be arbitrated in Cincinnati, Ohio (subject to state law); claims may not be consolidated with claims of other franchisees; parties waive right to jury trial and punitive damages; except for certain claims, all claims must be brought within 1 year, subject to state law.
v. Choice of forum	18.4	Except for claims arising under a franchise law of the state where the franchised business is located, all litigation or arbitration must be in Ohio, subject to state law.
w. Choice of law	18.3	Except for claims arising under a franchise law of the state where the franchised business is located, Ohio law applies, subject to state law.

¹This provision may not be enforceable under federal bankruptcy law.

ITEM 18. PUBLIC FIGURES

Fresh Coat does not use any public figure to promote its franchises.

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 performance at a particular location or under particular circumstances.

Presented below are historic Gross Revenue and Gross Profit figures for franchised Fresh Coat business owners for the one-year periods ending December 31, 2022, December 31, 2021 and December 31, 2020. Only data from franchisees who were open for at least one year, who operated their business on a full-time basis in the United States during the entire period, who reported Gross Revenue for all 12 months of the period, and who submitted income statements by March 30, 2023 were included in the table.

2022 Results

There were 166 Fresh Coat franchises (each franchise consists of a single franchise territory) in operation as of December 31, 2022, which were owned by 139 franchisees. Of those, 88 franchisees were open for at least one year before that date, operated their business on a full-time basis in the U.S., reported Gross Revenue for all 12 months between January 1, 2022, and December 31, 2022, and submitted income statements by March 30, 2023

1. This column represents data from 63 Fresh Coat franchisees that owned single units and 25 Fresh coat franchisees that owned multiple units.
2. This column represents data only for the 63 Fresh Coat franchisees that owned a single unit and excludes the data from 25 Fresh Coat franchisees who owned multiple units.
3. This column represents data only for 21 Fresh Coat franchisees open for at least 12 months and not more than 36 months before December 31, 2022.
4. This column represents data only for 32 Fresh Coat Franchisees open for at least 37 months and not more than 72 months before December 31, 2022.
5. This column represents data for only 35 Fresh Coat franchisees open for at least 73 months before December 31, 2022.

	1	2	3	4	5
2022 Results	All Reported	Single Units	12 to 36 Months	37 to 72 Months	73 Months or More
Number of Franchisees	88	63	21	32	35
Highest Gross Revenue	\$2,445,741	\$2,092,102	\$955,522	\$2,345,837	\$2,445,741
Average Gross Revenue	\$640,756	\$527,901	\$417,742	\$653,222	\$763,166
Median Gross Revenue	\$475,504	\$426,362	\$370,019	\$544,901	\$526,355
Lowest Gross Revenue	\$123,484	\$123,484	\$123,484	\$150,984	\$207,312
Number of Franchisees who attained or exceeded the average Gross Revenue	32	24	8	12	13
Percentage of Franchisees who attained or exceeded the average Gross Revenue	36%	38%	38%	38%	37%
Highest Gross Profit Percentage	62.74%	62.74%	56.21%	60.57%	62.74%
Average Gross Profit Percentage	43.99%	43.39%	43.64%	44.45%	43.79%
Median Gross Profit Percentage	43.28%	42.17%	43.27%	43.75%	43.29%
Lowest Gross Profit Percentage	26.95%	26.95%	26.95	31.50%	27.58%
Number of Franchisees who attained or exceeded the average Gross Profit Percentage	42	26	10	17	17
Percentage of Franchisees who attained or exceeded the average Gross Profit Percentage	49%	41%	48%	53%	49%
Avg Time in Operation	5 years, 11 Months	5 years, 7 Months	2 years, 1 month	4 years, 6 months	9 years, 9 months

2021 Results

There were 174 Fresh Coat franchises (each franchise consists of a single franchise territory) in operation as of December 31, 2021, which were owned by 147 franchisees. Of those, 85 franchisees were open for at least one year before that date, operated their business on a full-time basis in the U.S., reported Gross Revenue for all 12 months between January 1, 2021 and December 31, 2021, and submitted income statements by March 30, 2022

1. This column represents data from 58 Fresh Coat franchisees that owned single units and 27 Fresh coat franchisees that owned multiple units.
2. This column represents data only for the 58 Fresh Coat franchisees that owned a single unit and excludes the data from 27 Fresh Coat franchisees who owned multiple units.
3. This column represents data only for 32 Fresh Coat franchisees open for at least 12 months and not more than 36 months before December 31, 2021.
4. This column represents data only for 23 Fresh Coat Franchisees open for at least 37 months and not more than 72 months before December 31, 2021.
5. This column represents data for only 30 Fresh Coat franchisees open for at least 73 months before December 31, 2021.

	1	2	3	4	5
2021 Results	All Reported	Single Units	12 to 36 Months	37 to 72 Months	73 Months or More
Number of Franchisees	85	58	32	23	30
Highest Gross Revenue	\$2,538,712	\$1,577,902	\$689,264	\$2,538,712	\$2,487,901
Average Gross Revenue	\$632,895	\$539,692	\$373,419	\$716,332	\$846,968
Median Gross Revenue	\$505,077	\$423,493	\$339,982	\$563,116	\$701,736
Lowest Gross Revenue	\$124,009	\$124,009	\$124,009	\$223,166	\$218,837
Number of Franchisees who attained or exceeded the average Gross Revenue	32	26	13	8	12
Percentage of Franchisees who attained or exceeded the average Gross Revenue	38%	45%	41%	35%	40%
Highest Gross Profit Percentage	73.68%	73.68%	67.08%	49.97%	73.68%
Average Gross Profit Percentage	43.19%	42.56%	44.19%	41.21%	43.40%
Median Gross Profit Percentage	42.86%	42.05%	44.19%	41.64%	43.52%
Lowest Gross Profit Percentage	30.79%	30.79%	30.79	32.05%	32.96%
Number of Franchisees who attained or exceeded the average Gross Profit Percentage	42	28	16	13	15
Percentage of Franchisees who attained or exceeded the average Gross Profit Percentage	49%	50%	50%	57%	50%
Avg Time in Operation	5 years, 1 Month	4 years, 9 Months	1 year, 11 months	4 years, 2 months	9 years, 3 months

2020 Results

There were 165 Fresh Coat franchises (each franchise consists of a single franchise territory) in operation as of December 31, 2020, which were owned by 141 franchisees. Of those, 75 franchisees were open for at least one year before that date, operated their business on a full-time basis in the U.S., reported Gross Revenue for all 12 months between January 1, 2020 and December 31, 2020, and submitted income statements by March 30, 2021

1. This column represents data from 52 Fresh Coat franchisees that owned single units and 23 Fresh coat franchisees that owned multiple units.

2. This column represents data only for the 52 Fresh Coat franchisees that owned a single unit and excludes the data from 23 Fresh Coat franchisees who owned multiple units.
3. This column represents data only for 31 Fresh Coat franchisees open for at least 12 months and not more than 36 months before December 31, 2020.
4. This column represents data only for 18 Fresh Coat Franchisees open for at least 37 months and not more than 72 months before December 31, 2020.
5. This column represents data for only 26 Fresh Coat franchisees open for at least 73 months before December 31, 2020.

	1	2	3	4	5
2020 Results	All Reported	Single Units	12 to 36 Months	37 to 72 Months	73 Months or More
Number of Franchisees	75	52	31	18	26
Highest Gross Revenue	\$1,748,902.69	\$1,500,754.08	\$1,040,849.67	\$1,261,962.97	\$1,748,902.69
Average Gross Revenue	\$535,387.69	\$474,313.23	\$370,745.81	\$512,151.94	\$727,886.95
Median Gross Revenue	\$414,323.18	\$381,161.49	\$381,341.79	\$382,416.92	\$647,183.88
Lowest Gross Revenue	\$153,179.33	\$153,170.33	\$153,170.33	\$155,297.06	\$171,468.99
Number of Franchisees who attained or exceeded the average Gross Revenue	25	20	10	6	10
Percentage of Franchisees who attained or exceeded the average Gross Revenue	36%	38%	32%	33%	38%
Highest Gross Profit Percentage	70.49%	70.49%	70.49%	54.60%	60.66%
Average Gross Profit Percentage	44.07%	43.65%	43.13%	43.48%	44.84%
Median Gross Profit Percentage	42.10%	41.77%	42.48%	39.84%	42.97%
Lowest Gross Profit Percentage	31.12%	31.12%	31.12%	36.98%	34.00%
Number of Franchisees who attained or exceeded the average Gross Profit Percentage	32	24	14	8	11
Percentage of Franchisees who attained or exceeded the average Gross Profit Percentage	43%	46%	45%	44%	42%
Avg Time in Operation	4 years, 11 months	5 years, 1 month	2 years, 1 month	4 years, 7 month	8 years, 2 months

The preceding data has been extracted from royalty reports and income statements submitted to us by our franchisees. The income statements submitted to us were prepared by the franchisee.

Winner's Circle Results: From April 2018 to December 2020 there were 87 franchises that became eligible to participate in the Winner's Circle rebate opportunity described in Item 5, 11 of which attained Gross Revenues during the two-year period after the Commencement Date sufficient to receive the first rebate.

For purposes of this Item 19, "Gross Revenue" means the total of all income arising from the operation of the franchised business, whether cash or credit. It is recognized on an accrual basis and regardless of collection, which means that a franchisee's Gross Revenue for any period represents how much a franchisee billed its clients during the period, not how much the franchisee received. Gross Revenue does not include the amount of refunds and discounts made to clients, or the amount of sales or excise taxes that are separately stated and that the franchisee is required to and does collect from clients and pays to the appropriate taxing authority. "Gross Profit" means Gross Revenue minus the cost of direct labor and paint.

Neither the Gross Revenue figures nor the Gross Profit figures reflect the costs of sales, other operating expenses, or other costs or expenses that must be deducted from Gross Revenue to obtain your net income or

profit. You should conduct an independent investigation of the costs and expenses you will incur in operating a Fresh Coat franchise. Franchisees and former franchisees listed in this disclosure document may be one source of this information

We strongly suggest that you consult a financial advisor or accountant for assistance in reviewing the table and in preparing your own financial projections.

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 you upon request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are 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 Jeffrey D. Siehl, General Counsel/Vice President, 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio 45242, (513) 999-9893, 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 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	154	165	+11
	2021	165	174	+9
	2022	174	166	-8
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	154	165	+11
	2021	165	174	+9
	2022	174	166	-8

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

STATE	YEAR	NUMBER OF TRANSFERS
CALIFORNIA	2020	0
	2021	0
	2022	1
FLORIDA	2020	0
	2021	2
	2022	0
MARYLAND	2020	1
	2021	0
	2022	0
MICHIGAN	2020	1
	2021	0
	2022	0
OHIO	2020	0
	2021	1
	2022	2
SOUTH CAROLINA	2020	0
	2021	2
	2022	0
TEXAS	2020	2
	2021	3
	2022	3
TOTALS	2020	4
	2021	8
	2022	6

TABLE NO. 3
Status of Franchised Outlets
For years 2020 to 2022

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
ALABAMA	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
ARIZONA	2020	2	1	0	0	0	0	3
	2021	3	1	0	0	1	0	3
	2022	3	0	0	0	0	0	3
ARKANSAS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	2	0	0	0	0	3
BRITISH COLUMBIA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
CALIFORNIA	2020	9	4	0	0	2	1	10
	2021	10	3	0	0	0	0	13
	2022	13	1	2	0	1	2 ²	9
COLORADO	2020	6	0	0	0	2	0	4
	2021	4	0	0	0	1	0	3
	2022	3	0	0	0	0	0	3
CONNECTICUT	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
DELAWARE	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
FLORIDA	2020	6	1	0	0	2	0	5
	2021	5	8	0	0	0	0	13
	2022	13	6	3	0	1	1	14
GEORGIA	2020	12	0	0	0	2	0	10
	2021	10	1	0	0	1	0	10
	2022	10	2	0	0	0	0	12
HAWAII	2020	1	0	0	0	0	1	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	2	0	0	0	1	7
	2021	7	2	0	0	0	0	9
	2022	9	1	1	1	0	1	7
INDIANA	2020	1	0	0	0	1	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

² A unit in California relocated to Arkansas

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
IOWA	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KENTUCKY	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
LOUISIANA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MAINE	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
MARYLAND	2020	9	0	0	0	0	0	9
	2021	9	0	0	1	1	0	7
	2022	7	0	0	0	0	1	6
MASSACHUSETTS	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	0	4
MICHIGAN	2020	2	1	0	0	0	0	3
	2021	3	0	1	0	0	0	2
	2022	2	0	0	0	0	0	2
MINNESOTA	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
MISSISSIPPI	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
NEBRASKA	2020	1	0	0	0	0	0	1
	2021	1	0	0	1	0	0	0
	2022	0	1	0	0	0	0	1
NEVADA	2020	0	2	0	0	0	0	2
	2021	2	1	0	0	2	0	1
	2022	1	0	0	0	0	0	1
NEW HAMPSHIRE	2020	1	0	0	0	1	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
NEW JERSEY	2020	5	0	0	0	1	0	4
	2021	4	1	0	0	0	0	5
	2022	5	0	0	1	0	3	1

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
NEW YORK	2020	5	0	0	0	0	0	5
	2021	5	2	0	0	2	0	5
	2022	5	0	2	0	0	0	3
NORTH CAROLINA	2020	6	1	0	0	0	1	6
	2021	6	1	0	0	0	0	7
	2022	7	0	1	0	0	1	5
OHIO	2020	12	4	0	0	0	0	16
	2021	16	0	0	0	0	0	16
	2022	16	0	0	0	1	0	15
OKLAHOMA	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	2	0	3
	2022	3	0	0	0	1	0	2
ONTARIO	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
OREGON	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
PENNSYLVANIA	2020	5	2	0	0	0	0	7
	2021	7	1	1	0	0	0	7
	2022	7	1	0	0	2	1	5
SOUTH CAROLINA	2020	4	0	0	0	1	0	3
	2021	3	1	0	0	1	0	3
	2022	3	2	0	0	0	0	5
SOUTH DAKOTA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TENNESSEE	2020	4	2	0	0	1	0	5
	2021	5	1	0	0	0	0	6
	2022	6	0	0	0	0	0	6
TEXAS	2020	25	6	0	0	1	1	29
	2021	29	5	2	0	2	1	29
	2022	29	3	3	0	1	0	28
UTAH	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
VIRGINIA	2020	4	1	0	0	0	0	5
	2021	5	1	0	0	1	0	5
	2022	5	0	0	0	1	0	4
WEST VIRGINIA	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
WISCONSIN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TOTALS	2020	154	31	0	0	14	6	165
	2021	165	30	4	2	14	1	174

	2022	174	25	12	2	9	10	166
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TABLE NO. 4
Status of Company-Owned Outlets
For years 2020 to 2022

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE ¹	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF YEAR
TOTALS	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

TABLE NO. 5
Projected Openings
As of December 31, 2022

<i>State</i>	<i>Franchise Agreements Signed but Outlets Not Opened</i>	<i>Projected New Franchised Outlets in the Next Fiscal Year</i>	<i>Projected Company-Owned Outlets in the Next Fiscal Year</i>
Arizona	0	1	0
California	0	2	0
Colorado	0	1	0
Florida	0	1	0
Georgia	0	1	0
Illinois	0	2	0
Indiana	0	1	0
Kentucky	0	1	0
Maryland	0	1	0
Michigan	0	1	0
Minnesota	1	1	0
Missouri	0	1	0
Nebraska	0	1	0
Nevada	0	2	0
New Jersey	0	1	0
New York	0	1	0
Ohio	0	2	0
Ontario	0	1	0
Pennsylvania	0	2	0
South Carolina	0	1	0
Tennessee	0	1	0
Texas	0	2	0
Totals	1	28	0

¹ Franchised outlets reacquired by franchisor were terminated at the time of reacquisition and are therefore not included in Table 4.

Exhibit K lists the names of all current Fresh Coat franchises and their business telephone numbers and addresses as of December 31, 2022 and those franchisees that have signed a franchise agreement but were not yet operational at the end of the year. Exhibit L lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every Fresh Coat franchisee who has had their franchise terminated, canceled, transferred, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Some of our franchisees have signed confidentiality clauses during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Fresh Coat. 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. As of the issuance date of this disclosure document, there are no trademark-specific franchisee organizations associated with the Fresh Coat franchise system.

ITEM 21. FINANCIAL STATEMENTS

Fresh Coat's audited financial statements for fiscal years ending December 31, 2022, 2021, and 2020 are attached to this disclosure document as Exhibit C.

Our fiscal year ends on December 31.

ITEM 22. CONTRACTS

The following contracts are attached as exhibits to this disclosure document:

- Exhibit D The franchise agreement you will sign when you purchase a Fresh Coat franchise
- Exhibit E The rider to the franchise agreement you will sign if the population of your territory exceeds 200,000
- Exhibit G The restrictive covenant agreement to be signed by the owners of a non-individual franchisee
- Exhibit H Irrevocable Power of Attorney allowing us to assume the telephone numbers and Internet- and World Wide Web-based rights relating to your franchised business after your franchise expires or terminates
- Exhibit M an assignment agreement you may use to assign your individual rights in the franchise agreement to a business entity formed to operate the franchised business
- Exhibit N Franchisee Acknowledgment Statement
- Exhibit O State-Specific Additional Disclosures and Riders

Exhibit P Electronic funds authorization that allows us to debit your bank account for the Royalties, National Branding Fund contributions, and other fees you are required to pay us

Exhibit R An addendum that you will sign if you participate in the Winner's Circle program described in Item 5

Exhibit S Remittance Form you will send us along with your payment

ITEM 23. RECEIPT

The last page of this disclosure document is a detachable document that you must sign acknowledging your receipt of this disclosure document.

EXHIBIT A

AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Financial Protection &
Innovation
2101 Arena Blvd.
Sacramento, CA 95834

Hawaii

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

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana

Administrative Office of the Secretary of State
201 State House
Indianapolis, IN 46204

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

Minnesota

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

New York

New York Secretary of State
99 Washington Avenue
Albany, NY 12231
518-473-2492

North Carolina

North Carolina Secretary of State
Legislative Office Bldg., Rm. 404
300 N. Salisbury Street
Raleigh, NC 27603-5909

North Dakota

Securities Commissioner
5th Floor, 600 East Boulevard
Bismarck, ND 58505-0510

Ohio

Jeff Siehl
4755 Lake Forest Dr., Suite 100
Cincinnati, Ohio 45242

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501

Virginia

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

Washington

Department of Financial Institutions
150 Israel Rd SW
Tumwater, WA 98501

Wisconsin

Commissioner of Securities
101 East Wilson Street
Madison, WI 53703

EXHIBIT B

STATE FRANCHISE REGULATORS

California

Department of Financial Protection & Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677

Connecticut

Securities & Business Investments Division
Department of Banking
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Florida

Dept. of Agriculture and Consumer Services
Division of Consumer Services
227 N. Burrough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Hawaii

Commissioner of Securities
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Office of the Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Securities Division
302 West Washington Street
Room E111
Indianapolis, IN 46204
(317) 232-6681

Kentucky

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

Maryland

Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, MI 48913
(517) 373-7117

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1638

Nebraska

Dept. of Banking & Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

NYS Department of Law
Investment Protection Bureau
28 Liberty St. 21st FL
New York, NY 10005
(212) 416-8222

North Carolina

Department of the Secretary of State
Securities Division
300 N. Salisbury Street
Raleigh, NC 27603-5909
(919) 733-3924

North Dakota

North Dakota Securities Department
State Capitol, Fifth Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island

Department of Business Regulation
Securities Division
233 Richmond Street, Suite 232
Providence, RI 02903-4232
(401) 222-3048

South Carolina

Secretary of State
1205 Pendleton Street
525 Edger Brown Building
Columbia, SC 29201
(803) 734-1958

South Dakota

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

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(513) 475-1769

Utah

Department of Commerce
Division of Consumer Protection
160 East 300 South
P.O. Box 45804
Salt Lake City, UT 84145-0804
(801) 530-6601

Virginia

State Corporation Commission
Division of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9276

Washington

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

Wisconsin

Department of Financial Institutions
Division of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 266-1064

F. C. Franchising Systems, Inc.
Financial Statements
December 31, 2022, 2021 and 2020
with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
F. C. Franchising Systems, Inc.
Cincinnati, Ohio

Opinion

We have audited the accompanying financial statements of F. C. Franchising Systems, Inc. (an Ohio S-corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the 2022 and 2021 financial statements referred to above present fairly, in all material respects, the financial position of F. C. Franchising Systems, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of F. C. Franchising Systems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2020, were audited by Angie Willeford, CPA, whose report dated January 13, 2022, expressed an unmodified opinion on those statements. The predecessor auditor reported on the 2020 financial statements before the restatement described in Note 2.

Adjustments to Prior Period Financial Statements

As part of our audit of the 2022 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2021 and 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Based on our audit procedures, we are not aware of any material modifications that should be made to the adjustments that were applied to restate the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

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

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about F. C. Franchising Systems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of F. C. Franchising Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about F. C. Franchising Systems, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 22, 2023

F. C. Franchising Systems, Inc.
Balance Sheets
December 31, 2022, 2021 and 2020

	2022	2021	2020
Assets			
Current assets:			
Cash	\$ 700,461	1,333,369	1,136,401
Restricted cash	13,516	21,559	31,839
Accounts receivable	747,336	871,523	786,466
Prepaid expenses	22,491	40,000	28,081
Franchise contract asset, current portion	16,348	13,195	10,629
Other receivable	6,531	-	-
	1,506,683	2,279,646	1,993,416
Property and equipment:			
Internal-use software costs	1,150,795	526,361	-
Furniture and fixtures	22,435	22,435	13,753
Computer equipment	185,189	28,585	59,051
Leasehold improvements	22,483	15,623	12,894
	1,380,902	593,004	85,698
Accumulated depreciation	(133,476)	(64,270)	(75,859)
	1,247,426	528,734	9,839
Other assets:			
Deposit - payroll	-	25,800	25,800
Franchise contract asset, less current portion	98,016	85,984	76,085
Operating right-of-use asset	175,438	-	-
	273,454	111,784	101,885
	\$ 3,027,563	2,920,164	2,105,140
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	\$ 522,836	301,327	54,276
Accrued expenses	194,387	314,974	88,441
Unearned franchise fees	-	124,800	216,792
Franchise contract liability, current portion	161,889	143,901	122,648
Note payable, current portion	16,071	15,596	15,136
Operating lease liability, current portion	135,949	-	-
Paycheck Protection Program loan	-	-	315,993
	1,031,132	900,598	813,286
Long-term liabilities:			
Franchise contract liability	972,502	935,440	863,988
Note payable, net of current portion	39,425	55,496	71,092
Operating lease liability, less current portion	46,029	-	-
	1,057,956	990,936	935,080
	2,089,088	1,891,534	1,748,366
Shareholders' equity:			
Common shares	100	100	100
Treasury shares	(184,587)	(184,587)	(184,587)
Additional paid-in capital	144,057	144,057	144,057
Retained earnings	978,905	1,069,060	397,204
	938,475	1,028,630	356,774
	\$ 3,027,563	2,920,164	2,105,140

See accompanying notes to the financial statements.

F. C. Franchising Systems, Inc.
Statements of Operations and Retained Earnings
Years Ended December 31, 2022, 2021 and 2020

	2022	2021	2020
Revenue:			
Revenue from franchise agreements	\$ 4,544,581	4,774,817	3,656,276
National Branding Fund revenue	<u>1,696,203</u>	<u>1,633,400</u>	<u>1,321,452</u>
	<u>6,240,784</u>	<u>6,408,217</u>	<u>4,977,728</u>
Expenses:			
Advertising & marketing	597,830	408,016	279,171
Bank & payroll fees	7,370	12,410	9,336
Computer expenses	144,731	59,294	110,973
Depreciation	14,012	2,158	3,888
Dues & subscriptions	358	583	3,704
Employee-related expenses	7,885	7,951	40,304
Insurance	13,042	8,979	6,780
Leased employees expenses	1,821,611	1,591,033	1,550,904
Licenses	4,433	3,788	2,650
National Branding Fund expenses	1,249,144	1,358,165	1,292,363
Office & supplies	10,399	10,084	15,030
Postage	5,871	7,874	7,290
Professional fees	308,599	280,856	273,476
Rent	105,139	119,774	100,164
Repairs & maintenance	573	147	3,595
Sales related expenses	425,195	335,195	277,500
Telephone	15,549	23,875	20,614
Training & meetings	<u>213,799</u>	<u>117,279</u>	<u>90,784</u>
Total expenses	<u>4,945,540</u>	<u>4,347,461</u>	<u>4,088,526</u>
Income from operations	<u>1,295,244</u>	<u>2,060,756</u>	<u>889,202</u>
Other income (expense):			
Interest income	443	6,696	397
Interest expense	(2,951)	(9,055)	(3,482)
Paycheck Protection Program loan forgiveness	-	315,993	-
Other income (expense)	6,531	(146,390)	-
Loss on disposal of fixed assets	-	(5,308)	-
State & local taxes	<u>(59,423)</u>	<u>(30,836)</u>	<u>(22,287)</u>
Total other income (expense)	<u>(55,400)</u>	<u>131,100</u>	<u>(25,372)</u>
Net income	\$ 1,239,844	2,191,856	863,830
Retained earnings, beginning, restated (Note 2)	1,069,060	397,204	103,374
Distributions	<u>(1,329,999)</u>	<u>(1,520,000)</u>	<u>(570,000)</u>
Retained earnings, ending, restated (Note 2)	\$ <u>978,905</u>	<u>1,069,060</u>	<u>397,204</u>

See accompanying notes to the financial statements.

F. C. Franchising Systems, Inc.
Statements of Cash Flows
Years Ended December 31, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Net income	\$ 1,239,844	2,191,856	863,830
Adjustment to reconcile net income to net cash provided by operating activities			
Depreciation	69,206	2,158	3,888
Loss on disposal of property and equipment	-	5,308	-
Paycheck Protection Program loan forgiveness	-	(315,993)	-
Non-cash lease expense	6,540	-	-
Net change in assets and liabilities:			
Accounts receivable	124,187	(85,057)	(500,893)
Prepaid expenses	17,509	(11,919)	708
Other receivable	(6,531)	-	-
Deposit - payroll	25,800	-	-
Franchise contract asset	(15,185)	(12,465)	(34,358)
Accounts payable	(167,399)	247,051	53,443
Unearned revenue	(124,800)	(91,992)	44,132
Franchise contract liability	55,050	92,705	237,347
Accrued expenses	(120,587)	226,533	60,100
Net cash provided by operating activities	<u>1,103,634</u>	<u>2,248,185</u>	<u>728,197</u>
Cash flows from investing activities			
Property and equipment purchased	<u>(398,990)</u>	<u>(526,361)</u>	<u>(5,809)</u>
Net cash used by investing activities	<u>(398,990)</u>	<u>(526,361)</u>	<u>(5,809)</u>
Cash flows from financing activities			
Proceeds from Paycheck Protection Program loan	-	-	315,993
Repayment of notes payable	(15,596)	(15,136)	(14,678)
Distributions	<u>(1,329,999)</u>	<u>(1,520,000)</u>	<u>(570,000)</u>
Net cash used by financing activities	<u>(1,345,595)</u>	<u>(1,535,136)</u>	<u>(268,685)</u>
Change in cash and restricted cash	(640,951)	186,688	453,703
Cash and restricted cash at beginning of year	1,354,928	1,168,240	446,925
Effect of restatement of beginning retained earnings (Note 2)	<u>-</u>	<u>-</u>	<u>267,612</u>
Cash and restricted cash at end of year	\$ <u>713,977</u>	<u>1,354,928</u>	<u>1,168,240</u>
Supplementary information:			
Property and equipment additions in accounts payable	\$ <u>388,908</u>	<u>-</u>	<u>-</u>
Cash paid for interest	\$ <u>2,951</u>	<u>9,055</u>	<u>3,482</u>

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business activity

F. C. Franchising Systems, Inc. (the Company) is an S-corporation organized under the laws of the State of Ohio on January 1, 2005. The Company was organized to promote, sell, and support franchises operating under the trade name of Fresh Coat™. The Company's franchises offer painting by experienced painters that they manage. The Company provides a distinctive method and procedure for advertising, specially designed business forms, instructional manuals, training courses, and specially designed procedures for promotion and rendering of services.

As of December 31, 2022, 2021 and 2020, the Company had 166, 174, and 165 franchises, respectively, operating in North America.

Accounts receivable

The Company carries its accounts receivable at original invoice amount less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2022, 2021 and 2020.

Property and equipment

Property and equipment is recorded at cost. The cost of fixed assets is depreciated over the estimated useful lives of the related assets which range from five to fifteen years. Depreciation is computed on the accelerated methods for financial reporting. Maintenance and repairs costs are charged to operations when incurred.

Internal-use software and website development

Costs incurred to develop software for internal use and Company websites are capitalized and amortized over the estimated useful lives of the assets, 5-15 years.

Revenue recognition

The Company derives its revenues primarily from the sale of franchises and related royalty and technology fee income. The Company charges a franchise fee of \$44,900. The Company requires a \$5,000 nonrefundable deposit, and the balance of \$39,900 must be paid in full prior to commencement of the training program. No financing is offered, and the entire fee is nonrefundable once the franchisee begins the upfront training. Franchisees are then required to pay continuing monthly royalty of the greater of \$500 for the first year and \$1,000 thereafter or 6% down to 4% of their gross revenue, (which covers continued use of the Company's brand and service marks and ongoing services) and a \$299 monthly technology fee (which covers software licensing and support). Franchise agreements have a 10-year term and can be renewed for two additional 10-year terms at no cost.

The Company's performance obligations under the franchise agreement consist of providing a license of the brand's intellectual property, a schedule of equipment necessary to operate the franchised business, initial training, advertising and promotional templates, a list of approved resources and vendors, periodic assistance as needed, and other materials and information deemed necessary.

The Company has identified its initial training program as a separate and distinct element of its contract satisfied at a point in time because upon completion, the franchisee has full knowledge of the Company's proprietary methods. Further, most of the Company's direct costs are associated with the recruiting and training of franchisees. The Company calculated the upfront revenue in reference to the total transaction price over the term of the initial franchise agreement and an allocation to the specific performance obligations based on their relative stand-alone values. Based on this calculation, the Company recognizes upfront revenue of 72% of the franchise fee. The contract liability resulting from the income deferral is amortized on a straight-line basis over the remaining nine years of the contract. Selling expenses paid when the franchise agreement is executed are recorded as a franchise contract asset and are amortized over the life of the agreement, consistent with the recognition of the deferred revenue.

The following table summarizes the assets and liabilities related to revenue from contracts with customers at December 31, 2022, 2021 and 2020 and January 1, 2020:

	December 31, <u>2022</u>	December 31, <u>2021</u>	December 31, <u>2020</u>	January 1, <u>2020</u>
Accounts receivable	\$ <u>668,882</u>	<u>869,207</u>	<u>786,466</u>	<u>285,573</u>
Contract liabilities	\$ <u>1,134,391</u>	<u>1,079,341</u>	<u>986,636</u>	<u>749,289</u>
Contract assets	\$ <u>114,364</u>	<u>99,179</u>	<u>86,714</u>	<u>52,356</u>

Revenue presented in the accompanying financial statements includes the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue recognized at a point in time:			
Franchise fee income	\$ <u>795,983</u>	<u>987,495</u>	<u>1,019,890</u>
Revenue recognized over time:			
Franchise fee income	251,468	242,499	152,164
Royalty income	3,391,169	3,442,002	2,451,372
National Branding Fund income	1,696,203	1,633,400	1,321,452
Other	<u>105,961</u>	<u>102,821</u>	<u>32,850</u>
	<u>5,444,801</u>	<u>5,420,722</u>	<u>3,957,838</u>
	\$ <u>6,240,784</u>	<u>6,408,217</u>	<u>4,977,728</u>

In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination. Royalties are recognized as franchise sales are made.

Income tax status

The Company has elected, with the consent of its shareholders, to be taxed under provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company will generally not pay federal and state income taxes on its taxable income. Instead, the shareholders are liable for individual federal income taxes on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

Advertising expense

Advertising costs are expensed as incurred.

Leased employees

The Company has contracted with a related party that leases employees. This firm has hired all the employees of the Company and is responsible for the payroll function including payroll taxes, benefits, and retirement.

National branding fund

The Company administers a national branding fund (NBF) on behalf of its franchisees. Each franchisee is required to contribute to the NBF, which is used to develop advertising and marketing materials and promote the Company's service marks and the franchisees' services on a local, regional, and national basis. All sums paid by franchisees to the NBF are maintained in an account separate from other moneys of the Franchisor. These funds are shown as restricted cash on the balance sheets at December 31, 2022, 2021 and 2020.

The Company is deemed to be the principal in relation to the NBF and as such, advertising fund contributions and expenditures, including an allocation of depreciation expense, are reported on a gross basis in the statements of operations and cash flows.

Concentrations of credit risk

The Company maintains cash in bank deposit accounts at financial institutions where the balances, at times, may exceed federally insured limits. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has not experienced any losses and management believes it is not exposed to any significant credit risk of loss in cash.

There were no accounts receivable concentrations at December 31, 2022, 2021 and 2020. There were no revenue concentrations for the years ending December 31, 2022, 2021 and 2020.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported. Actual results may differ from those estimates.

Adoption of new accounting standard

During 2022, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The Company has elected the effective date method for implementing this ASU where a cumulative adjustment related to the implementation of ASC 842 is recorded as of January 1, 2022, the date of implementation, with no adjustment to any prior year

information presented in the financial statements. The lease standard resulted in the recognition of a right-of-use asset and related lease liability of \$305,662 as of the date of implementation with no material cumulative effect adjustment to retained earnings. As allowed under the new accounting standard, the Company elected to apply practical expedients available under the transition provisions, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

Leases

The Company considers an arrangement a lease if, at inception, the arrangement transfers the right to control the use of an identified asset for a period of time in exchange for consideration. Under leasing standards, control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities, and operating lease liabilities in the balance sheets.

The lease term reflects the noncancellable period of the lease together with periods covered by an option to extend or terminate the lease when management is reasonably certain that it will exercise such option. The Company uses the risk-free rate for a period of time similar to the lease term, determined at the lease commencement date, in determining the present value of lease payments. The risk-free rate is used as the information necessary to determine the rate implicit in the lease and the Company’s incremental borrowing rate is not readily available. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Short-term leases are less than one year without purchase or renewal options that are reasonably certain to be exercised and are recognized on a straight-line basis over the lease term. The right-of-use asset is tested for impairment in accordance with ASC 360.

Recent accounting pronouncements

In June 2016, the FASB issued an ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard updates the guidance for accounting for credit losses. Under the new guidance, entities holding financial assets and net investments in leases that are not accounted for at fair value through net income will be affected. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The new standard is effective on January 1, 2023 and is not material to the financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2022 and 2021 presentation.

Subsequent events

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 22, 2023, the date on which the financial statements were available to be issued.

2. RESTATEMENT OF RETAINED EARNINGS:

The financial statements for the years ended December 31, 2021 and 2020 have been restated to properly record accounts receivable and National Branding Fund revenue, as detailed below. The net effect of this restatement at December 31, 2021 was to increase retained earnings and accounts receivable by \$434,580 and increase National Branding Fund revenue by \$80,212 for the year ended December 31, 2021. The net effect of this restatement at December 31, 2020 was to increase retained earnings and accounts receivable by \$354,368 and increase National Branding Fund revenue by \$86,756 for the year ended December 31, 2020. The net effect of this restatement at January 1, 2020 was to increase retained earnings by \$267,612. The restatement is reflected as follows:

December 31, 2021	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Assets:			
Accounts receivable	\$ <u>436,943</u>	<u>434,580</u>	<u>871,523</u>
Shareholders' equity:			
Retained earnings	\$ <u>634,480</u>	<u>434,580</u>	<u>1,069,060</u>
Revenue:			
National Branding Fund revenue	\$ <u>1,553,188</u>	<u>80,212</u>	<u>1,633,400</u>
December 31, 2020	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Assets:			
Accounts receivable	\$ <u>432,098</u>	<u>354,368</u>	<u>786,466</u>
Shareholders' equity:			
Retained earnings			
(accumulated deficit), beginning	\$ <u>(164,238)</u>	<u>267,612</u>	<u>103,374</u>
Retained earnings, ending	\$ <u>42,836</u>	<u>354,368</u>	<u>397,204</u>
Revenue:			
National Branding Fund revenue	\$ <u>1,234,696</u>	<u>86,756</u>	<u>1,321,452</u>

3. PAYCHECK PROTECTION PROGRAM LOAN:

In 2020, the related party from which the Company leases its employees, Queen City Payroll Services, Inc. (QCPS), was granted a loan from PNC Bank in the aggregate amount of \$1,187,795 under the Small Business Administration's Paycheck Protection Program (PPP). QCPS used the loan proceeds to cover payroll costs for all of its clients. When the Consolidated Appropriations Act of 2021 was enacted on December 27, 2020, allowing payroll costs covered by PPP loan proceeds to be deducted, QCPS then allocated its PPP loan to its clients (based on actual expenses incurred during the eligible period), so the payroll expenses could be deducted by the companies who actually incurred the costs. The Company's share of the PPP loan was \$315,934. The Company used its share of the loan proceeds for qualifying expenses under the PPP. At December 31, 2020, the Company had recorded accrued interest of \$59. During 2021, the outstanding balance of the loan plus accrued interest was forgiven and was recognized as other income in the 2021 statement of operations.

4. SHAREHOLDERS' EQUITY & NOTE PAYABLE:

At December 31, 2022, 2021 and 2020 there were 51 voting shares and 42 non-voting shares outstanding. In 2019, 7 non-voting shares were purchased back from a shareholder for \$195,430. The purchase was financed with a note payable of \$110,468, payable over 7 years at 3%. The note balance at December 31, 2022 is \$55,496, due to be repaid as follows:

2023	\$ 16,071
2024	16,559
2025	17,063
2026	<u>5,803</u>
	<u>\$ 55,496</u>

5. OPERATING LEASE AGREEMENT:

The Company rents office space from a related party under a lease agreement that expires April 30, 2024. Variable lease costs, such as the Company's proportionate share of actual costs for utilities, common area maintenance, property taxes and insurance that are not included in the lease liability, are recognized in the period in which they are incurred. Short-term lease cost represents the Company's cost with respect to leases with a duration of 12 months or less and is not reflected on the Company's balance sheet. The Company has no leases with variable costs or short-term leases at December 31, 2022.

As of December 31, 2022, the Company has not entered into any material leases expected to commence in 2023.

Total operating lease expense for the year ended December 31, 2022 is \$132,326.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate as of December 31:

	<u>2022</u>
Weighted-average remaining lease term	1.33 years
Weighted-average discount rate	0.87%

Prior to adoption of ASC 842, the Company's total rent expense to the related party under this agreement was \$148,055 and \$100,164 for the years ended December 31, 2021 and 2020, respectively.

The following is an analysis of maturities of lease liabilities as of December 31:

	\$ 136,896
2023	
2024	<u>46,079</u>
Total lease payments	182,975
Less imputed interest	<u>(997)</u>
Total operating lease liability	\$ <u>181,978</u>

The following summarizes the supplemental cash flow information for the year ended December 31:

	<u>2022</u>
Operating cash flows from operating lease	\$ <u>125,786</u>
Amortization of the right-of-use asset	\$ 130,224
Less change in the lease liability	<u>(123,684)</u>
Non-cash lease expense	\$ <u>6,540</u>

6. RELATED PARTY TRANSACTIONS:

The Company leases office facilities from a related party under an agreement as disclosed in Note 5.

The Company shares their phone service, utilities, office supplies, and copier with other related parties that are owned by their shareholder. Each month the company that pays an expense will bill the other entities for their portions. The reimbursements for such costs have been recorded in the specific expense categories. In addition, the Company contracts with a related party for its leased employees.

During 2022, 2021 and 2020, the Company incurred leased employee wages and related expenses from a related party of \$2,427,782, \$2,101,994 and \$1,550,905, respectively. During 2022, 2021 and 2020, the Company paid marketing expenses of \$271,250, \$252,000 and \$256,857, respectively, to related parties.

Amounts due from related parties in accounts receivable totaled \$78,454 and \$2,316 at December 31, 2022 and 2021, respectively. There were no receivables from related parties at December 31, 2020.

Amounts due to related parties in accounts payable totaled \$6,166, \$11,935 and \$5,715 at December 31, 2022, 2021 and 2020, respectively.



FRESH COAT
FRANCHISE AGREEMENT

BETWEEN

F.C. FRANCHISING SYSTEMS, INC.
FRANCHISOR

AND

FRANCHISEE(S)

FRANCHISE LOCATION No. _____

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This franchise agreement is between F.C. FRANCHISING SYSTEMS, INC., an Ohio corporation ("Franchisor"), and the individual or entity identified on Exhibit A attached to and incorporated into this agreement (collectively and individually referred to as "Franchisee").

RECITALS:

A. Franchisor has created and developed and is in the process of further developing a system (the "System") for the establishment and operation of a distinctive type of business that offers painting services to the general public (a "Fresh Coat franchise").

B. The System consists of distinctive methods and procedures for marketing and advertising; specially designed business forms and procedures for the efficient operation of a Fresh Coat franchise; an operations manual and training course; and specially designed procedures for the promotion and provision of Franchisee's services.

C. Franchisor has registered the service mark FRESH COAT with the United States Patent and Trademark Office, and claims the exclusive right to use the mark, any derivatives thereof, and certain other trade names, business names, trademarks, logos, designs and trade symbols (collectively, the "Marks") as are now or may from time to time be designated by Franchisor for use in connection with the operation of the System.

D. Franchisor continues to develop, use, and control the use of the Marks in order to identify to the public the source of products and services marketed under the Marks and the System, and to represent the System's standards of quality and service.

E. Franchisee understands and acknowledges the importance of Franchisor's standards of quality and service, the necessity of operating a Fresh Coat franchise in conformity with Franchisor's standards and specifications as presented in Franchisor's operations manual, and preserving the confidentiality of the System.

F. Franchisee desires to acquire and operate a Fresh Coat franchise in accordance with all of the terms and conditions of this agreement.

THEREFORE, the parties agree as follows:

ARTICLE 1

APPOINTMENT

1.1 Grant of Franchise. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, (i) the right and franchise, and Franchisee undertakes the obligation, to operate a painting business (the "franchised business") using Franchisor's System and (ii) a non-exclusive license to use solely the Marks and the System as they may be changed, improved and further developed from time to time, within the geographical area described in section 1.2 (the "Territory").

1.2 Territory Defined. The Territory is a geographical area delineated by postal codes. The Territory is described on an exhibit ("Exhibit B") attached to, incorporated in, and made a part of this agreement. If for any reason the boundaries or numbers of any postal code that comprises the Territory are moved, altered or eliminated, Franchisor shall re-define the boundaries of the Territory to correspond as nearly as possible, in Franchisor's sole and absolute discretion, to Franchisee's original Territory, and Franchisor's decision shall be final and binding upon both Franchisor and Franchisee. Franchisee shall not relocate the franchised business from the Territory described in Exhibit B without the prior written approval of Franchisor. Except as may be otherwise permitted by

this agreement, Franchisee shall operate the franchised business only within the Territory described on Exhibit B.

1.3 Protected Territory. During the term of this agreement, Franchisor shall not establish or franchise another to establish a Fresh Coat Franchise within Franchisee's Territory. Franchisee acknowledges that the franchise granted hereunder is otherwise non-exclusive and is granted subject to the terms and conditions of Sections 1.4 through 1.10 and 8.5 hereof, and that this section does not apply to an Affiliate of Franchisor. Except as expressly described in this paragraph, Franchisee does not have any "exclusive territory" or any "exclusive," "protected," or "reserved" territorial or similar rights, and there is and will be no limitation on Franchisor's rights to locate and consent to the location of other Fresh Coat Franchises or other distribution facilities of any type at any location, regardless of the distance from, impact on, or vicinity of, the franchised business or the number of Fresh Coat Franchises in an area or market. Franchisee shall not provide or sell products or services in a franchise territory granted to another franchisee of the System. The territorial protection granted under this section does not extend to the solicitation of employees, and nothing in this agreement prohibits other franchisees of Franchisor from advertising for and soliciting employees in Franchisee's Territory. Franchisee's right to exclusively operate the franchised business within Franchisee's Territory (subject to Sections 1.4 and 1.6 below) shall begin once Franchisee has completed Franchisor's initial training program (see Section 7.1 below), and the franchised business has become fully operational.

1.4 National Accounts. The rights granted to Franchisee by this Agreement do not include the exclusive right to offer or provide products or services to National Accounts, and National Accounts are hereby specifically excluded from Franchisor's territorial restrictions in Section 1.3 above. Franchisee acknowledges that other franchisees of the System may provide products and services to National Accounts at or from locations in Franchisee's Territory. With Franchisor's prior written consent, Franchisee may provide products and services to National Accounts at or from locations in a franchise territory granted to another franchisee of the System, if, and only if, that franchisee's franchise agreement contains a provision similar to this Section 1.4 excluding National Accounts or otherwise permitting other franchisees of the System to provide products and services at or from locations in the franchisee's territory. A "National Account" means a special customer (which may be, but is not limited to, a national or regional customer, other large business, or government agency) designated as such by Franchisor from time-to-time in its business judgment. A National Account will typically (though not necessarily) be a customer whose offices, stores, plants, buildings, or other facilities are not confined to the territory of a single Fresh Coat Franchise. All disputes between franchisees of the System relating to National Accounts will be resolved by Franchisor, whose decision will be final and binding upon all parties.

1.5 Shared Referral Sources. The rights granted to Franchisee by this agreement do not include the exclusive right to solicit referrals from and promote services to Shared Referral Sources, and Shared Referral Sources are hereby specifically excluded from Franchisor's territorial restrictions in Section 1.3 above. Franchisee acknowledges that other franchisees of the System may solicit referrals from and promote their services to Shared Referral Sources located in Franchisee's Territory. Likewise, Franchisee may solicit referrals from and promote its services to Shared Referral Sources located in a franchise territory licensed to another franchisee of the System. A "Shared Referral Source" is a person or organization that: (i) because of its purpose or the nature of its business, frequently encounters opportunities to recommend, to its customers, clients, members, or to the general public, providers of services similar to the services offered by a Fresh Coat franchise; and (ii) though it may be physically located within one franchise territory, serves a geographic area larger than that franchise territory. Examples of Shared Referral Sources (by way of illustration and not limitation) are real estate agents and brokers, publications of a general circulation, and similar organizations. Franchisor retains the sole and exclusive right to identify Shared Referral Sources on a case-by-case basis, in Franchisor's sole and absolute discretion. All disputes between franchisees of the System relating to Shared Referral Sources will be resolved by Franchisor, whose

decision will be final and binding upon all parties. Nothing in this paragraph authorizes or permits Franchisee to offer, sell or provide Permitted Products and Services outside the Territory described in Exhibit B, or to sell or provide products or services to a Shared Referral Source located in a franchise territory licensed to another franchisee of the System.

1.6 Clients. Franchisee acknowledges and agrees that it acquires no rights in or to its clients or client list other than those specifically granted under this Agreement. Upon the expiration or termination of this Agreement for any reason, Franchisor may notify Franchisee's clients thereof and, without compensation to Franchisee, authorize one or more other Fresh Coat franchisees or any other third party to provide Permitted Products and Services to Franchisee's former clients. If a franchisee provides Permitted Products and Services in a franchise territory before Franchisor grants such territory to a new franchisee, then Franchisor may, in its discretion, allow the pre-existing franchisee to continue to provide Permitted Products and Services to pre-existing clients, but the pre-existing franchisee may not thereafter solicit or accept new clients in any part of the new franchisee's franchise territory.

1.7 Permitted Activities. The rights granted to Franchisee under this Agreement are limited to the sale of Permitted Products and Services to clients within the Territory. Franchisee shall not promote, offer, sell, provide, or distribute any other goods or services without Franchisor's prior written approval.

1.8 Reserved Rights of Franchisor. Franchisor specifically reserves all rights not expressly granted to Franchisee in this agreement.

1.9 Acquisition of Competing System. If Franchisor merges with, acquires, or is acquired by another system of businesses, the continued operation of any branch, franchise, or location of the other system within the Territory under any trade name, trademark, brand name, or commercial symbol other than the Marks will not violate the rights granted to Franchisee by section 1.3 or any other section of this agreement.

1.10 Marketing and Solicitation Restrictions. Except as permitted by this Article 1, Franchisee shall not directly or indirectly: (i) engage in advertising, marketing, or promotional activities in, or that are directed or targeted primarily to, the protected territory of another Fresh Coat franchisee; or (ii) conduct in-person assessments, provide Permitted Products and Services, or provide products and services that compete with Permitted Products and Services, in the protected territory of any other Fresh Coat franchisee. Any violation of any of the restrictions of this section by Franchisee will constitute a material default of this Franchise Agreement. Within 10 days after receiving written notice of such violation, Franchisee shall remit to Franchisor all Gross Revenues earned or received from any activities prohibited by this section. If Franchisee receives a request for services to be provided in the protected territory of another Fresh Coat franchisee, then Franchisee shall promptly notify such other franchisee of the request and provide appropriate contact information for the potential client.

ARTICLE 2

TERM AND RENEWAL

2.1 Initial Term. Except as otherwise provided, the term of this Agreement shall commence on the Effective Date (as defined in the last paragraph of this Agreement) and expire on the tenth anniversary of the Effective Date (the "Expiration Date").

2.2 Renewal. Except as provided in Section 2.3, Franchisee's right to operate the Franchised Business under this Agreement terminates at the Expiration Date. Franchisee may, at its option,

renew the license granted under this Agreement for two additional consecutive terms of ten years each, if Franchisee complies with the following requirements:

(a) Franchisee shall give Franchisor written notice of its election to renew at least six months, but not more than one year, before the Expiration Date;

(b) Franchisee must not be in default under any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement or instrument between Franchisor and Franchisee, and must have substantially complied with all of the terms and conditions of all such agreements during the respective terms thereof;

(c) At least 30 days before the Expiration Date, Franchisee shall execute Franchisor's then-current form of Franchise Agreement (the "Successor Agreement"), with appropriate modifications to reflect the fact that it relates to the renewal of a franchise. The Successor Agreement will supersede this Agreement in all respects and may contain terms that differ from the terms of this Agreement, including, without limitation, different rates for National Branding Fees and Royalties, except that Franchisee will not be required to pay an initial franchise fee;

(d) At least 30 days before the Expiration Date, unless prohibited by the laws of the state in which Franchisee is located, Franchisee must sign Franchisor's then-current form of general release in favor of Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees, in their corporate and individual capacities;

(e) Franchisee shall comply with Franchisor's then-current qualification and training requirements, including, without limitation, any training requirements specifically designed for renewing franchisees.

2.3 Holdover Period. If Franchisee does not sign a Successor Agreement before the Expiration Date but continues to operate the Franchised Business (or a competitive business) or to otherwise accept the benefits of this Agreement after the Expiration Date, then at Franchisor's option, this Agreement may be treated either as: (i) expired as of the Expiration Date, with Franchisee thereafter operating without a license to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis (the "Holdover Period") until either party provides the other party with at least one month's written notice of that party's intention to terminate the Holdover Period (if the laws of the jurisdiction in which the Franchised Business or Franchisee is located require a longer notice period, the one-month period will be deemed modified to be the shortest notice period required by the applicable laws of the jurisdiction). In the latter case, all of Franchisee's obligations will remain in full force and effect during the Holdover Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon the expiration of this Agreement will be deemed to take effect upon the termination of the Holdover Period. Except as described in this section, Franchisee has no right to continue to operate the Franchised Business after the Expiration Date. If Franchisee does not sign a Successor Agreement before the Expiration Date but Franchisor nevertheless permits Franchisee to renew the license granted under this Agreement, then Franchisee must pay to Franchisor a fee of \$1,000 per month for every month of the Holdover Period, up to Franchisor's then-current initial franchise fee.

ARTICLE 3

LOCATION OF BUSINESS

Franchisee shall lease, purchase or otherwise secure suitable premises for the operation of the franchised business (the "Premises"). Franchisee may operate the franchised business from Franchisee's residence if permitted by, and so long as Franchisee fully complies with, all applicable building, zoning and licensing laws, ordinances, requirements and restrictions. If the residence used

as the Premises is located outside the Territory, Franchisee shall, before opening the franchised business, obtain and maintain at all times during the Term a mailing address located in the Territory. If the Premises are not the residence of Franchisee or a principal of Franchisee, the Premises must be located in the Territory. Franchisee shall provide Franchisor with the address of the Premises prior to opening the franchised business, and shall promptly notify Franchisor in writing of any change in the location of the Premises, any change in Franchisee's business address, or any change in Franchisee's e-mail address.

ARTICLE 4

FRANCHISE FEE

Franchisee shall pay to Franchisor a Franchise Fee of \$44,900.00¹. The Franchise Fee is fully earned, due and payable to Franchisor upon the execution of this agreement, in consideration of the administrative and other expenses incurred by Franchisor in furnishing items to Franchisee as described in Article 6 and for Franchisor's lost or deferred opportunity to franchise to others. The Franchise Fee is not refundable. This Article 4 is not applicable if: (i) this agreement is a successor agreement to a prior franchise agreement or Franchisee is otherwise signing this agreement in connection with the renewal of a franchise granted under a prior franchise agreement; or (ii) Franchisee is signing this agreement in connection with a Transfer in accordance with Article 12.

ARTICLE 5

PERIODIC FEES

5.1 Royalty.

(a) Franchisee shall pay Franchisor a "Royalty" by the fifth day fee of each month. The amount of the Royalty is 6% (the "Royalty Rate") of Franchisee's Gross Revenues for the preceding month, or the "Minimum Royalty" (defined in subparagraph (e) below), whichever is greater. The Royalty is solely in consideration of Franchisee's continued right to use the Marks. Franchisee is not obligated to pay the Minimum Royalty until the fifth day of the second calendar month immediately following the month in which Franchisee or the Designated Individual completes the initial training program required by Section 7.1 (the Minimum Royalty Effective Date), unless (1) Franchisee has operated a Fresh Coat franchise under another franchise agreement with an effective date at least six months earlier than the Effective Date of this Agreement; or (2) Franchisee acquired the Territory from another Fresh Coat franchisee.

(b) As an incentive to Franchisee to fully develop the franchised business and the Territory, if Franchisee is in Good Standing, it may apply to Franchisor for a reduced Royalty Rate for annual Gross Revenues in excess of certain benchmarks established by Franchisor. The Royalty Rate is based upon Franchisee's level of total Gross Revenues in each calendar year as provided in the following Table 5.1:

¹ All dollar figures are in United States currency.

Table 5.1

Benchmark Amount	Royalty Rate
First \$1,000,000 of Annual Gross Revenues	6%
Over \$1,000,000 but less than \$2,000,000 of Annual Gross Revenues	5%
Over \$2,000,000 of Annual Gross Revenues	4%

If Franchisee has been granted the right to operate the franchised business or another Fresh Coat franchise in one or more other franchise territories under other Fresh Coat franchise agreements, Gross Revenue from those other territories are not counted for purposes of determining whether Franchisee is entitled to a Royalty Rate adjustment under subsections 5.1(b) and (c). Franchisee has the sole responsibility to prove, to Franchisor's satisfaction, whether and to what extent Franchisee's Gross Revenues are attributable to the Territory granted under this Agreement.

(c) The Royalty Rate at the beginning of each calendar year will be 6%. When Franchisee attains the Gross Revenues benchmark, before Franchisee is entitled to calculate and pay Royalties at a rate less than 6%, Franchisee must request and Franchisor must approve the Royalty Rate adjustment. The request must be submitted to Franchisor in writing within three months after the end of the calendar month in which Franchisee attained the applicable benchmark (the "application period"). If Franchisee is in Good Standing when Franchisor receives the request and is otherwise entitled to a reduction under this Section 5.1, then Franchisor shall approve the Royalty Rate adjustment to be effective beginning in the calendar month following the month in which Franchisee's Gross Revenues reached the benchmark. All Royalty Rate adjustments will expire at the end of each calendar year. If Franchisee is not in Good Standing when Franchisor receives the request or is otherwise not entitled to a reduction, Franchisor shall notify Franchisee of the specific reasons for refusing the request. If the reduction was refused because Franchisee is not in Good Standing, but Franchisee becomes in Good Standing and satisfies Franchisor thereof before the end of the application period, then Franchisor shall approve the Royalty Rate adjustments to be effective beginning in the calendar month following the month in which Franchisee became in Good Standing. If, within the application period, Franchisee fails to request a reduction for the benchmark or, after submitting a request, is not and fails to become in Good Standing, then the Royalty Rate adjustment for the benchmark is forfeit for the duration of that calendar year. If Franchisee ceases to be in Good Standing at any time after being approved for a Royalty Rate adjustment, then the Royalty Rate adjustment will be forfeit and Franchisee shall resume paying a Royalty Rate of 6%.

(d) "Good Standing" means that Franchisee and each of its Guarantors and affiliates are not in default of any obligation to Franchisor or any affiliate of Franchisor, whether arising under this Agreement or any other agreement between Franchisee (and/or its Guarantors and affiliates) and Franchisor (and/or any affiliate of Franchisor), under the Manual, or under other System Standards (collectively, the "Obligations"). Franchisee is not in Good Standing if Franchisee has been in default of any Obligation and the default is incurable by nature or part of a series of repeated defaults as defined in this Agreement.

(e) The Minimum Royalty is: (1) \$500 a month for the first 12 months beginning on the Minimum Royalty Effective Date; and (2) \$1,000 a month for each month thereafter

5.2 National Branding Fee. Franchisee shall contribute, to the Fund established in accordance with Article 11 of this Agreement, a National Branding Fee of 2% of Franchisee's Gross Revenues for the preceding month, or \$350.00, whichever is greater. All National Branding Fees shall be

payable on or before the fifth day of each month. Franchisee is not obligated to pay the National Branding Fee until the fifth day of the second calendar month immediately following the month in which Franchisee or the Designated Individual completes the initial training program required by Section 7.1, unless (1) Franchisee has operated a Fresh Coat franchise under another franchise agreement with an effective date at least six months earlier than the Effective Date of this Agreement; or (2) Franchisee acquired the Territory from another Fresh Coat franchisee. Franchisor has the right to increase the amount of the National Branding Fee at any time in its sole discretion. Any increase in the National Branding Fee shall be effective thirty (30) days after Franchisee's receipt of written notice thereof.

5.3 Late Payment. Franchisee shall pay (to Franchisor or to the Fund, as the case may be) a late fee of \$100.00 or 10% of the amount due, whichever is greater, on any payment (including, without limitation, amounts due for Royalties, National Branding Fees, Technology Fees, or goods or services provided by the Fund, Franchisor, or any affiliate of Franchisor) that is not received by Franchisor within five days after the due date. Franchisee shall pay to Franchisor a late fee of \$100 for any Sales Report, tax return, or other Business Record that is not received by Franchisor within five days after the due date. Any payments that are not received by Franchisor within thirty days after the due date will bear interest at the rate of eighteen percent per annum, or the highest rate allowed by law, whichever is lower, from the date payment was due until the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of Royalties or National Branding Fees.

5.4 Gross Revenues. The term "Gross Revenues" means all income (cash, credit, and all other consideration) recognized on an invoice/accrual basis by Franchisee or any spouse or child of Franchisee or its principal: (i) in connection with the operation of the franchised business or any competing business; (ii) from the sale of any Permitted Products or Services (as modified from time-to-time by Franchisor in accordance with this Agreement); or (iii) from the sale of goods or services under, using, or in connection with the Marks. "Gross Revenues" does not include value-added, sales, use, excise, or other taxes that are separately stated and that Franchisee is required by law to collect and does collect from clients and pays to any governmental taxing authority.

5.5 Taxes on Amounts Paid to Franchisor. All payments required to be made by Franchisee to Franchisor under this agreement are the gross amount determined according to the applicable paragraph, without deduction for any sales, use, withholding, gross receipts, income, or other taxes that may be levied or assessed on the payments by any nation, state, county, province, or municipality in which the franchised business is located or operates, in which Franchisee resides, or which otherwise possesses the power to tax Franchisee or the franchised business. Franchisee shall remit to the appropriate taxing authorities all sales, use, withholding, gross receipts, income, or other taxes levied or assessed on amounts paid by Franchisee to Franchisor which would otherwise be due from Franchisor, shall promptly deliver to Franchisor receipts of applicable governmental authorities showing that all such taxes were properly paid in compliance with applicable law, and shall indemnify and defend Franchisor and hold Franchisor harmless from and against all liability for such taxes (including interest and penalties thereon). Franchisee shall fully and promptly cooperate with Franchisor to provide all information and records that Franchisor may request in connection with any application by Franchisor to any taxing authority with respect to any tax credit.

5.6 Method of Payment.

(a) All payments that Franchisee is required to make under this agreement, including Royalties, National Branding Fees, late fees, interest, and legal expenses, must be received by Franchisor by the date due through an electronic depository transfer account ("EDT Account") established at a national banking institution approved by Franchisor, or by such other method as Franchisor may require. Franchisee shall establish the EDT Account and execute and deliver to Franchisor an authorization for electronic funds transfer for direct debits from the EDT Account. At

all times thereafter during the term of this agreement, Franchisee shall ensure that Franchisor has access to Franchisee's EDT Account for purposes of receiving electronic funds transfer payments, and Franchisee shall comply with procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic funds transfer. Franchisee hereby authorizes Franchisor to initiate debit entries and credit correction entries to the EDT Account for payment of Royalties, National Branding Fees, Technology Fees, interest, late fees, legal expenses, and any other amounts payable to Franchisor or any affiliate of Franchisor. Franchisee shall make funds available to its EDT Account in sufficient amounts to meet its obligations as they become due. If any debit properly initiated by Franchisor from Franchisee's EDT Account is denied or charged back due to nonsufficient funds or the closing of the EDT Account, Franchisee shall (1) pay Franchisor a \$50 charge-back fee, (2) reimburse Franchisor for all bank and transaction charges incurred by Franchisor as the result of the charge-back, and (3) pay interest on the unpaid amount going back to the fifth day of the month in which the payment was due. Franchisee may not close the EDT Account without Franchisor's consent. Franchisor reserves the right to require Franchisee to remit payments in any manner other than through the EDT Account.

(b) If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor shall debit Franchisee's EDT Account by an amount equal to 125% of the Royalty and National Branding Fee that Franchisor was entitled to debit in the prior reporting period plus applicable late fees and any other amounts due. If the amounts debited are less than the amounts Franchisee actually owes (once Franchisor determines Franchisee's true Gross Revenues for the reporting period), Franchisor shall debit the EDT Account for the balance of the Royalty and National Branding Fee due on the date specified by Franchisor. If the amounts debited are greater than the amounts Franchisee actually owes (once Franchisor determines Franchisee's true Gross Revenues for the reporting period), Franchisor shall credit the excess against the amount Franchisor otherwise would debit from the EDT Account during the following month, without interest. Nothing in this paragraph is to be construed to waive, postpone, or suspend Franchisee's obligations to submit any reports, records, or other materials required by this agreement. Franchisee acknowledges that its failure to accurately report Gross Revenues when due constitutes a breach of this agreement, notwithstanding the provisions of this paragraph.

(c) Franchisor may, after providing thirty days' notice, alter the payment period for the Royalty, National Branding Fee, Technology Fee, and any other required payments from monthly to weekly, biweekly, or such other period as Franchisor designates.

5.7 Application of Payments. As to Franchisee, Franchisor has the right to: (i) apply any payments received to any past-due, current, or future indebtedness of any kind, regardless of any instructions for the application of the payment from Franchisee or anyone else; (ii) set off from any amounts that may be owed by Franchisor, any amount owed to Franchisor or any National Branding Fund; and (iii) retain any amounts received for Franchisee's account, whether rebates from suppliers or otherwise, as a payment against any amounts owed to Franchisor. Franchisor may exercise any of these rights in connection with amounts owed to or from Franchisor, any Franchisor-Related Person, and/or any National Branding Fund.

5.8 Technology Fee. Franchisee shall pay, to Franchisor or a designated third-party, a Technology Fee of \$499 by the fifth day of each month, for Internet marketing, web hosting, search engine optimization, email addresses, and other technology tools mandated, provided, or developed by Franchisor. Franchisee shall be required to pay the Technology Fee beginning on the fifth day of the second month following the month in which Franchisee or the Designated Individual completes the initial training program required by Section 7.1, unless (1) Franchisee has operated a franchise under another franchise agreement with an effective date at least six months earlier than the Effective Date; or (2) Franchisee acquired the Territory from another Caring Transitions franchisee, in which case the Fee is required immediately. The Fee may be increased after providing 30 days written notice.

ARTICLE 6

DUTIES OF FRANCHISOR

6.1 Assistance by Franchisor. Franchisor, at its sole expense and cost, shall provide the following assistance and make the following materials available to Franchisee:

- (a) A schedule of all equipment necessary to operate the franchised business;
- (b) Initial training for up to two people, one of which has been approved by Franchisor as the person responsible for the day-to-day operation of the franchised business, at a training facility or location approved by Franchisor;
- (c) Access to a current set of advertising and promotional templates;
- (d) Approved and readily available sources for purchasing supplies, advertising and marketing materials, computer hardware and software, and other items necessary for the operation of the franchised business;
- (e) Periodic assistance from Franchisor's representatives either onsite and/or remotely as and to the extent Franchisor deems necessary; and
- (f) Such other materials, information and assistance as Franchisor may from time to time deem necessary.

6.2 Products, Supplies and Materials. Following the execution of this agreement, Franchisor will provide Franchisee with access to the business and reporting forms for use by Franchisee in the franchised business. Upon request, Franchisor may provide Franchisee with specifications for the proper preparation of the business and reporting forms, and Franchisee may purchase them from a supplier who has complied with Franchisor's supplier approval guidelines in Section 7.5.

6.3 Manual. Franchisor shall make available to Franchisee, at no charge, one copy of Franchisor's current Manual in a digital format via Franchisor's franchisee intranet as described in Article 9.

ARTICLE 7

DUTIES OF FRANCHISEE

7.1 Training. At least one person designated by Franchisee, who has been approved by Franchisor as the person responsible for the day-to-day operation of the franchised business, but not more than two people, must complete, to Franchisor's satisfaction, Franchisor's initial training program described in section 6.1(b) above. Franchisor shall provide and pay for the instructors, training facilities, and training materials used in the training. Franchisee shall pay all other expenses incurred by Franchisee or its trainees, including, without limitation, the cost of travel, room, board, wages and payroll taxes. If Franchisee (or Franchisee's designee) fails to complete the training program to the satisfaction of Franchisor, or fails to begin the training program within ninety days after the Effective Date of this agreement, then Franchisor may terminate this agreement. At least one person designated by Franchisee, who has been approved by Franchisor as the person responsible for the day-to-day operation of the franchised business, must also attend and complete, to Franchisor's satisfaction, all other training programs that Franchisor reasonably requires from time to time. Franchisor may charge Franchisee a fee for training programs (except for the initial training

program). Franchisee shall pay all expenses incurred by Franchisee or its trainees, including, without limitation, the cost of travel, room, board and wages, and any training fee charged by Franchisor.

7.2 System Standards. Franchisee acknowledges and agrees that every detail of the System is important, not only to Franchisee but also to Franchisor and other Fresh Coat franchisees, in order to develop and maintain uniform operating standards, increase the demand for the products and services offered by all franchisees, establish and maintain a reputation for quality services, and protect the goodwill of all Fresh Coat franchises. Franchisee further acknowledges and agrees that a fundamental requirement of the System, this agreement, and other Fresh Coat franchises is adherence by all franchisees to the uniform specifications, standards, operating procedures and rules prescribed by Franchisor for the development and operation of the franchised business ("System Standards"). Accordingly, Franchisee shall comply with each and every System Standard, as periodically modified and supplemented by Franchisor in its sole and absolute discretion. System Standards prescribed from time to time in the Manual, or otherwise communicated to Franchisee in writing, constitute provisions of this agreement as if fully set forth in this agreement. All references to this agreement include all System Standards as periodically modified.

7.3 Products and Services. Franchisee shall offer and sell all products and services, and only those products and services, authorized by Franchisor and specified in the Manual or as designated in writing by Franchisor ("Permitted Products and Services"). Franchisor may unilaterally add and delete products or services to or from the Permitted Products and Services at any time. Franchisor may also designate any products or services as optional.

7.4 Fixtures and Furnishings. Franchisee, at its own expense, shall purchase and install the Communication and Information System specified in section 7.15 below, and all fixtures, furnishings, signs, and other equipment as may be specified by the System Standards from time to time; and shall not permit the installation of any fixtures, furnishings, signs, or other equipment not conforming to the System Standards.

7.5 Supplier Approval. Franchisor has the right to require Franchisee to purchase all goods and services used in the franchised business solely from suppliers designated by Franchisor, which may include Franchisor or an affiliate. Franchisor has the right to condition its approval of any supplier upon benefits to Franchisor and/or its affiliates based upon purchases by Fresh Coat franchisees. Franchisor and/or its affiliates may derive income or receive benefits as a result of Franchisee's and/or other Fresh Coat franchisees' purchase of items. Franchisor has the right to require Franchisee to purchase certain goods or services exclusively from one or more designated suppliers, or to purchase cooperatively with Franchisor or other Fresh Coat franchisees, in order to maintain Franchisor's quality standards or to take advantage of price discounts, benefits or other sales incentives. Franchisor and/or its affiliates have the right to receive rebates, discounts, allowances, and other payments from suppliers in respect of group purchasing programs and otherwise on account of the suppliers' dealings with Franchisee and other Fresh Coat franchisees, which Franchisor is entitled to retain and use without restriction for any purpose and without accounting to Franchisee. Franchisor has the unlimited right to change and add designated suppliers and to change the list of goods and services required to be purchased from designated suppliers at any time.

7.6 Business Operation. Franchisee must open the franchised business within ninety days after Franchisee or Franchisee's designee completes the initial training program required by section 7.1 above. After opening, Franchisee shall maintain the franchised business in continuous operation during the term of this agreement. Franchisee shall not use or permit the use of the Premises on which the franchised business is located for any other purpose or activity other than the operation of the franchised business, without first obtaining the written consent of Franchisor (this restriction does not apply if Franchisee's residence is the Premises). The franchised business must at all times be

under the direct supervision of the Franchisee, or such person as has been approved in writing by Franchisor and has successfully completed Franchisor's initial training program and any other mandatory training programs, who must devote his full time and energy to the operation of the franchised business. If Franchisee owns more than one franchised business, each franchised business must have its own full-time manager or marketing employee.

7.7 Payment of Liabilities and Taxes. Franchisee shall pay its distributors, lessors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such parties become due, and pay all taxes on real and personal property, leasehold improvements and fixtures and equipment, and all sales and use, income, payroll and other taxes promptly when due and hold Franchisor harmless therefrom. Franchisee's failure to do so shall constitute a breach of this agreement. All taxes shall be paid directly to the taxing authorities prior to the delinquent date. If Franchisee shall fail to pay any such obligations promptly as the debts to such parties become due, or if any taxes become delinquent, Franchisor, in addition to its other remedies provided in this agreement, may elect to pay any such obligation or delinquent tax on behalf of Franchisee, together with late charges, penalties and interest, if any, and Franchisee shall, upon demand, reimburse Franchisor for any sums so paid by Franchisor, together with interest at the rate of eighteen percent per annum, or the highest rate allowed by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

7.8 Records. During the term of this agreement, Franchisee shall maintain and preserve, for at least six years from the date of their preparation, full, complete and accurate books and records of account, prepared in accordance with generally accepted accounting principles, and customer files and records pertaining to the franchised business granted pursuant to this agreement, all in the form and manner prescribed by Franchisor in the Manual or otherwise in writing. In connection with its maintenance of such accounts and records, Franchisee, at its expense, shall:

(a) Submit to Franchisor, by the fifth day of each month, a Sales Report in the form prescribed by Franchisor and certified by Franchisee or by the Designated Individual, accurately reflecting all Gross Revenues during the preceding calendar month, together with such other data or information as Franchisor may require. Franchisor may, after providing 30 days written notice, require the reporting of Sales Reports and other required data to be weekly, biweekly, or at such other interval as Franchisor designates;

(b) Submit to Franchisor, within sixty days after the end of each calendar year, an income statement for the preceding calendar year, certified by Franchisee or by the Designated Individual as accurately reflecting the results of operations of the franchised business for the preceding calendar year, together with such other information as may be prescribed by Franchisor;

(c) Submit to Franchisor signed copies of Franchisee's federal income tax return for the previous tax year, as filed with the Internal Revenue Service, on or before April 30 of each year, or, if Franchisee has received an extension of time to file and submits to Franchisor, by April 30, a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, then within fifteen days after the final due date for such return, but in no event later than October 30 of each year;

(d) Submit to Franchisor, within ten days after request, such other forms, reports, bank statements, customer files, records, information, and data as Franchisor may reasonably request, including profit & loss statements on at least a quarterly basis;

(e) Use only the chart of bookkeeping accounts prescribed by Franchisor in the Manual or otherwise communicated to Franchisee;

(f) Purchase and install such equipment as Franchisor may require to automate the reporting of financial information and the payment of recurring fees by Franchisee pursuant to this

agreement, including, but not limited to, Internet or intranet reporting and pre-authorization of electronic fund transfer or bank debit; and

(g) At all times during the term of this agreement and for a period of three years after the termination or expiration of this agreement, permit Franchisor or its designated agents at all reasonable times to examine ("audit"), at Franchisor's expense and at such location as Franchisor may reasonably select, Franchisee's books and records of account, bank statements, canceled checks, customer files, federal, state, and local income tax, sales tax, and payroll tax returns, and any other information or records pertaining to the franchised business (hereafter collectively referred to as Franchisee's "Business Records"). If any such audit reveals that Gross Revenues (as defined in section 5.4 hereof) have been understated in any report submitted to Franchisor, then Franchisee shall immediately pay Franchisor, upon demand, the Royalty payable on the amount of the understatement, plus the late fee and interest described in section 5.3 hereof. In addition, if an audit discloses an understatement of Gross Revenues of 3% or more in any report submitted to Franchisor, or if an audit is prompted by Franchisee's failure to maintain any records or to timely submit any report or other information required by this agreement, then Franchisee shall also reimburse Franchisor for all costs and expenses of the audit (including, without limitation, wages paid by Franchisor to its employees, payroll taxes thereon, travel and living expenses, and reasonable accounting and attorneys' fees). Franchisee, upon Franchisor's request, shall provide Franchisor the tax returns of Franchisee's principals if Franchisor reasonably suspects that Gross Revenues are understated. The foregoing remedies are in addition to any other remedies Franchisor may have. Franchisor also has the right, at all times during the term of this agreement and for a period of three years after the termination or expiration of this agreement, to have an independent audit made of Franchisee's Business Records. The terms of this paragraph will survive the expiration, termination or cancellation of this agreement.

7.9 Indemnity and Insurance.

(a) Franchisee shall indemnify, hold harmless and defend Franchisor against and from all fines, proceedings, claims, demands or actions of any kind or nature and from anyone whomsoever arising out of or otherwise connected with Franchisee's operation of the franchised business (excluding, however, liabilities caused by (i) Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence).

(b) Franchisee shall, prior to opening the franchised business and thereafter at all times during the entire term of this agreement, at its own expense, keep in force by advance payment of premium the following insurance coverages:

(i) All-Risk Insurance covering Franchisee's business fixtures, furnishings and equipment for their full replacement cost against such hazards as are typically covered by a standard fire and extended coverage policy.

(ii) Commercial General Liability Insurance on an occurrence basis covering claims for bodily and personal injury, death, and property damage with a minimum per occurrence limit of \$1,000,000 and a minimum general aggregate limit of \$2,000,000 per policy year.

(iii) Automobile Liability Insurance covering owned, hired, and non-owned vehicles with a minimum combined single limit for each accident of \$1,000,000.

(iv) Worker's Compensation Insurance that complies with the statutory requirements of the state in which the franchised business is located and Employers' Liability Insurance with a minimum limit of \$100,000 or, if greater, the statutory minimum limit if required by state law, as well as such other insurance as may be required by

statute or rule of the state or locality in which the franchised business is located and operated.

(v) Employment Practices Liability Insurance with a \$500,000 minimum limit covering defense costs and damages (whether paid pursuant to judgment or settlement) for claims of sexual harassment, discrimination and wrongful termination.

(vi) A first-party and third-party Fidelity Bond (or Employee Dishonesty Insurance) with a minimum limit of \$25,000 per incident. The policy must NOT contain a Conviction Clause.

(vii) Umbrella Insurance of \$1,000,000.

Franchisee shall maintain all insurance as may be required by any lease to which Franchisee is a party. All policies of insurance (except for Workers' Compensation Insurance) must have a deductible of not more than \$1,000 and contain a separate endorsement naming Franchisor as an additional insured. All insurance must be placed with an insurance carrier or carriers that are licensed in the state in which the franchised business operates, have at least an "A" rating classification in A.M. Best's Key Rating Guide, and have been approved in writing by Franchisor, and may not be cancelled except upon thirty days written notice to Franchisor. Franchisee shall submit to Franchisor, before commencing business, certifications of insurance (with a copy of the original policy attached) and a workers' compensation certificate of premium payment, showing full compliance with the requirements of this paragraph, and shall keep current certifications on deposit with Franchisor at all times during the term of this agreement. Franchisee may not open or operate the franchised business until and unless Franchisee has complied and remains in compliance with all of the requirements of this paragraph. If Franchisee fails to comply with these requirements, Franchisor may (but is not obligated to) obtain the required insurance and keep it in force, and Franchisee shall pay Franchisor, upon demand, the cost thereof, together with interest thereon at the rate of eighteen percent per annum, or the highest rate allowed by law, whichever is less. Franchisor, upon not less than thirty days written notice to Franchisee, may reasonably increase the minimum coverage for any insurance required hereunder, decrease the maximum deductible, or require different or additional kinds of insurance coverage to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. The terms of this paragraph will survive the expiration, termination, or cancellation of this agreement.

(c) The insurance required by subparagraphs (b) above is for Franchisor's protection. Franchisee is advised to consult with its own insurance agents and legal counsel to determine what types and levels of insurance protection may be needed or advisable in addition to the coverages and limits required by Franchisor.

7.10 Limited Liability Business Entity.

(a) If Franchisee is a limited liability business entity (such as a corporation or limited liability company) when it signs this agreement, it must satisfy the following requirements at the time it signs this agreement:

(1) Franchisee must be a newly organized business entity that has never operated or engaged in any business.

(2) Franchisee's organizational and governing documents must (i) provide that its activities are confined exclusively to operating one or more Fresh Coat Franchises, (ii) prescribe a maximum of ten Principals, and (iii) prohibit the issuance or transfer of its ownership interests other than in compliance with the terms and conditions of this agreement.

- (3) Franchisee shall provide Franchisor with a list of principal owners, certified by the Designated Individual, containing the full legal name, home address, home telephone number, and ownership percentage of each principal of Franchisee.
 - (4) Each principal of Franchisee must execute a separate agreement, in a form prescribed by Franchisor, unconditionally guaranteeing the full payment of Franchisee's obligations under this agreement and agreeing to be jointly and severally bound by all the provisions of this agreement, including the Covenants After Termination.
 - (5) Each ownership certificate of Franchisee must bear a legend stating that the issuance and transfer of any ownership interest in Franchisee are subject to the terms and conditions of this agreement. If Franchisee is a limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms and conditions of this agreement.
 - (6) Franchisee shall provide Franchisor with true and complete copies of its organizational and governing documents, including the resolutions of its Principals or governing body authorizing the execution of this agreement.
 - (7) The name of the Limited Liability Entity may not contain any of the words FRESH COAT, FRESH, or COAT, in any order, any variation thereof, or any of the other Marks.
- (b) If Franchisee is not a limited liability business entity when it signs this agreement, then within after 90 days of signing this agreement, Franchisee shall transfer all of its interest in the Franchised Business and all of its rights and obligations under this agreement to a limited liability business entity, comply with all of the requirements in subparagraph 7.12(a), and comply with the following additional requirements:
- (1) The individual(s) who executed this agreement as Franchisee shall beneficially own a controlling interest in the limited liability business entity and shall not diminish his/her/their ownership Interest therein, except as may be required by law.
 - (2) One of the individuals who executed this agreement as Franchisee shall act as the principal executive (or manager) and operating officer of the limited liability business entity.
 - (3) Franchisee shall reimburse Franchisor for actual legal costs incurred by Franchisor in approving and effecting the transfer to the limited liability business entity.
- (c) At all times while this agreement is in effect:
- (1) The limited liability business entity shall not operate any other business or engage in any other business activities except the operation of one or more Fresh Coat Franchises.
 - (2) Franchisee shall not cause or permit any of provision of its organizational or governing documents to be modified or restated without Franchisor's prior written approval.
 - (3) Within ten days after Franchisor's request or after any change in any information on the Principal List, Franchisee shall provide Franchisor with an updated list of principals.

(4) Upon request, Franchisee shall provide Franchisor with true and complete copies, certified by the Designated Individual, of Franchisee's organizational and governing documents.

(5) Each new Principal of Franchisee must execute an agreement, in a form prescribed by Franchisor, unconditionally guaranteeing the full payment of Franchisee's obligations under this agreement and agreeing to be jointly and severally bound by all the provisions of this agreement, including the Covenants After Termination.

(6) Franchisee acknowledges that any limited liability business entity through which Franchisee derives Gross Revenues or provides Authorized Products and Services is closely related to and bound by this Agreement, including its jurisdiction and arbitration clauses.

7.11 Compliance with Law. Franchisee shall comply with all laws, regulations and requirements of federal, state, municipal, and other governmental entities and agencies (including, without limitation, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Fair Labor Standards Act, the Family Medical Leave Act, state or local fictitious or assumed name registration requirements, wage and hour, overtime, and any other federal, state or local employment laws), and shall obtain and maintain all licenses and permits required or necessary to conduct the franchised business in any jurisdiction in which it operates. Franchisee shall submit documented proof of its compliance with any local, state or federal law or licensing regulation within five (5) days of Franchisor's request, unless Franchisor authorizes in writing a longer period of time for Franchisee's compliance. Franchisee is solely responsible for compliance with the obligations of this paragraph, and Franchisor has no obligation with respect thereto.

7.12 Customer Dispute Resolution. Franchisee acknowledges that customer satisfaction is essential to Franchisee's success as well as the reputation and success of the System and other Fresh Coat franchisees. Accordingly, Franchisee shall: (i) use its best efforts to ensure the satisfaction of each of Franchisee's customers; (ii) use good faith in all dealings with customers, potential customers, referral sources, suppliers, and creditors; (iii) respond to customer complaints in a courteous, prompt, and professional manner; (iv) use its best efforts to promptly and fairly resolve customer disputes in a mutually-agreeable manner; and (v) within seven (7) days of receiving a request from Franchisor, provide Franchisor a written summary of the dispute. If Franchisee fails to resolve a dispute with a customer, for any reason, Franchisor, in its sole discretion and for the sole purpose of protecting the goodwill and reputation of the System and the Marks, may (but is not obligated to) investigate the matter and take such action as Franchisor may deem necessary or appropriate to resolve the dispute fairly and promptly, including, but not limited to, the issuance of a refund on Franchisee's behalf. Within ten days after its receipt of notice, Franchisee shall reimburse Franchisor for any money refunded to a customer on Franchisee's behalf. Nothing in this paragraph or any other provision of this agreement imposes liability upon Franchisor to any third party for any action by or obligation of Franchisee.

7.13 Background Review of Employees. Franchisee acknowledges and understands that Franchisee's employees will be entering customers' residences for the purpose of selling and providing Permitted Products and Services. Accordingly, in order to maintain high standards of quality over the services provided by Franchisee, protect the integrity and reputation of the Marks, and ensure the safety of Franchisee's customers and others, prior to hiring any employee, Franchisee shall conduct a background review of each prospective employee's criminal and motor vehicle histories and any other histories (such as medical and/or credit histories) that may be required by the System Standards, as updated from time to time, and update each employee's background review at least every TWO YEARS. Franchisee shall not hire any prospective employee for any position involving entrance to a customer's residence if such prospective employee's background review indicates, in Franchisee's reasonable discretion, a propensity for violence,

dishonesty, negligent, reckless or careless behavior, or a conviction for any crime within the past seven years. Franchisor shall not be liable to Franchisee, any employee or prospective employee of Franchisee, or any third party for any act or omission of Franchisee or any employee or agent of Franchisee, and Franchisee shall indemnify, hold harmless and defend Franchisor against and from any and all claims, demands or actions arising from any act or omission of Franchisee or any employee or agent of Franchisee (including, without limitation, refusal to hire or discrimination claims or claims asserted by third parties for intentional torts allegedly committed by any employee or agent of Franchisee).

7.14 Designated Individual. If Franchisee is other than an individual, prior to beginning the initial training program described in section 7.1, Franchisee shall designate, subject to Franchisor's reasonable approval, an individual (the "Designated Individual") who shall be responsible for general oversight and management of the operations of the franchised business on behalf of Franchisee. The Designated Individual must attend and successfully complete the initial training program and such other training programs as Franchisor may from time to time require during the term of this agreement. Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Individual to have been given, by Franchisee, decision-making authority and responsibility regarding all aspects of the franchised business. In the event that the person designated as the Designated Individual dies, becomes incapacitated, leaves Franchisee's employ, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the franchised business, Franchisee shall promptly designate a new Designated Individual, subject to Franchisor's reasonable approval.

7.15 Communication and Information System. To ensure the efficient management and operation of the franchised business and the transmission of data to and from Franchisor, Franchisee, at its own expense, shall install, prior to opening the franchise business, and shall maintain and utilize during the term of this agreement, such Communication and Information System as may be specified by the System Standards from time to time.

(a) As used in this agreement, the term "Communication and Information System" shall mean: hardware (including, without limitation, one or more computers and/or other computer components); software designed for the management and operation of the franchised business, as well as reporting and sharing information with Franchisor; and communication systems (including, without limitation, digital and analog modems, satellite, cable, and other systems).

(b) Franchisee shall lease and/or purchase its Communication and Information System only from such vendor or vendors or supplier that Franchisor has approved in writing pursuant to the provisions of section above. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the Communication and Information System.

(c) Franchisor may from time to time develop or authorize others to develop proprietary software programs for use in the System, which Franchisee may be required to purchase and/or license, and use, in connection with the franchised business. Franchisee agrees that it shall execute any license, sublicense, or maintenance agreement required by Franchisor or any other approved licensor or approved vendor of such proprietary software programs.

(d) Franchisee shall upgrade and update its Communication and Information System in the manner, and when, specified by Franchisor in writing, in accordance with section 9.3 below.

(e) Franchisee shall have the sole and complete responsibility for the manner in which Franchisee's Communication and Information System interfaces with other systems,

including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's Communication and Information System is not properly operated, maintained, and upgraded.

(f) Franchisee shall: (i) promptly enter, into its Communication and Information System, and maintain all information required to be entered and maintained by Franchisor; (ii) provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained, and (iii) permit Franchisor to access Franchisee's Communication and Information System at all times via modem or other means specified by Franchisor from time to time. Franchisee shall cooperate with Franchisor, and shall execute all documents required by Franchisor to permit access to Franchisee's Communication and Information System and data contained therein. The reporting requirements set forth in this subsection are in addition to and not in lieu of the reporting requirements set forth under section 7.8 above.

(g) Franchisor may use any and all data collected or provided by Franchisee, downloaded from Franchisee's Communication and Information System, and otherwise collected from Franchisee's system by Franchisor and/or provided to Franchisor, in any manner that Franchisor deems appropriate without compensation to Franchisee, including, but not limited to, the disclosure or distribution of such information to other franchisees of Franchisor, or the disclosure of such information to prospective franchisees of Franchisor, by inclusion in Franchisor's franchise disclosure document or otherwise.

(h) Franchisee shall maintain at least one dedicated telephone line for use exclusively by the franchised business, which must be answered by an employee of Franchisee or by an answering service approved by Franchisor during all hours designated by Franchisor from time-to-time. Each telephone line shall have all service features as required by Franchisor in the Manual or otherwise communicated to Franchisee from time-to-time. Franchisor has the right, in its business judgment, to require that Franchisee increase the number of telephone lines to accommodate Franchisee's call volume or that Franchisee use a designated call center. All lines shall be operational and functional prior to opening the franchised business and thereafter at all times during the term of this agreement. The main telephone number for the franchised business must be listed in a white-pages telephone directory under the business name specified by Franchisor and a location within Franchisee's Territory. Franchisor has the right, but is not obligated, to provide a telephone number for Franchisee's use and Franchisee shall reimburse Franchisor for the cost thereof or shall pay the service provider directly, at Franchisor's option. If Franchisor provides a telephone number for Franchisee's use, Franchisee shall use only the number provided by Franchisor for the franchised business, including Franchisee's stationery, advertisements, marketing materials, directory listings (including online directories), and electronic distribution channels.

(i) Prior to opening the franchised business and thereafter at all times during the term of this agreement, Franchisee shall obtain and maintain a standard e-mail account that is capable of receiving and sending attached files of a size specified by Franchisor in the Manual or otherwise communicated to Franchisee from time-to-time, along with a high-speed Internet connection via a commercial Internet service provider.

(j) Franchisor may, but is not obligated to, establish a Web site (as defined in section 11.8 below) or other electronic system providing private and secure communications (e.g., an intranet) between Franchisor, Franchisee, other franchisees, and other persons and entities as determined by Franchisor, in its sole discretion. If required by Franchisor, Franchisee shall establish and maintain access to the intranet in the manner specified by Franchisor, and shall from time to time execute such agreements and/or acknowledge and

agree to comply with such policies concerning the use of the intranet as Franchisor may prepare.

(k) Any and all data collected or provided by Franchisee, downloaded from Franchisee's Communication and Information System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor, who has the right to use the data in any manner without compensation to Franchisee. Franchisee is hereby licensed, without additional compensation, to use such data solely for the purpose of operating the franchised business. This license will automatically and irrevocably expire, without additional notice or action by Franchisor, when this agreement terminates or expires.

(l) Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding clients or other individuals ("Privacy"), and comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between applicable law and Franchisor's Privacy standards and policies, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately provide Franchisor with written notice of the conflict; and (iii) promptly and fully cooperate with Franchisor and Franchisor's counsel as Franchisor determines the most effective way, if any, to reconcile Franchisor's Privacy standards and policies with applicable law. Franchisee is solely responsible for identifying, interpreting and complying with all laws pertaining to Privacy. Franchisee shall neither publish nor implement a Privacy policy without Franchisor's prior written approval of the policy.

7.16 Compliance with USA Patriot Act. Franchisee certifies that neither Franchisee nor any of its affiliates, principals, or employees is listed in the Annex to Executive Order 13224 ("the Annex," a copy of which may be available on-line at <https://www.state.gov/j/ct/rls/other/des/143210.htm>). Franchisee shall not hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee or any of its affiliates, principals, or employees being listed in the Annex. Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the anti-terrorism laws. In connection with such compliance, Franchisee certifies, represents, and warrants that none of its property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its affiliates and principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities include Franchisee's obligations under this paragraph. Any misrepresentation by Franchisee under this paragraph or any violation of the Anti-Terrorism Laws by Franchisee, its affiliates, principals, or employees, will constitute grounds for immediate termination of this agreement.

7.17 System Evaluations. Franchisee shall participate in and fully comply with all client satisfaction programs Franchisor may establish from time-to-time, including the requirements to advertise and make known and available to clients all such programs and to honor the terms of all such programs. Franchisee is subject to and may be required to participate in any evaluation of standards or quality that Franchisor may conduct or sanction for all Fresh Coat franchises. Franchisee shall provide Franchisor and Franchisor's designees with access to Franchisee's books, records, files, employees, and independent contractors for this purpose.

7.18 Disclosure of Franchisee Information. Franchisee acknowledges that Franchisor may from time-to-time be required or find it necessary to disclose to third parties certain information about Franchisee and Franchisee's Principals, including contact information such as names, addresses and telephone numbers, and other information collected by Franchisor under this agreement. Franchisee hereby consents to Franchisor's collection, use, and disclosure of any information pertaining to the Franchised Business (including contact information of Franchisee and Franchisee's Principals) for Franchisor's reasonable business purposes and for any purpose described in

Franchisor's privacy policy (as may be amended from time-to-time), subject to the limitations of this paragraph. Without limiting the generality of the foregoing sentence, Franchisee hereby consents to (i) the collection, use and disclosure of any information about Franchisee and Franchisee's Principals (including contact information) to develop, modify and enhance the System, to conduct credit checks or other personal history investigations, to develop general franchisee profiles, to comply with applicable Franchise Laws, and to otherwise comply with any applicable law; (ii) the transfer of any information (including contact information) to any third party in order for Franchisor to fulfill its obligations under this agreement or attempt to obtain any benefit for Franchisor, Franchisee or the System as a whole; and (iii) the release to Franchisee's landlord, lenders or prospective landlords or lenders, of any financial or operational information relating to Franchisee and/or the Franchised Business (without obligating Franchisor to do so). "Contact Information" is any information about a person that can be used to uniquely identify, contact, or locate the person.

7.19 Operational Inspections by Franchisor. To provide assistance and guidance with respect to the operation and management of the Franchised Business, enforce brand standards, ensure quality standards and consistency within the System, and ensure that Franchisee is complying with this agreement and the System Standards, Franchisor or Franchisor's agents have the right, but not the obligation, at any time during business hours and without prior notice to Franchisee, to conduct field visits to: (1) inspect the Franchise Premises, equipment, furniture, fixtures, displays, signs, operating materials, inventory, and supplies; (2) observe the operations of the Franchised Business at the Premises and on-site with clients, for such consecutive or intermittent periods as Franchisor deems necessary; (3) photograph or video record the Premises and Franchisee's clients and personnel; (4) interview Franchisee's personnel; (5) interview Franchisee's clients; (6) conduct written or telephonic surveys of Franchisee's clients or referral sources; (7) conduct an inspection described in section 7.8(g); and (8) inspect and copy any books, records and documents relating to the operation of the Franchised Business, including employment contracts, nondisclosure and noncompetition agreements, leases, and material and information generated by or contained in the Communication and Information System. Franchisee consents to the recording by Franchisor of any telephone conversations between Franchisor and Franchisee or its representatives. Franchisee shall cooperate fully with Franchisor in connection with each field visit and any inspection, observation, survey and interview in connection therewith. Franchisee shall present its clients with any evaluation forms Franchisor may periodically prescribe and ask them to participate in any surveys conducted by Franchisor on Franchisee's behalf. If Franchisee for any reason cancels a visit that was scheduled by agreement with Franchisee, then Franchisee shall reimburse Franchisor for all costs and expenses incurred by Franchisor in connection with the field visit or its cancellation.

7.20 Covenants of Employees and Agents. Franchisee shall require each of its management employees (except those individuals required to execute a Restrictive Covenant Agreement pursuant to section 15.9), at the time of the commencement of their association with Franchisee, to execute an "Employment Agreement" containing provisions:

- (a) requiring that all Confidential Information (as defined in section 10.1) that may be acquired by or imparted to the person in connection with their association with Franchisee (including the Manual, any proprietary software provided by Franchisor, and all information contained therein) be held in strict confidence and used solely for the benefit of Franchisee or Franchisor during their association with Franchisee and at all times thereafter;
- (b) prohibiting the person, during their association with Franchisee, from diverting or attempting to divert any business or customer of the Franchised Business or of any other Fresh Coat franchisee to any competitor of the franchised business, by direct or indirect inducement or otherwise;
- (c) prohibiting the person, during their association with Franchisee, from doing or performing, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks and the System;

(d) prohibiting the person, during their association with Franchisee, from employing or seeking to employ any person who is at that time employed by Franchisor or Franchisee, or otherwise directly or indirectly inducing or attempting to induce such person to leave his or her employment; and

(e) prohibiting the person, during their association with Franchisee and for a continuous period of one year (or the maximum period permitted or enforced by the laws of the state in which the Franchised Business is located, if such period is less than one year, but in no event less than six months) after the termination of their association with Franchisee, from operating, owning, maintaining, promoting, engaging in, or performing services for (as an employee or otherwise) any competitor of the franchised business.

Franchisee shall provide Franchisor with executed copies of all Employment Agreements required by this section. Franchisee may not grant any person enumerated above access to any confidential aspect of the System or the Franchised Business before their execution of an Employment Agreement. All Employment Agreements required by this section must be in a form satisfactory to Franchisor and must specifically identify Franchisor as a third-party beneficiary with the independent right to enforce the agreement. Franchisee's failure to obtain the execution of all Employment Agreements required by this section and provide copies thereof to Franchisor is a material breach of this agreement.

7.21 Attendance at Franchisee Meetings and Conferences. Franchisor may, but is not obligated to, hold national and/or regional meetings and conferences with Franchisor's personnel and Fresh Coat franchisees at locations designated by Franchisor, to provide additional training, exchange sales, operating and marketing ideas and methods, introduce new software, marketing programs, or promotional items, and for any other purpose determined by Franchisor. Franchisor has the right to require Franchisee or the Designated Individual (if Franchisee is not an individual) to attend these national and/or regional meetings. Franchisor has the right to charge Franchisee a reasonable fee for such meetings. Nothing in this agreement is to be construed to require Franchisor to hold, provide, sponsor, host, or organize any such meetings.

7.22 Sales Standards. Franchisee acknowledges the importance of maintaining strong sales performance. Accordingly, Franchisee acknowledges and agrees that Franchisor shall monitor Franchisee's sales, and may establish periodic sales standards for Franchisee. If Franchisee does not meet or exceed such established sales standards, Franchisor may conduct a detailed review of Franchisee's business operations to determine the reasons therefore, and require reasonable changes in Franchisee's business operations to improve Franchisee's sales performance. Franchisee agrees to comply with such recommendations. The failure of Franchisee to comply with such recommendations shall constitute a default under this Agreement. Franchisor shall not establish any sales standards within the first six (6) months of Franchisee's operation of the franchised business.

7.23 Promotion of Franchised Business. Franchisee shall use its best efforts to diligently promote the Franchised Business and maximize its Gross Revenues, and shall expend all reasonable efforts to develop and maintain substantial interest in the Franchised Business. All such efforts must be in compliance with all applicable laws. Franchisee shall at all times faithfully, honestly, and diligently perform its obligations under this agreement and shall not engage in any business or other activities that will conflict with its obligations under this agreement.

7.24 Employees.

(a) Generally. Franchisee shall hire, train and supervise the appropriate personnel necessary to conduct the Franchised Business. All such personnel are under Franchisee's responsibility and direction and are employees of Franchisee and not of Franchisor. Franchisee may enter into a leased or shared employee relationship with a third party to

provide employees for the Franchised Business, so long as Franchisee retains ultimate control over the hiring, compensation, supervision, training and other terms of their employment. Franchisee shall maintain employee information in its Communication and Information System, maintain all employee records required by all applicable laws, and make such information and records available for inspection by Franchisor upon request.

(b) Control. All employees engaged by Franchisee or other individuals who provide services to the Franchised Business or to its clients will be regarded as employees of Franchisee only and there will be no relationship between Franchisor and Franchisee's employees. Franchisee shall advise each of its employees in writing, before the commencement of their employment, that they will be employed by Franchisee only and not Franchisor. The parties acknowledge and agree that Franchisor has no authority to and shall not exercise any control over the essential terms and conditions of employment of any personnel working for or hired by Franchisee. With respect to such personnel, and without limiting the generality of the preceding sentences, only Franchisee has the power, and hereby accepts the responsibility, to hire, pay, promote, discipline, fire, train, establish employment policies, provide an employee handbook, supervise and control their schedule and work conditions, determine pay rates and methods of payment, and maintain employment records. With respect to Franchisee's employees, Franchisor:

- (i) shall not participate in hiring, firing, promotion, demotion, disciplinary, or scheduling decisions of Franchisee;
- (ii) shall not supervise the work to be performed;
- (iii) is not responsible for the determination or payment of wages;
- (iv) shall not provide employment benefits (including workers' compensation, group health insurance, or retirement plans);
- (v) shall not provide training;
- (vi) shall not supply tools or equipment; and
- (vii) shall not determine the applicability of minimum wage or overtime laws or exemptions;

and has no authority to do any of the foregoing.

(c) Employee Payments. Franchisee shall pay all salaries for its personnel. Franchisee is responsible for all costs and overhead associated with the conduct of the Franchise except as otherwise specifically provided in this agreement. Franchisee is responsible for the payment of all wages, commissions, bonuses, fringe benefits, insurance premiums, payroll taxes and other items required by applicable law, if any, to all personnel working for or hired by Franchisee, whether classified as employees or independent contractors. Without prejudice to the foregoing, Franchisee shall make all statutory deductions and contributions and is solely responsible for complying—and shall comply—with all applicable laws relating to the employment of its employees, including all wage and hour laws, the classification of workers as employees or independent contractors, and the classification of employees as exempt or non-exempt under applicable minimum wage and overtime laws. Employment of Franchisee's employees will be at Franchisee's own risk and expense and its employees will not have any claims against Franchisor for wages, commissions, bonuses, fringe benefits, insurance premiums, social welfare contributions, or any other form of compensation (including severance compensation).

(d) Training. Franchisee shall establish a training program for all of Franchisee's employees. The training program must meet all applicable laws, professional license

requirements, and Franchisor's standards and training guidelines as set out in the Operations Manual and other written materials provided by Franchisor upon request. Upon request, Franchisor shall advise and assist Franchisee in connection with the development of Franchisee's employee training program, but Franchisee retains all responsibility for and control over all training for its employees.

ARTICLE 8

PROPRIETARY MARKS

8.1 Use by Franchisee. Franchisee's right to use the Marks as granted in section 1.1 of this agreement is limited to their use in connection with the operation of the franchised business within the Territory described in section 1.2 and otherwise as described in this agreement, as set forth in the Manual, or as may be prescribed in writing by Franchisor from time to time. Franchisee shall operate the franchised business under the trade name FRESH COAT along with any other geographic appellation that Franchisor may designate or under such other trade name that Franchisor may designate. Franchisee shall not use any other fictitious name, trademark, trade name, geographic appellation, or assumed name in connection with the franchised business without Franchisor's prior written consent. Franchisor may discontinue the use of any Mark or adopt any new Mark for use by Franchisee at any time in its sole discretion.

8.2 Exclusive Property of Franchisor. Franchisee acknowledges Franchisor's right, title and interest in and to the Marks, along with the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the System. Franchisee is a "related company" within the meaning of 15 U.S.C. § 1127 and Franchisee's use of the Marks pursuant to this agreement inures solely to the benefit of Franchisor. Except as expressly provided by this agreement, Franchisee shall acquire no right, title or interest therein, and any and all goodwill associated with the system and the Marks shall inure exclusively to Franchisor's benefit. Upon the 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 Marks.

8.3 Infringement by Franchisee. Franchisee acknowledges that the use of the Marks outside of the scope of this agreement or after the expiration or termination (regardless of the reason therefor) of this agreement without Franchisor's prior written consent is an infringement of Franchisor's rights, title and interest in and to the Marks. Franchisee expressly covenants that during the term of this agreement and after the expiration or termination hereof, Franchisee shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof.

8.4 Infringement by Others. Franchisee shall promptly notify Franchisor of any use of the Marks, any other trademark, logo, or trade name in which Franchisor has or claims a proprietary interest, or any variation thereof, by any party other than Franchisor or any of its representatives, agents, or other franchisees. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any party against Franchisor or Franchisee involving the Marks. In the event Franchisor, in its sole discretion, undertakes the defense, prosecution, or settlement of any litigation relating to the Marks, Franchisee agrees to execute any and all documents, and to render such assistance as may, in the opinion of Franchisor, be reasonably necessary to carry out such defense, prosecution or settlement. Franchisee acknowledges that the nature of trademark law makes it impossible for Franchisor to guarantee or warrant the exclusivity of Franchisor's right to use any of the Marks, and that nothing in this agreement or in any other document or promotional material provided by Franchisor to Franchisee or to any other party shall be construed to guarantee, warrant, or imply that Franchisor's right to use any of the Marks is exclusive or superior to the rights of any other party. Franchisee shall, upon demand by Franchisor, discontinue its use of such Mark(s) and adopt, at

Franchisee's sole cost and expense, any Mark(s), if any, selected by Franchisor to replace such discontinued Mark(s), and Franchisor shall have no liability therefor to Franchisee.

8.5 Improper Use. Franchisee shall not use any of the Marks, or any derivative or colorable variation thereof: (i) as part of Franchisee's corporate or other legal name; (ii) on or as part of any web site, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services (without Franchisor's prior written approval); (iii) with any modifying or additional words, terms, designs, or symbols (including, without limitation, the words or abbreviations INC., CORP., or COMPANY) other than those specifically authorized by Franchisor; or (iv) in any modified form. Franchisee shall not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or Internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefor or that may harm, tarnish, or impair Franchisor's reputation, name, services or Marks. If Franchisor provides Franchisee with any contracts, agreements, forms, or other documents that contain any of the Marks, Franchisee shall not alter or modify such contracts, agreements, forms, or documents without Franchisor's prior written consent. The provisions of this paragraph will survive the expiration, termination or cancellation of this agreement.

8.6 Non-exclusive Use. Franchisee expressly acknowledges and agrees that this license to use the Marks is non-exclusive, and Franchisor has and retains the rights, among others:

(a) to grant other licenses for the use of the Marks, in addition to those already granted to existing franchisees and to Franchisee;

(b) to develop and establish other systems and programs utilizing the same or similar Marks, or any other proprietary marks, and to grant franchises therein without granting Franchisee any rights therein; and

(c) To identify clients or potential clients as National Accounts, to service National Accounts, and to award the right to service Special Accounts to any franchisee of the System, in Franchisor's sole and absolute discretion.

provided, however, that Franchisor shall not, within Franchisee's Territory, (i) grant other licenses to use the Marks or (ii) establish, or franchise another to establish, a business substantially similar to the franchised business (except as otherwise permitted in section 1.3 of this agreement).

8.7 Use by Others. Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents and supplies utilized by Franchisee in connection with the operation of the franchised business without first obtaining the consent of Franchisor and causing such third party to execute a license agreement as specifically provided for in section 6.2 above.

8.8 Improvements Developed by Franchisee. If Franchisee or any of its Principals, affiliates, directors, officers, or employees conceives, develops, or acquires any improvements or additions to the System or the services or products offered by or the method of operation of a Fresh Coat Franchise, or any advertising or promotion ideas related to a Fresh Coat Franchise or the franchised business (collectively, "Improvements"), Franchisee shall, in each instance, promptly and fully disclose the Improvement to Franchisor without disclosure of the Improvement to others, and obtain Franchisor's written approval before using the Improvement. Any Improvement may be used by Franchisor and Fresh Coat franchisees without any obligation to Franchisee or its Principals, affiliates, directors, officers, or employees for royalties, licensing fees, or other compensation. Franchisee shall assign to Franchisor or Franchisor's designee(s), without charge, all rights, including the right to grant sublicenses, to all Improvements. If for any reason Franchisee and not

Franchisor is deemed to own any right to an Improvement, then this agreement will operate as an agreement to irrevocably transfer and assign all rights in and to the Improvement. Franchisee shall take no steps to appropriate any Improvement for itself. Franchisee shall, at Franchisor's request, execute all assignments, certificates or other instruments (and, if necessary, require its Principals, affiliates, directors, officers, employees and independent contractors to execute such documents as well) as Franchisor may from time-to-time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend Franchisor's rights, title or interest in or to any Improvement or to otherwise carry out the provisions of this paragraph. In return, Franchisor shall authorize Franchisee to use any Improvement developed by Franchisor or another Fresh Coat franchisee that Franchisor makes part of the System. As used in this paragraph, the term "Improvements" includes intellectual property and all advertising, marketing, promotional, public relations or sales concepts, plans, programs, techniques, activities, materials, or Web sites proposed or developed by Franchisee for the franchised business, whether or not they bear the Marks.

ARTICLE 9

CONFIDENTIAL MANUAL

9.1 Business Operations. In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Marks, Franchisee shall conduct its operations hereunder in accordance with Franchisor's operations manual (the "Manual") (as the same may be amended or modified from time to time), which Franchisee acknowledges having received on loan from Franchisor.

9.2 Confidentiality. The Manual shall at all times remain the sole property of Franchisor. Franchisee shall treat the Manual and all information contained therein as confidential and proprietary, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall also ensure that its employees treat the Manual and all information contained therein as confidential and proprietary. Franchisee shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise make the same available to any unauthorized person.

9.3 Modification. Franchisor shall have the right to add to or otherwise modify the Manual from time to time to reflect changes in any of the System Standards, provided that no such addition or modification shall alter the Franchisee's fundamental status and rights under this agreement. Without limiting the generality of the foregoing, Franchisor may, during the term of this agreement, require Franchisee to modify, upgrade, update, enhance and/or replace all or any part of the Communication and Information System at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this agreement), within 30 days after receipt of written notice from Franchisor, the modified, upgraded, updated, enhanced or replacement component or version of the Communication and Information System specified by Franchisor. Franchisee further agrees to take all other actions as may be necessary to enable the modified, upgraded, updated, enhanced or replacement component or version of the Communication and Information System to operate as specified by Franchisor. Any such modifications, upgrades, updates, enhancements and replacements may require Franchisee to incur costs to purchase, lease, and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance, upgrades, updates, enhancements, modifications, and replacements to the Communication and Information System, or other aspects of the franchised business, and that such maintenance, enhancements, modifications, and replacements required by Franchisor may involve additional investment by Franchisee during the term of this agreement. Franchisee shall at all times insure that its copy of the Manual is kept secure, current, and up to date, and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at

Franchisor's home office shall be controlling. Upon Franchisor's request, Franchisee will cooperate in the efficient return of all Manuals that have been identified by the Franchisor as obsolete.

ARTICLE 10

CONFIDENTIAL INFORMATION

10.1 Use of Confidential Information. Franchisee shall not, during the term of this agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation, any confidential information, knowledge, or know-how concerning the franchised business, the System, or methods of operation that may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's business operations under the terms of this agreement ("confidential information"). "Confidential information" includes the identities and personal and contact information of clients of the franchised business, financial statements, results of operations, sales, income, expense, and other financial information and records of the franchised business, and all electronic information, lists and data related to past, present and future clients of any franchise, including any franchise operated by Franchisee. Franchisee shall divulge confidential information only to such of its employees, agents, or professional advisors as must have access to it in order to operate the franchised business as described herein, or with Franchisor's prior written consent. In connection therewith, Franchisee shall be fully responsible for ensuring that its employees, agents and professional advisors comply with this section.

10.2 Remedies. Franchisee acknowledges that any failure to comply with section 10.1 will cause Franchisor irreparable injury, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, specific performance of, or any injunction against a violation of, the requirements of section 10.1.

10.3 Preservation of Confidentiality. Franchisee shall require Franchisee's Principals, directors, officers, and management employees, at the time of the commencement of their association with Franchisee, to execute confidentiality agreements, in a form approved by Franchisor, requiring that all confidential information that may be acquired by or imparted to such persons in connection with their association with Franchisee be held in strict confidence and used solely for the benefit of Franchisee and Franchisor, at all times during their association with Franchisee and thereafter. Franchisee shall require each prospective purchaser of the franchised business, the license granted under this agreement, or any interest in Franchisee, prior to disclosing any confidential information to such person, to execute a confidentiality agreement, in a form approved by Franchisor, requiring that all confidential information that may be disclosed to such person in connection with his or her investigation of Franchisee or the franchised business, will be held in strict confidence and used solely to evaluate the contemplated transaction. All confidentiality agreements described in this paragraph must include a specific identification of Franchisor as a third-party beneficiary with the independent right to enforce the agreement.

10.4 Ownership of Confidential Information. Franchisee agrees that Franchisor owns and controls all domain names and URLs ("Uniform Resource Locator") relating to any Franchise, as well as all Confidential Information, electronic information, lists, and data related to past, present and future clients of any Franchise. Franchisee's only interest in any Confidential Information and any such domain names and URLs is the right to use it pursuant to this Agreement.

10.5 Client List. Franchisee shall maintain the Client List in the Communication and Information System and make it available to Franchisor upon request. Ownership of the Client List and all the information in it belongs to Franchisor at all times. Franchisee will acquire no proprietary or ownership rights to the Client List or to service any the clients of the Franchised Business other than the rights specifically granted under this agreement. Franchisee is permitted to use the Client List for the purposes of this agreement but for no other purpose. Without limiting the generality of the

preceding sentence, Franchisee shall not disclose or transfer the Client List to any person except to Franchisor or as part of a Transfer that complies with Article 12. The Client List is considered Confidential Information and Franchisee shall treat it as such at all times.

ARTICLE 11

ADVERTISING

11.1 National Branding Fee. As required in section 5.2 above, Franchisee shall pay a National Branding Fee to such advertising or marketing fund as Franchisor may establish.

11.2 National Branding Fund. Franchisor has the right, in its discretion, to establish such national or regional funds as Franchisor shall deem necessary or convenient, and to designate any geographical area as a region for establishing regional advertising funds. Franchisor shall maintain and administer such funds (collectively referred to in the singular as the "Fund") as follows:

(a) The Fund is for the benefit of the Fresh Coat franchise system, and is intended to maximize general public recognition and acceptance of the Marks for the benefit of all Fresh Coat franchises within the System or within a region, as the case may be. Franchisee further agrees and acknowledges that Franchisor is not obligated in administering the Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular Franchisee benefits directly or pro rata from the placement of advertising.

(b) The Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, researching, directing, and preparing advertising and/or promotional activities and developing new advertising, promotional and marketing materials for franchisees in the System, and the solicitation of National Accounts. A solicitation for the sale of Fresh Coat franchises as an incidental part of advertisements and promotional materials paid by the Fund will not violate this paragraph.

(c) Franchisor shall, for each of its company-owned locations (if any), contribute to the Fund on the same basis as assessments required of comparable franchisees within the System.

(d) Franchisee shall contribute to the Fund by a separate payment to the "Fresh Coat National Branding Fund" or such other designation as Franchisor may from time to time prescribe. All sums paid by Franchisee to the Fund shall be maintained in an account separate from the other moneys of Franchisor. Such sums shall not be used to defray any of Franchisor's operating expenses, except for such reasonable salaries, overhead, and administrative, accounting, legal (including, without limitation, the defense of any claims against Franchisor and/or Franchisor's designee regarding the management of the Fund) and other costs, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund or advertising programs for Fresh Coat franchisees, including the costs of enforcing contributions to the Fund required under this agreement and the costs of preparing a statement of operations. The Fund and its earnings shall not otherwise inure to the benefit of Franchisor.

(e) It is anticipated that all contributions to and earnings of the Fund shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of

accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

(f) Franchisee agrees that Franchisor (and any designee of Franchisor) shall not have any direct or indirect liability or obligation to Franchisee, to the Fund, or otherwise with respect to the management, maintenance, direction, or administration of the Fund. Franchisee further agrees that Franchisor shall not be liable for any act or omission, whether with respect to the Fund or otherwise, which is consistent with this agreement or other information provided to Franchisee, or which is done in subjective good faith. Franchisee and Franchisor, each having a mutual interest and agreeing on the critical practical business importance of their relationship being governed solely by written instruments signed by the parties to be bound (and not having either party subject to the uncertainty inherent in the application of legal or other concepts not expressly agreed to in writing by both parties), agree that their rights and obligations with respect to the Fund and all related matters are governed solely by this agreement and that neither this agreement nor the Fund are in the nature of a “trust,” “fiduciary relationship” or similar special arrangement, but is only an ordinary commercial relationship between independent businesspersons for their independent economic benefit.

11.3 Separate Asset. The Fund is not and shall not be an asset of Franchisor.

11.4 Termination of Fund. Although Franchisor intends the Fund to be of perpetual duration, Franchisor maintains the right to terminate any Fund. No Fund shall be terminated, however, until all moneys in the Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions during the one-year period immediately preceding the termination.

11.5 Advertising Materials. In addition to the requirements of section 11.1 above, Franchisee shall obtain and maintain an adequate supply of brochures, pamphlets, and special promotional materials of such kind and size as Franchisor may reasonably require from time to time in the Manual or otherwise in writing. Franchisee acknowledges that it shall be solely responsible for advertising and marketing the services offered by the franchised business.

11.6 Delegation of Franchisor's Duties. Franchisor shall have the right to delegate and redelegate its responsibilities and duties under this Article 11 to any designee(s) of its choosing; provided, however, that the right of final approval of all advertising programs shall be retained at all times by Franchisor.

11.7 Approval of Advertising. All advertising by Franchisee in any medium shall be conducted in a dignified manner, shall be completely accurate and truthful, shall conform to such standards and requirements as Franchisor may specify from time to time in writing and to all applicable laws and regulations relating to consumer advertising, and shall give notice that the franchised business is independently owned and operated. All media advertising and direct mail undertaken by Franchisee must be predominantly focused on media distributed, or to prospective clients located, in the Territory. Franchisee shall submit to Franchisor, for Franchisor's prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials, including signs, and all other materials displaying the Marks that Franchisee desires to use and that have not been prepared or previously approved by Franchisor. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the franchised business. Franchisee specifically acknowledges and agrees that the word “advertising” as used in this agreement includes, but is not limited to, signs (including signs on motor vehicles and the interior and exterior of the Premises), URLs, e-mail addresses, Internet listings, banners, advertisements, or other services or links on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, and similar services. Franchisor may require the use of tracking numbers on any

advertising. Franchisor shall have administrative access to all social media accounts, business listings, and digital platforms used by Franchisee. Franchisor reserves the exclusive right to control Internet promotion and online marketing of all Permitted Products and Services.

11.8 Web site. Franchisee specifically acknowledges and agrees that any Web site (as defined below) will be deemed “advertising” under this agreement, and will be subject to (among other things) Franchisor’s approval under this Article 11. The term “Web site” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software. The term Web site includes, but is not limited to, Internet and World Wide Web home pages, social media pages, and web logs. In connection with any Web site, Franchisee agrees to the following:

(a) Franchisor shall have the right, but not the obligation, to establish and maintain a Web site, which may, without limitation, promote the Marks, the System, any or all of the Permitted Products and Services, Fresh Coat franchised or company-owned locations, and/or the offer and sale of Fresh Coat or other franchises. Franchisee shall use all Web sites relating to the franchised business required by Franchisor. Franchisor shall have the sole right to control all aspects of the Web site, including, but not limited to, its design, content, functionality, links to the Web sites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue the operation of the Web site at any time in its business judgment.

(b) Franchisee shall not directly or indirectly establish, maintain, or operate a separate Fresh Coat Web site without Franchisor’s prior written consent. Any Fresh Coat Web site established, maintained, or operated by Franchisee must contain a link to and from Franchisor’s Web site and Franchisor has the right to require modifications of the content, appearance, and format of Franchisee’s Fresh Coat Web site. The term “Fresh Coat Web site” means a Web site that displays any of the Marks or a significant amount of the content of which related to the franchised business, franchisor, the System, or any business that offers or sells products or services that compete with any products or services offered by Fresh Coat franchises.

(c) Franchisee shall not, without Franchisor’s prior written consent, establish or permit or aid any other person to establish any link to any Web site or any other electronic or computer-generated advertising or communication arrangement that Franchisor may establish.

(d) Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee, the franchised business, and/or Franchisee’s location, with such web page(s) to be located within Franchisor’s Web site, or to provide Franchisee with a separate Fresh Coat Web site or pages for such purposes. 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 limit and/or discontinue the content and/or operation of such Web site and web pages.

(e) Franchisor makes no representations about any Web site that it may provide or make available to Franchisee, including, without limitation, the Web site’s suitability, reliability, or availability. To the full extent permissible by applicable law, Franchisor disclaims all warranties and conditions with regard to the Web site, including all implied warranties and conditions of merchantability, fitness for a particular purpose, title, non-infringement, or warranties arising by course of dealing or custom of trade. Franchisor shall not be liable for any direct, indirect, compensatory, punitive, incidental, special, or consequential damages arising out of or related to the use or performance of any Web site.

(f) In order to maintain the goodwill in the System and in the business of Franchisor and Franchisor's licensees, Franchisor has the right to impose conditions and standards requirements on Franchisee's use of electronic distribution channels, including any Fresh Coat Web site maintained by Franchisee, including the following:

(i) Franchisor is to own all rights to all domain names containing any of the Marks or relating to the franchised business, any Permitted Products and Services, or any business that offers or sells products or services that compete with any products or services offered by Fresh Coat franchises. Franchisee shall not register in its own name any domain name containing any of the Marks or relating to the franchised business, any Permitted Products and Services, or any business that offers or sells products or services that compete with any products or services offered by Fresh Coat franchises.

(ii) In order to maintain the common identity of the System and the high-quality standards associated with the System, Franchisee shall obtain Franchisor's prior written approval for any domain name and for the form and content of any Fresh Coat Web site before Franchisee uses it on the Internet. Unless Franchisor's prior written approval has been obtained, no element of the Marks or similar words may be used as part of the domain name or URL.

(iii) Any Fresh Coat Web site established or maintained by Franchisee must contain a hyperlink to Franchisor's Web site and all other hyperlinks to third-party Web sites must be previously approved in writing by Franchisor.

(iv) Any modifications to a Fresh Coat Web site established or maintained by Franchisee must first be approved in writing by Franchisor.

(v) Before establishing a Fresh Coat Web site, Franchisee shall obtain appropriate legal advice regarding the content and to ensure that the Web site complies with all relevant legislation and regulations.

(vi) Franchisee shall fully indemnify Franchisor against all and any claims arising out of any Web site established or maintained by Franchisee.

(vii) Franchisee shall comply fully with its terms and conditions of business over the Internet and shall ensure that such terms and conditions of business receive Franchisor's prior written approval.

(g) Franchisee shall not participate in or register with any Internet group, Web site or similar medium which has as its aim (whether stated or not) or its effect the denigration of Franchisor or the System.

(h) Franchisee shall not open an account or profile on a social media site relating to the franchised business or using any of the Marks without Franchisor's prior written consent, which may be given subject to conditions, which may include the grant to Franchisor of administrator rights, and subject to Franchisee's compliance with the provisions of the Manuals relating to social media sites.

(i) Franchisee shall not, without Franchisor's prior written consent, redirect Internet traffic from another domain name or URL to any Fresh Coat Web site established by Franchisee or any other Web site containing any of the Marks or any content provided by Franchisor or relating to the franchised business.

(j) Franchisor shall have the right to modify the provisions of this section 11.8 as Franchisor shall solely determine is necessary or appropriate for the best interests of the System

11.9 Copyright to Advertising. Franchisee acknowledges and agrees that any and all copyrights in and to contracts, forms, advertising, marketing, promotional public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by or on behalf of Franchisee that are used in the Franchised Business or that bear any of the Marks will be the sole property of Franchisor, and Franchisee shall 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 such materials proposed or developed by Franchisee for the franchised business or the System and approved by Franchisor may be used by Franchisor and other franchisees without compensation to Franchisee.

11.10 Advertising Cooperative. Franchisor may, in its discretion, designate any geographical area in which at least two Fresh Coat franchises are located for the purpose of establishing a local or regional marketing and advertising cooperative ("Cooperative"). Franchisee shall take appropriate steps to establish and participate in a Cooperative if required to do so by Franchisor. If a Cooperative for the geographical area in which the franchised business is located has already been established when Franchisee opens the franchised business, then Franchisee shall immediately become a member of the Cooperative under the terms of its governing documents. If a Cooperative for the geographical area in which the franchised business is located is established during the term of this agreement, Franchisee shall immediately become a member of the Cooperative, and take all steps necessary to become a member. In no event shall Franchisee be required to be a member of more than one Cooperative for the franchised business established under this agreement. The following provisions apply to each Cooperative:

(a) Each Cooperative will be organized and governed in a form and manner prescribed or approved by Franchisor in writing, and will commence operations on a date specified by Franchisor. Any disputes arising between Franchisee and other franchisees in the Cooperative or the Cooperative, will be resolved in accordance with the rules and procedures in the Cooperative's governing documents.

(b) Each Cooperative will be organized for the exclusive purpose of administering local or regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion.

(c) No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor pursuant to the procedures in section 11.7 of this agreement.

(d) Each month that a Cooperative is in existence for Franchisee's geographical area, Franchisee shall contribute to the Cooperative an amount specified by Franchisor or the Cooperative (the "Cooperative Contribution"). Franchisee's Cooperative Contribution will not be credited towards the National Branding Fee required by section 5.2 of this agreement.

(e) The members of the Cooperative will determine the amount of the Cooperative Contribution in accordance with its governing documents, but the Cooperative Contribution may not exceed three percent of Franchisee's Gross Revenues unless the members of the Cooperative, by a majority vote conducted in accordance with its rules, bylaws, or other governing documents, agree to a Cooperative Contribution in excess thereof. Franchisee shall pay its Cooperative Contribution, together with any statements or reports that Franchisor or the Cooperative (with Franchisor's prior written approval) may require, on a date each month determined by the Cooperative, but no later than the tenth day of each month.

(f) For each Fresh Coat franchise operated by Franchisor or an affiliate of Franchisor in a geographical area for which a Cooperative has been established, Franchisor shall make a Cooperative Contribution on the same basis as assessments required of comparable franchisees that are members of the same Cooperative.

(g) Cooperatives established by Franchisor are intended to be of perpetual duration. However, Franchisor maintains the right to terminate any Cooperative. Franchisor shall use any unexpended monies from the terminated Cooperative only for advertising or promotional purposes for the System.

11.11 Local Advertising.

(a) Minimum Local Advertising. Franchisee shall spend, each month, the greater of 5% of its Gross Revenues from the prior month or \$1,500.00 (the "Minimum Local Advertising Amount") on Local Advertising (as defined in paragraph 2 below). Franchisee shall not be required to spend more than \$25,000.00 on Local Advertising annually. Local Advertising expenditures must be made directly by Franchisee. At Franchisor's request, Franchisee shall furnish Franchisor with an itemized report of Franchisee's Local Advertising expenditures for each month. Franchisee's failure to spend at least the Minimum Local Advertising Amount in a month will constitute a default of this Agreement. Franchisee will have the right to cure the default by paying to the National Branding Fund, within one month after notice from Franchisor, the difference between the Minimum Local Advertising Amount for the relevant period(s) less Franchisee's actual Local Advertising expenditures for the same period(s).

(b) "Local Advertising" means advertising, promotion, and public relations within the Territory, and consists only of direct costs to purchase marketing materials, promotion, out-of-pocket expenses for the cost of advertising and sales promotion (including media placement charges, advertising agency fees and expenses, search engine optimization expenses, and cash payments), and such other activities and expenses as Franchisor in its discretion may specify. Franchisor may specify the types of advertising and promotional activities and costs that do not qualify as Local Advertising, including the face value of promotional coupons, cash donations, the cost of products or services donated or provided at a discount to charitable organizations, National Branding Fees, and employee salaries.

ARTICLE 12

TRANSFERABILITY OF INTEREST

12.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign all or any part of its rights and/or obligations herein to any person or legal entity, including a subfranchisor specifically responsible for assisting Franchisee. Franchisee agrees to execute any forms that Franchisor may reasonably request to effectuate any transfer or assignment by Franchisor.

12.2 Transfer by Franchisee.

(a) Franchisee understands and acknowledges that the rights and duties set forth in this agreement are personal to Franchisee, and that Franchisor has entered into this agreement in reliance upon Franchisee's business skills and financial capacity. Accordingly, neither Franchisee, nor any Principal of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the franchise granted hereunder, shall sell, assign, transfer, convey, or give away any interest in this agreement, in the franchise granted hereunder, or in Franchisee without the prior written consent of Franchisor. Any purported or attempted transfer, by operation of law or otherwise, not having the written consent of Franchisor, is null and void and constitutes a material breach of this agreement, for which Franchisor may terminate

this agreement without prior notice or opportunity to cure. Franchisee may transfer only the entire Territory. No purported or attempted transfer of Franchisee's right to operate the franchised business or use the System or the Marks in less than the entire Territory will be valid.

(b) Except as provided in this Article 12, Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in this agreement, or in the franchise granted hereunder; provided, however, that prior to the transfer, Franchisor may, in its sole discretion, require that:

(1) All of Franchisee's accrued monetary obligations to Franchisor or any of its affiliates and all other outstanding obligations related to the franchised business have been satisfied.

(2) The transferor's right to receive compensation pursuant to any agreement for the purchase of any interest in Franchisee or in Franchisee's Fresh Coat franchise is subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from transferor or Franchisee pursuant to this agreement, whether arising before or after the transfer.

(3) Franchisee and all individual owners of Franchisee shall have executed a general release in a form satisfactory to Franchisor, effective as of the date of transfer, of any and all claims against Franchisor and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

(4) The transferee franchisee shall enter into a written assumption, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this agreement after the date of the assumption.

(5) The transferee franchisee authorizes Franchisor to conduct such background investigations as Franchisor deems necessary (which may include credit report/score, criminal record, and behavioral assessment), and demonstrates to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the franchised business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to operate the business.

(6) The transferee franchisee shall execute Franchisor's then current form of Franchise Agreement and such other ancillary agreements as Franchisor may require.

(7) At the transferee franchisee's expense, and upon such other terms and conditions as Franchisor may reasonably require, the transferee franchisee or its manager shall complete the pre-opening training course then in effect for franchisees.

(8) Any right of Franchisee to any payments from the transferee franchisee resulting from the transfer shall be subordinate to any claim or right of Franchisor against the transferee franchisee subsequent to the effective date of the transfer, and Franchisee and the transferee franchisee shall execute any and all instruments reasonably required by Franchisor to evidence such subordination.

(9) Either Franchisee or the transferee franchisee shall pay to Franchisor a transfer fee of the greater of \$10,000.00 or three percent (3%) of all consideration of any kind payable to Franchisee in connection with the transfer, plus Franchisor's actual expenses, to cover Franchisor's administrative, legal, and other expenses in connection with the transfer. No transfer fee will be required in the case of a transfer (i) of any interest in the franchised business to Franchisee's spouse or direct lineal descendant of Franchisee or one of its Principals; (ii) of less than 50% of the ownership interest of a non-individual Franchisee; or (iii) of the entire franchised business to an entity formed solely for the convenience of ownership if, immediately after the transfer, Franchisee will beneficially own a controlling interest in the entity. If the transferee franchisee was already in Franchisor's lead database at the time of first contact between Franchisee and the transferee franchisee, then Franchisor may require Franchisee to pay a lead referral fee of \$10,000. For purposes of this subparagraph, all transfers of an ownership interest in a non-individual Franchisee occurring since the date the entity first became a franchisee shall be aggregated to determine the ownership percentage being transferred.

(10) Franchisee and transferee franchisee shall acknowledge in writing that Franchisor was not involved in the negotiation of the transfer, does not guarantee the accuracy of any information provided by Franchisee to transferee franchisee, and makes no representations regarding the transferee franchisee's likelihood of success in operating the franchise.

(11) Franchisee shall comply with the requirements of section 10.3 above relating to the disclosure of confidential information to a prospective transferee franchisee.

(12) Franchisee shall comply with all laws that apply to the transfer, including laws governing the offer and sale of franchises. Franchisee shall indemnify and defend Franchisor and its agents against and hold them harmless from any and all claims arising directly or indirectly from any alleged failure on Franchisee's part to comply with any franchise law or other law applicable to the transfer.

(13) The Transferee Franchisee, at its own expense, must satisfy all applicable licensing requirements of the jurisdiction in which the franchised business is located.

(14) Franchisee shall transfer all clients and client contact information to transferee franchisee.

(15) In connection with any proposed transfer, Franchisor has the right to communicate with any prospective transferee and to make available for inspection by any prospective transferee all or part of Franchisor's records relating to this agreement, the business operations, financial condition, contracts, and history of the franchised business under Franchisee's ownership, or the history of the relationship of the parties, without any liability to Franchisee or its affiliates, directors, officers, employees, shareholders, members, or agents. Franchisee hereby specifically consents to such disclosure by Franchisor and absolutely releases and agrees to hold Franchisor harmless from any and all claims arising directly or indirectly therefrom.

(c) Notwithstanding the provisions of subsection 12.2(b) above, neither Franchisee nor any shareholder, member or partner of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the franchised business, shall pledge, mortgage, grant a security interest, or otherwise encumber any interest in this agreement, in the franchise granted hereunder, or in Franchisee (whether or not in

connection with an absolute transfer of an interest in the franchised business). Franchisor shall not be obliged to consent to any such transfer.

(d) Notwithstanding the provisions of subsection 12.2(b) above, Franchisor is not obligated to consent to any Transfer to a person that owns, operates, franchises, licenses, develops, consults with, manages, is involved in or employed by, or controls a competitive business. If Franchisor refuses to consent to a transfer under this paragraph, the sole remedy of Franchisee will be to seek a declaratory judgment in a court of competent jurisdiction to determine whether the proposed transferee is a person that owns, operates, franchises, licenses, develops, consults with, manages, is involved in or employed by, or controls a competitive business.

12.3 Franchisor's Right of First Refusal. If Franchisee or its owners shall at any time decide to sell, transfer or assign any right or interest under this agreement and/or the franchise granted pursuant hereto, Franchisee or its owners shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of thirty days after the date of delivery of such offer to Franchisor, Franchisor shall have the right, exercisable by written notice to Franchisee or any of its owners, to purchase such rights or interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by Franchisor must be completed within sixty days after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale of such interest to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided in section 12.2 above; provided, however, that if the sale to such purchaser is not completed within one hundred twenty days after the delivery of the offer to Franchisor, Franchisor shall again have the right of first refusal herein provided.

12.4 Right of Franchisee's Heirs Upon Death, Disability or Dissolution of Franchisee. A transfer to the heirs, surviving spouse, conservators, or personal or other legal representative of Franchisee or a Principal of Franchisee (collectively, "Involuntary Transferees") upon the death, dissolution or legal disability of Franchisee or its Principal, shall not be subject to Franchisor's right of first refusal under section 12.4 or right to terminate for failure to obtain written approval under section 12.2(a), so long as the Involuntary Transferees (i) satisfy Franchisor that they are qualified to act as a Franchisee pursuant to section 12.2(b)(5) herein or retain an individual or entity to operate and manage the franchised business who is so qualified and who is approved in writing by Franchisor, and (ii) perform all other applicable acts required under section 12.2 herein. Such transfer must be made within one hundred eighty days after the death, disability, or dissolution of Franchisee or its Principal, as the case may be. Any subsequent sale or other transfer by any Involuntary Transferees shall be subject to Franchisor's right of written approval set forth in section 12.2 and to Franchisor's right of first refusal set forth in section 12.4. A transfer to Involuntary Transferees shall not require the payment of the transfer fee required by section 12.2(b)(9). Actual legal costs incurred by Franchisor to approve and effect the transfer will be charged, however.

ARTICLE 13

TERMINATION

13.1 Events Allowing Termination. Franchisor may terminate this agreement, upon notice to Franchisee with immediate effect and without refund of any moneys paid by Franchisee, if (i) Franchisee or Franchisee's designee fails to commence the initial training program within ninety days after the execution of this agreement, (ii) fails to complete the training program to the satisfaction of Franchisor, or (iii) fails to open the franchised business within ninety days after the completion of the initial training program. Subject to the notice provisions of section 13.2 below, Franchisor may elect

to terminate this agreement, without prejudice to any other legal or equitable rights or remedies Franchisor may have, upon the occurrence of any of the following:

- (a) Franchisee fails to pay when due any sum required to be paid by Franchisee under this agreement or any other agreement or instrument to which Franchisor and Franchisee are parties, or pursuant to any invoice for goods or services purchased by Franchisee from Franchisor, an approved vendor, the National Branding Fund, or any affiliate of Franchisor;
- (b) Franchisee fails to furnish when due any report required by this agreement;
- (c) Franchisee understates its Gross Revenues in any report submitted to Franchisor;
- (d) Franchisee fails to operate the franchised business in compliance with the terms of this agreement, the Manual or the System Standards;
- (e) Franchisee sells, promotes, or provides for compensation any Permitted Products and Services in a franchise territory licensed to another Fresh Coat franchisee (except as may be expressly permitted by this agreement or the Manual), or otherwise infringes upon rights granted under franchise agreements with other Fresh Coat franchisees;
- (f) Franchisee fails to perform or breaches any provision of this agreement not otherwise enumerated in this section 13.1, or fails to perform or breaches any provision of any other agreement or instrument to which Franchisor and Franchisee are parties;
- (g) Franchisee fails, for a period of ten days after receipt of notification of noncompliance (regardless of the source of the notice), to comply with any federal, state or local law or regulation applicable to the operation of the franchised business;
- (h) Franchisee is declared bankrupt or insolvent or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code (this provision may not be enforceable under federal bankruptcy law);
- (i) A receiver is appointed for Franchisee or for any part of its property, or Franchisee makes an assignment for the benefit of its creditors, if not dismissed within fifteen days;
- (j) Franchisee fails to open the franchised business within ninety (90) days after Franchisee or Franchisee's designee completes the initial training program described in Section 7.1, or, after opening, fails to maintain the franchised business in continuous operation, fails to devote his/her/its full time, energy, and best efforts to the management and operation of the franchised business, or abandons the franchised business;
- (k) Any attempted transfer or assignment that fails to comply with the provisions of article 12 of this agreement;
- (l) The franchised business or Premises are seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, if a final judgment against Franchisee remains unsatisfied for thirty days (unless a supersedeas or other appeal bond has been filed); or a levy of execution is made upon the license granted by this agreement or upon any property used in the franchised business, which is not discharged within five days;
- (m) Any conduct or activity by Franchisee, or any Principal, director, or officer of Franchisee, that Franchisor believes may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the franchised business, Franchisor, the

System, the Marks, or the goodwill associated with any of the foregoing, including, without limitation, any criminal misconduct of which Franchisee, or any Principal, director, or officer of Franchisee, is convicted;

(n) Franchisee knowingly maintains false books or records, or knowingly submits any false report (including, but not limited to, information provided as part of Franchisee's application for this franchise) to Franchisor;

(o) Franchisee fails to obtain, maintain in effect, and provide proof of the general liability insurance required by Section 7.9(b) of this Agreement;

(p) Franchisee knowingly understates its Gross Revenues in any report submitted to Franchisor;

(q) Franchisee knowingly sells, promotes, or provides for compensation any Permitted Products and Services in a franchise territory licensed to another Fresh Coat franchisee (except as may be expressly permitted by this agreement or the Manual), or otherwise knowingly infringes upon rights granted under franchise agreements with other Fresh Coat franchisees;

(r) Franchisee or any of its Principals knowingly breaches any provision of section 15.2 of this agreement; or

(s) Franchisor makes a reasonable determination that the continued operation of the franchised business by Franchisee will result in immediate danger to public health or safety.

(t) Franchisee employs any person or fails to discharge any employee that Franchisee knows or has reason to know has engaged in, been convicted of, or pled guilty or nolo contendere to any felony, fraud, or any crime involving moral turpitude.

(u) Franchisee continues an unauthorized use of the Marks for more than three days after Franchisee receives a notice to cease from Franchisor;

(v) Franchisee knowingly and without authorization discloses the Manual to a third-party.

(w) Franchisee fails to maintain any license required by law to offer, provide, or sell any Permitted Products and Services.

13.2 Notice; Termination.

(a) If Franchisee fails to cure any default within thirty (30) days after its receipt of a written notice of breach from Franchisor, Franchisor may terminate this Agreement, except that no written notice of default or opportunity to cure shall be required in the case of a default described in subsections 13.1(g) through (w) above. If Franchisee defaults on this Agreement two separate times, for each of which Franchisee was given notice and an opportunity to cure, then Franchisor may terminate this Agreement upon any subsequent default without providing notice or opportunity to cure. Termination of this Agreement shall, at Franchisor's option, be effective automatically upon the expiration of the time period specified above (or such longer period as may be required by applicable law) if Franchisee fails to cure the default within such period, or, if no notice of default is required, immediately upon Franchisee's receipt of a written notice of termination.

(b) In addition to and without limiting any other remedies provided in this Agreement, if Franchisor at any time has the right to terminate this Agreement, then Franchisor, in its sole

and unfettered discretion, also has the right to suspend Franchisee's non-exclusive license to use the Marks and the System granted by Section 1.1 until any and all breaches of this Agreement have been cured or this Agreement has been terminated.

(c) If Franchisee fails to cure any default within thirty (30) days after its receipt of a written notice of breach from Franchisor, then the exclusivity of the Franchise Territory granted by Section 1.3 shall be automatically suspended without further notice until the breach has been cured or this Agreement has been terminated.

(d) If Franchisee breaches any term of this Agreement, then Franchisee, if it has not already done so, shall execute and deliver to Franchisor an authorization for electronic transfer of funds (in a form prescribed by or acceptable to Franchisor's and Franchisee's banks) for direct debits from Franchisee's bank account as provided in Section 5.6, and comply with procedures specified by Franchisor and take all other actions necessary to make payments by electronic fund transfer or pre-authorized electronic debit.

13.3 Liability for Default. If Franchisee fails to cure any default within the applicable time period provided in section 13.1 above, Franchisee shall pay to Franchisor all damages, costs and expenses incurred by Franchisor as a result of any such default, including, but not limited to, reasonable attorney and accounting fees. This provision shall apply regardless of whether or not Franchisor exercises its right to terminate this agreement and shall survive the expiration, termination, or cancellation of this agreement.

ARTICLE 14

OBLIGATIONS UPON TERMINATION

14.1 Franchisee's Obligations. Upon the termination or expiration of this agreement for any reason, Franchisee shall forthwith:

(a) Cease to operate the franchised business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

(b) Except as may be authorized under another franchise agreement in effect between Franchisee and Franchisor, Franchisee shall immediately and permanently cease all use of the Marks and any derivative or confusingly similar variation thereof. Without limiting the generality of the preceding sentence, Franchisee's obligations under this paragraph include permanently discontinuing all Internet advertising (including, by way of example, Facebook, LinkedIn, Twitter, Service Magic, Google, and pay-per-click programs) containing any of the Marks or any derivative or confusingly similar variation thereof.

(c) Except as may be authorized under another franchise agreement in effect between Franchisee and Franchisor, Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures, or techniques associated with the System or that display the Marks or any other distinctive forms, slogans, signs, symbols, or devices associated with or belonging to Franchisor. Without limiting the generality of the preceding sentence, Franchisee's obligations under this paragraph include permanently removing or obscuring the Marks and the telephone numbers used in connection with the franchised business from the exterior of all motor vehicles owned or controlled by Franchisee or its employees or used in the operation of the franchised business.

(d) Make such modifications or alterations to the Premises (including, without limitation, the changing of all telephone numbers), including the improvements thereon, as may be necessary or requested by Franchisor to prevent the operation of any business on the

Premises that might be deemed substantially similar to that of Franchisor or any other franchisee of Franchisor. If Franchisee fails or refuses to comply with the requirements of this section, Franchisor shall have the right to enter the Premises, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required at the expense of Franchisee.

(e) Turn over to Franchisor all advertisements, marketing materials, Manuals, client and other related files including client lists and agreements with clients, instructions, correspondence, financial, and other business records and materials, including, without limitation, brochures, agreements, disclosure statements and any materials relating to the business operated hereunder, which may be in Franchisee's possession, together with all copies thereof (all of which Franchisee acknowledges to be Franchisor's sole property).

(f) Promptly notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use the telephone numbers and directory listings used in connection with the franchised business and authorize the transfer of the telephone numbers and directory listings to Franchisor or its designee. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole right to all telephone numbers and directory listings used in connection with the franchised business, and Franchisee hereby authorizes Franchisor, and appoints Franchisor and any officer designated by Franchisor, as Franchisee's attorney-in-fact, to direct the telephone company and all listing agencies to transfer the telephone numbers and directory listings to Franchisor or Franchisor's designee if Franchisee fails or refuses to do so. The telephone company and all listing agencies may accept such direction or this agreement as conclusive of Franchisor's exclusive rights in the telephone numbers and directory listings and Franchisor's authority to direct their transfer.

(g) At Franchisor's option, cancel or assign to Franchisor or Franchisor's designee all of Franchisee's right, title and interest in and to any and all (i) telephone numbers of Franchisee's franchise and all related Yellow Pages, White Pages and other business listings, and (ii) Web sites, web pages, listings, banners, URLs, advertisements or any other services and links related to Franchisee's business or use of Franchisor's trademarks, service marks or other logos, on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services.

(h) Take such action as may be necessary to modify or cancel any listings relating to the Franchised Business on or with any directory (including online directories), Web site, web log, and social media platform, to remove the Marks, and shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty days after the termination or expiration of this Agreement.

(i) Delete all proprietary software and data relating to the franchised business from all computers owned or controlled by Franchisee or its employees.

(j) Immediately pay all sums due and owing to Franchisor, including any unpaid National Branding Fees and Royalties.

(k) Take such action as may be necessary to cancel any fictitious or assumed name or equivalent registration that contains the trademark Fresh Coat or any of the other Marks, and furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty days after the termination or expiration of this agreement.

(l) Cease to use all Supplier accounts established by Franchisor.

14.2 Power of Attorney. Franchisee hereby irrevocably constitutes and appoints Franchisor as Franchisee's true and lawful attorney-in-fact and agent to carry out Franchisee's obligations under section 14.1 above. Franchisee shall promptly execute, acknowledge and deliver to Franchisor any and all such documents as Franchisor may request to carry out Franchisee's obligations under this article. Franchisor may require Franchisee to update or revise all such documents from time-to-time. The provisions of this article survive the expiration, termination or cancellation of this agreement.

ARTICLE 15

COVENANTS

15.1 Management of Franchised Business. At all times during the term of this agreement, Franchisee, or a person designated by Franchisee who has successfully completed the initial training program required by section 7.1 of this agreement and all other training programs designated by Franchisor as mandatory, shall devote his or her full time, energy, and best efforts to the management and operation of the franchised business.

15.2 Covenants During Term of Franchise Agreement. Franchisee specifically acknowledges that, pursuant to this agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the design, development and operation of the franchised business, and the sales, promotional, and marketing methods and techniques of Franchisor and the System. Accordingly, during the term of this agreement, Franchisee shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person:

- (a) divert or attempt to divert any business or customer of the franchised business or of any other franchisee of Franchisor 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 Marks and the System;
- (b) aid, assist, or provide goods or services to, any competitor of the franchised business, Franchisor, or any other franchisee in the System;
- (c) own, maintain, engage in, consult with, advise, or have any interest in any business offering painting products or services, or any other products or services that are offered in the franchised business;
- (d) promote, sell, or provide for compensation any Permitted Products and Services, or otherwise operate the franchised business, within a franchise territory licensed to another franchisee of Franchisor (except as may be expressly permitted by this agreement or the Manual), or otherwise infringe upon rights granted under franchise agreements with other franchisees of Franchisor; or
- (e) take any action injurious or prejudicial to the System.

15.3 Covenants After Termination of Franchise Agreement.

- (a) Except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous and uninterrupted period commencing upon the expiration, termination, or transfer of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person (including a spouse, child, parent, or sibling of Franchisee or of a principal of Franchisee), partnership, limited liability company, corporation, or other entity:

(1) own, maintain, operate, engage in, or have any interest in any business offering commercial or residential painting services, or any other services that had been offered by the franchised business, that is or is intended to be located or which operates in or within 15 miles of the geographical boundaries of Franchisee's Territory or within 15 miles of the geographical boundaries of any other Fresh Coat franchisee's Territory; or

(2) promote, sell, procure, provide or solicit referrals for, or offer to sell, procure, provide or solicit referrals for, commercial or residential painting services, any Permitted Products and Services, or any other services that are offered in the franchised business, from any Shared Referral Sources (as defined in Section 1.5 above) or in or within 15 miles of the geographical boundaries of Franchisee's Territory or in or within 15 miles of any other Fresh Coat franchisee's Territory.

(b) Subparagraphs (a)(1) and (a)(2) above are severable and contain different but overlapping restrictions that shall be enforced simultaneously whenever permitted by applicable law. If any of those subparagraphs is held to be invalid or unenforceable in any respect, then such provision is to be modified to the extent necessary to permit its enforcement, and the remaining provisions will be unaffected thereby. Franchisee specifically acknowledges and agrees that the geographic and temporal restrictions on Franchisee's ability to compete with Franchisor and Franchisor's franchisees are reasonable and necessary to protect Franchisor's business interests in the relevant markets. Franchisee also acknowledges and agrees that Franchisee and each of its principals have sufficient resources, business experience, and opportunities to earn an adequate living while complying with the terms of those restrictions.

(c) The parties agree that the full extent of the damages that Franchisor will incur if Franchisee fails to comply with its obligations under this Section 15.3 is difficult to ascertain, but the parties nevertheless desire certainty in this matter. Accordingly, if Franchisee breaches or fail to comply with any of the provisions of subparagraph 15.3(a), Franchisee shall pay Franchisor, as liquidated damages and not as a penalty, a royalty equal to 10% of the gross amount of all income, sales, salary, wages, fees, dividends, distributions, and other compensation received or earned by Franchisee, or any spouse, child, parent, or sibling of Franchisee or of any principal of Franchisee, or to which any of those parties becomes entitled, as the result of the breach or noncompliance. The parties further agree that the royalty required by this paragraph is reasonable in light of the damages that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have, including equitable remedies, attorneys' fees, and costs.

(d) The time period referred to in subparagraph 15.3(a) will be stayed during any violation or breach of the terms thereof. The covenants in this Section 15.3 will survive the expiration, termination, or transfer of this Agreement.

15.4 Non-solicitation of Customers and Shared Referral Sources. Franchisee shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person or entity for a continuous and uninterrupted period commencing upon the expiration or termination of this agreement (regardless of the cause for termination) and continuing for two years thereafter, directly or indirectly: (i) solicit or sell products or services to any person who was a customer of the franchised business at any time during the term of this agreement; or (ii) promote or solicit referrals for residential or commercial painting services, any Permitted Products and Services, or any other services that had been offered by the franchised business, from any Shared Referral Source (as defined in Section 1.5 above) located in the Territory. The two-year time period referred to in this paragraph will be

stayed during any violation or breach of the terms of this paragraph. The covenants in this paragraph will survive the expiration, termination or cancellation of this agreement.

15.5 Exclusion for Publicly Traded Company. Section 15.3 does not apply to the beneficial ownership by Franchisee of less than one percent of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

15.6 Independent Covenants; Severability. Each of the foregoing covenants is to be construed as independent of any other covenant or provision of this agreement. If all or any portion of a covenant in this Article 15 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 covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Article 15.

15.7 Reduction of Covenants by Franchisor. Franchisor may, in its sole discretion, reduce the scope of any covenant in section 15.2, 15.3 or 15.4 of this agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice, and Franchisee shall comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of section 18.1 of this agreement.

15.8 Claims Against Franchisor. The existence of any claims Franchisee may have against Franchisor, whether or not arising from this agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this article.

15.9 Injunctive Relief. Franchisee's violation of the terms of this article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, an injunction prohibiting any conduct by Franchisee in violation of the terms of this article.

15.10 Restrictive Covenant Agreements. Franchisee shall provide Franchisor with an executed "Restrictive Covenant Agreement," containing covenants similar in substance to those in this article (including covenants applicable upon the termination of a person's relationship with Franchisee), from each of the Principals, officers, and directors of Franchisee and the Principals, officers and directors of any non-individual Principal of Franchisee. With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above, Franchisee shall require and obtain a Restrictive Covenant Agreement from them and promptly provide Franchisor with an executed copy thereof. Franchisee shall not grant access to any confidential aspect of the System or the franchised business to any person enumerated above unless and until they execute a Restrictive Covenant Agreement. All Restrictive Covenant Agreements required by this section must be in form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of the agreement with the independent right to enforce its terms. Franchisee's failure to obtain the execution of the Restrictive Covenant Agreements required by this section and provide copies to Franchisor is a material breach of this agreement.

ARTICLE 16

ENFORCEMENT

16.1 Injunctive Relief. Notwithstanding the provisions of section 16.2 requiring the arbitration of all disputes, Franchisor expressly reserves the right to seek temporary and permanent injunctions and orders of specific performance, without bond, from a court of competent jurisdiction, to enforce the provisions of this agreement relating to:

- (a) Franchisee's use of the Marks;
- (b) Franchisee's obligations upon the termination or expiration of this agreement;
- (c) Franchisee's obligations under section 15.2 or 15.3 of this agreement;
- (d) an assignment of any interest in Franchisee, of this agreement, or any interest herein;
or
- (e) as necessary to prohibit any act or omission by Franchisee or its agents:
 - i. that would constitute a violation of any applicable law, ordinance, or regulation;
 - ii. that is dishonest or misleading to Franchisor and/or Franchisor's other franchisees; or
 - iii. that, in Franchisor's reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the franchised business, Franchisor, the System or the Marks.

16.2 Arbitration.

(a) Except as otherwise provided in this Article 16, any and all disputes between the parties (including their respective officers, directors, shareholders, members or agents), whether or not arising out of or related to this agreement, shall be submitted to a panel of three arbitrators as provided in this paragraph. Each claim or controversy shall be arbitrated on an individual basis and shall not be consolidated in any arbitration action with the claim of any other franchisee. The arbitration proceeding shall be administered by the American Arbitration Association (AAA) in accordance with the Federal Arbitration Act and the then prevailing Commercial Arbitration Rules of the AAA. The arbitrators shall neither have nor exercise any power to act as *amiable compositeur* or *ex aequo et bono*; or to award special, indirect, consequential, or punitive damages. The award shall be in writing and shall be accompanied by a reasoned opinion. Within thirty days after receipt of the award (which shall not be binding if either party requests a new hearing as provided herein), either party, by notifying the AAA and the other party, may appeal the decision of the initial arbitration panel by requesting a hearing de novo before a second panel of three arbitrators, constituted in accordance with the Commercial Arbitration Rules of the AAA. None of the arbitrators who served on the original panel shall serve on the second tribunal. The second tribunal shall conduct a hearing de novo and may adopt the initial award as its own, modify the initial award, or substitute its own award for the initial award. The award of the second tribunal shall be binding upon both Franchisor and Franchisee upon the confirmation of the award by a court of competent jurisdiction. Each party shall bear its own costs and expenses in connection with the arbitration, including travel expenses, out-of-pocket expenses such as copying and telephone charges, court costs, witness fees, and attorney and accounting fees. The administrative fees and arbitrators' fees shall be allocated equally between the parties. The arbitration proceedings shall take place in Hamilton County, Ohio. Any demand for arbitration must be made before the statute of limitations applicable to such a claim has run. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination, shall be decided by arbitration.

(b) A party shall not have the right to appeal an award under subparagraph (a) of this Section unless the party: (i) fully cooperated in the exchange of information and discovery as ordered by the arbitration panel in the initial arbitration; (ii) attended all evidentiary hearings after due notice in the initial arbitration; and (iii) paid all administrative fees,

arbitrators' compensation, and other charges assessed or allocated to the party by the AAA in the initial arbitration.

16.3 **Exception to Arbitration.** Notwithstanding the provisions of section 16.2 above, if the amount in controversy in any dispute between Franchisor and Franchisee exceeds \$100,000 in the aggregate, Franchisor may require that the matter be adjudicated in either the Common Pleas Court of Hamilton County, Ohio or the United States District Court for the Southern District of Ohio, in lieu of arbitration. If an arbitration demand has already been filed in connection with the dispute, Franchisor may remove the matter to such court.

16.4 **WAIVER OF JURY TRIAL.** EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

16.5 **Punitive Damages.** The parties agree to waive, to the fullest extent permitted by law, the right to or claim of any multiple, punitive, or exemplary damages against the other and agree that, in the event of a dispute between them, each will be limited to the recovery of actual damages sustained by it.

16.6 **LIMITATION OF CLAIMS.** Except for:

- (a) claims arising from the underpayment, nonpayment, or overpayment of Royalties or National Branding Fees;
- (b) claims based upon or arising from indemnification obligations, either under this Agreement, at law, or in equity; and
- (c) claims for injunctive relief, including, by way of example, claims for injunctive relief relating to use of the Marks or other intellectual property, obligations upon the termination or expiration of this agreement, obligations under Articles 9, 10 or 15 of this agreement, or an assignment of this agreement or any ownership interest therein;

ANY AND ALL DISPUTES, CLAIMS, OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES SHALL BE BARRED UNLESS AN ARBITRATION OR LEGAL PROCEEDING IS COMMENCED AT THE EARLIER OF: (1) THE DATE WHEN INSTITUTION OF LEGAL OR EQUITABLE PROCEEDINGS BASED ON SUCH CLAIMS WOULD BE BARRED BY APPLICABLE STATUTE OF LIMITATIONS; OR (2) ONE YEAR AFTER THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIMS.

ARTICLE 17

INDEPENDENT CONTRACTOR AND INDEMNIFICATION

It is understood and agreed that nothing in this agreement shall create a partnership, employment or agency relationship between Franchisor and Franchisee, or authorize Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor shall not be liable to any third party for any act or omission of Franchisee in any of its operations hereunder (including, without limitation, any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefor against Franchisee. Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee's operation of the franchised business, and shall pay all costs (including, without

limitation, attorney and accounting fees) incurred by Franchisor in defending against and/or responding to them. FRANCHISEE SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.

ARTICLE 18

MISCELLANEOUS

18.1 Nature of Agreement. This agreement, together with its exhibits, constitutes the entire agreement between the parties with respect to the subject matter of this agreement, and any prior agreements and understandings between the parties relating to the same subject are superseded and merged into this agreement. This agreement may not be modified or amended except by a written instrument signed by each of the parties. No failure by either party to exercise, and no delay in exercising, any right, power or remedy under this agreement is a waiver thereof; nor does any single or partial exercise of any right, power or remedy under this agreement preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Nothing in this section or any related agreement entered into concurrently herewith is intended to disclaim the representations Franchisor made solely in the franchise disclosure document it furnished to Franchisee prior to the execution of this Agreement.

18.2 Effect of Agreement; Assignment. This agreement is binding upon and inures to the benefit of the parties and their respective legal representatives, successors, and assigns. This agreement may not be assigned by Franchisee without first complying with section 12.2 above.

18.3 Construction. This agreement was accepted and executed by Franchisor in Ohio. Except to the extent governed by the U.S. Trademark Act of 1946 and the Federal Arbitration Act, the laws of the State of Ohio (without reference to Ohio conflict of laws principles) govern all aspects of this agreement, excluding any law regulating the sale of franchises or business opportunities, or governing the relationship between a franchisor and a franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this section; provided, however, that if any covenant(s) contained in article 15 of this agreement would not be enforceable under the laws of Ohio and the franchised business is located outside Ohio, then such covenant(s) shall be interpreted and construed under the laws of the state in which the franchised business is located. Ohio law will prevail in any conflict of law, except as specifically provided otherwise by applicable state franchise investment laws, rules or regulations. If any provision of this agreement relating to termination, nonrenewal or assignment of the franchise or choice of law, jurisdiction or venue is inconsistent with any applicable state franchise investment law, rule or regulation, the applicable state law, rule or regulation will control. Any addendum to this agreement required by the regulatory authorities of any state for the purpose of disclosing salient provision of that state's law is hereby made a part of this agreement.

18.4 Jurisdiction and Venue. Subject to the provisions of Section 16.2 relating to the arbitration of disputes, each party hereby irrevocably agrees that all lawsuits between the parties and/or their affiliates shall be litigated only in courts having situs in Hamilton County, Ohio. Each party agrees that the following courts have personal jurisdiction over it in all lawsuits between the parties and/or their affiliates, irrevocably submits to the jurisdiction of these courts, and irrevocably waives any defense based upon lack of personal jurisdiction in any lawsuit filed in these courts: (a) all courts included within the state court system of the State of Ohio; and (b) all courts of the United States of America sitting within the State of Ohio, including, without limitation, all United States District Courts within the State of Ohio. Each party agrees that venue shall be proper in any of the following courts in all lawsuits between the parties and/or their affiliates and irrevocably waives any right to transfer or change the venue in any lawsuit filed in these courts: (a) the state court of the county where

Franchisor has its principal place of business (presently Hamilton County, Ohio); and (b) the United States District Court for the Southern District of Ohio, Western Division. If any of these courts are abolished, venue shall be proper in the state or federal court in Ohio that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not abolished. All lawsuits filed by either party or its affiliate against the other or its affiliate (whether or not in breach of the arbitration provisions of this agreement) must be filed exclusively in one of these courts, except that claims for injunctive relief may be brought where the defendant is located. These exclusive choice of jurisdiction and venue provisions shall not restrict the ability of the parties to confirm or enforce arbitration awards in any appropriate jurisdiction. In all lawsuits between the parties and/or their affiliates, Franchisee and its Principals consent to be served with process outside the State of Ohio in the same manner that service may be made within the State of Ohio by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee and its Principals hereby waive any defense they may have based upon insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits, but shall be available in addition to any other method of service allowed by law.

18.5 Headings. The headings in this agreement are for reference purposes only and do not affect the meaning or interpretation of any provision of this agreement.

18.6 Notices. All payments must be made to the addresses listed in subparagraphs a and b of this section. All notices, requests, demands and other communications required or permitted under this agreement must be in writing; addressed as provided in subparagraphs a and b of this section; made by personal delivery, electronic mail, certified mail, postage prepaid, return receipt requested, or overnight delivery service with proof of delivery; and will be effective upon receipt or refusal thereof, or, if unclaimed, forty-eight hours after deposit in the United States mail or with overnight delivery service, as the case may be.

(a) Address of Franchisor:

F.C. Franchising Systems, Inc.
4755 Lake Forest Drive, Suite 100
Cincinnati, Ohio 45242

or to such other address as Franchisor may from time to time furnish to Franchisee.

(b) Address of Franchisee:

or to such other address as Franchisee may from time to time furnish to Franchisor.

18.7 Severability.

(a) If any provision of this agreement, in whole or in part (or the application of any provision to a specific situation), is invalid, unenforceable, or illegal, the invalidity, unenforceability, or illegality, as the case may be, will be limited to the specific provision or portion thereof (or to the specific situation), and this agreement is to be construed and applied to minimize the invalidity, unenforceability, or illegality. All other provisions of this agreement will otherwise remain in full force and effect.

(b) If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction any provision of this agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice or other action required by such law or regulation will be substituted for the comparable provisions hereof, and Franchisor may modify the invalid or unenforceable provision, specification, standard, or operating procedure to the extent necessary to make the same valid and enforceable. Franchisor shall be bound by any promise or covenant imposing the maximum duty permitted by law that 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, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Any such modifications to this agreement will be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

18.8 Counterparts. This agreement may be executed in two or more counterparts, each of which are originals, but all of which together constitute one and the same instrument.

18.9 Survival of Covenants. All provisions of this agreement that, by their terms, are intended to survive the termination or expiration of this agreement (such as, by way of illustration and not limitation, provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions necessary to enforce and interpret those provisions (such as, by way of illustration and not limitation, provisions relating to arbitration and injunctive relief), will survive the termination, expiration or cancellation of this agreement or the franchise granted hereunder.

18.10 No Third Party Beneficiaries. Nothing in this agreement is intended to or confers any rights or remedies upon any person or entity not a party hereto.

18.11 Acknowledgment of Franchisee.

(a) Franchisee acknowledges receipt of Franchisor's Franchise Disclosure Document for Prospective Franchisees and exhibits thereto (including a list of franchisees, Franchisor's financial statements, and a copy of this agreement) at least ten business days prior to the execution of this Franchise Agreement.

(b) Franchisee acknowledges and agrees that Franchisor's salesmen are not authorized to bind Franchisor in any way.

(c) FRANCHISEE ACKNOWLEDGES THAT THERE HAVE BEEN NO REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, SALESMEN, DIRECTORS, OFFICERS, OR EMPLOYEES, OR ANY OTHER SALESMEN OR OTHER PERSON OR ENTITY REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC FRESH COAT FRANCHISE, NOR HAS FRANCHISEE RELIED UPON ANY REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, DIRECTORS, OFFICERS, EMPLOYEES OR SALESMEN OR OTHER ASSOCIATES

REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC FRESH COAT FRANCHISE OR WITH RESPECT TO ANY OTHER MATERIAL FACT RELATING TO THE DEVELOPMENT OF FRANCHISOR'S FRANCHISES IN THE AREA WHEREIN THE FRANCHISEE INTENDS TO LOCATE ITS FRESH COAT FRANCHISE OR ANY OTHER MATTER PERTAINING TO FRANCHISOR.

(d) THERE IS NO OTHER AGREEMENT, REPRESENTATION OR WARRANTY MADE BY FRANCHISOR OR ANY OTHER ENTITY OR PERSON ASSOCIATED WITH FRANCHISOR OTHER THAN CONTAINED IN THIS AGREEMENT OR FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE FRANCHISEES.

18.12 "Franchisee" Defined. The term "Franchisee" includes all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law, and will be deemed to include not only the individuals or entity defined as the "Franchisee" on the attached Exhibit A, but also all Principals of the entity that executes this Agreement. By signing this Agreement, each of the Principals of the entity that executes this Agreement as Franchisee acknowledges and accepts the duties and obligations imposed upon each of them, individually, by this Agreement. All Principals of the entity that executes this Agreement must, by separate agreement, personally guarantee all of Franchisee's obligations to Franchisor. If two or more individuals are the "Franchisee" under this Agreement, their liability to Franchisor is joint and several.

ARTICLE 19

DEFINITIONS

To simplify this agreement and make it easier to read and understand, certain terms have been defined below and will be capitalized throughout the agreement. Capitalized words that are not defined below are defined in the section where they first appear.

- 19.1 "Affiliate" means a person that controls, is controlled by, or is under common control with another person. As to Franchisee, it includes an owner of any interest in Franchisee or the Franchised Business, any employee or agent of Franchisee, and any person controlled by any of the foregoing.
- 19.2 "Anti-Terrorism Laws" means all present and future laws, ordinances, regulations, policies, orders, treaties, lists and other requirements of any national, state, or local government or any agency thereof.
- 19.3 "Fresh Coat Franchise" or "Franchise" is a business operating under a license granted by Franchisor that offers Permitted Products and Services using the Marks and Operating System. A business that offers some, but not all, Permitted Products and Services, that does not use the Marks, and that is not licensed to use the Marks, is not a Fresh Coat Franchise.
- 19.4 "Fresh Coat Franchisee" is a person who owns and is licensed to operate a Fresh Coat Franchise.
- 19.5 "Person", whether or not capitalized, includes a corporation, limited liability company, partnership of any kind, joint venture, unincorporated association, estate, trust, charitable organization, government, governmental body and agency, commission, and any other entity and organization, as well as an individual.
- 19.6 "Website" means an interactive electronic document, series of symbols or otherwise, that is contained in a network of computers and/or other devices linked by communications software, and includes Internet and World Wide Web home pages.

The parties are signing this agreement on the dates below, the latest of which is the "Effective Date" of this agreement.

F.C. FRANCHISING SYSTEMS, INC., Franchisor

By: _____ Date: _____

Its: _____

INDIVIDUAL FRANCHISEE(S):

Signature Date: _____

Signature Date: _____

CORPORATE/LIMITED LIABILITY COMPANY FRANCHISEE:

[Name of Franchisee]

By: _____ Date: _____

Its: _____

FRANCHISE AGREEMENT
Exhibit A

IDENTIFICATION OF FRANCHISEE(S)

INDIVIDUAL FRANCHISEE(S)

Name: _____ Date of Birth: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____

Name: _____ Date of Birth: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____

ORGANIZATION FRANCHISEE

Check One: Corporation Limited Liability Company

Name of Organization: _____

Address: _____

City: _____ State: _____ ZIP: _____

Telephone: _____ EIN: _____

Date of Organization: _____ State of Organization: _____

Statutory/Registered Agent: _____

Address of Agent: _____

City: _____ State: _____ ZIP: _____

Officers

President: _____ Vice President: _____

Treasurer: _____ Secretary: _____

Shareholders/Members/Partners

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____

The undersigned individual Franchisee, or each of the Principals of a non-individual Franchisee, hereby certifies that the foregoing information is accurate and complete to the best of their knowledge and agrees to notify Franchisor promptly of any change in any such information during the term of the Franchise Agreement to which this Exhibit is attached.

Signature

Signature

Date: _____

Date: _____

Signature

Signature

Date: _____

Date: _____

FRANCHISE AGREEMENT
Exhibit B

FRANCHISE LOCATION No. _____

The Territory described in section 1.2 of the Franchise Agreement to which this Exhibit B is attached consists of the following postal codes located in the State of _____:

This Exhibit is attached to, incorporated in and made a part of the Franchise Agreement between Franchisor and Franchisee.

The parties are signing this Exhibit on the dates below.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Date: _____

Signature

Date: _____

EXHIBIT E

ADDITIONAL TERRITORY RIDER
FRANCHISE LOCATION NO. _____

This rider is between F.C. FRANCHISING SYSTEMS, INC., an Ohio corporation ("Franchisor"), and _____ ("Franchisee").

Concurrently herewith, Franchisor and Franchisee are entering into a franchise agreement (the "Franchise Agreement").

Franchisor and Franchisee desire to modify the terms of the Franchise Agreement as set forth herein.

Therefore, the parties agree to modify the Franchise Agreement as follows:

1. In addition to the area described on Exhibit B to the Franchise Agreement, Franchisee's Territory under the Franchise Agreement includes the following postal codes located in the State of _____:

Franchisor and Franchisee agree that the area described above has an aggregate population of not more than _____.

2. Concurrently with the execution of this rider, Franchisee shall pay Franchisor an additional franchise fee in the amount of \$_____. The additional franchise fee is fully earned upon the execution of this rider in consideration of Franchisor's grant of the additional territory described in section 1 of this rider. The additional franchise fee is not refundable under any circumstances.

3. In the event of a conflict between the Franchise Agreement and this rider, the terms of this rider control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this rider to be effective on the latest date written below.

F.C. FRANCHISING SYSTEMS, INC., Franchisor

By: _____

Date: _____

Its: _____

INDIVIDUAL FRANCHISEE(S):

Signature

Date: _____

Signature

Date: _____

CORPORATE/LIMITED LIABILITY COMPANY FRANCHISEE:

[Name of Franchisee]

By: _____

Date: _____

Its: _____

EXHIBIT F

PERSONAL GUARANTY

IN CONSIDERATION of, and as an inducement for, F.C. Franchising Systems, Inc. ("Franchisor") entering into the Franchise Agreement to which this Guaranty is attached (the "Franchise Agreement"), the undersigned ("Guarantors") hereby jointly and severally guarantee to the Franchisor, and to the Franchisor's successors and assigns: (a) the timely payment of all franchise and other fees, charges, and interest provided for in the Franchise Agreement; and (b) the timely performance of all of the provisions of the Franchise Agreement including the restrictions on competition imposed by sections 15.2 and 15.3 of the Franchise Agreement (and including all renewals of the Franchise Agreement, if any). Guarantors further specifically agree to be individually bound by all covenants, obligations and commitments of the Franchisee contained in the Franchise Agreement to the same extent as if each of the Guarantors had individually executed the Franchise Agreement as Franchisee.

Guarantors understand and agree that any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by the Franchisor of the performance by the Franchisee of its obligations thereunder, or the giving by the Franchisor of any extension of time for the performance of any of the obligations of the Franchisee thereunder, or any other forbearance on the part of the Franchisor or any failure by the Franchisor to enforce any of its rights under the Franchise Agreement, including any addendum or addenda thereto, shall not in any way release Guarantors from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of the Franchisee is so released, terminated, affected or diminished. Notice to Guarantors of any such modification, waver, extension or forbearance under the terms thereof is hereby waived.

Guarantors hereby waive any and all notice of default on the part of the Franchisee; waive exhausting of recourse against the Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that the Franchisor or its assignees may make. Guarantors agree to pay all costs, including reasonable attorneys' fees, incurred by Franchisor to collect or otherwise enforce the terms of this Guaranty. This Guaranty has been delivered in the State of Ohio, and shall be construed and enforced in accordance with the laws thereof. Jurisdiction and venue in any action to enforce this Guaranty shall be in any state or federal court within the State of Ohio in the judicial district where Franchisor has its principal place of business. Guarantors consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue.

Guarantor (signature)

Guarantor (signature)

Franchisee: _____

Franchise Location No. _____

EXHIBIT G

RESTRICTIVE COVENANT AGREEMENT

FRANCHISE NO. _____

This agreement is between F.C. Franchising Systems, Inc. ("Franchisor"), an Ohio corporation, _____ ("Franchisee"), and _____ and _____ (each individually a "Covenantor" and collectively "Covenantors").

RECITALS:

A. Pursuant to a Franchise Agreement dated evenly herewith or to an Assignment Agreement assigning the Franchise Agreement from Covenantor(s) to Franchisee, F.C. Franchising Systems, Inc. licensed Franchisee to operate a residential and commercial painting business, using Franchisor's unique franchise system and Franchisor's trade name and service mark FRESH COAT® and other proprietary marks.

B. Each Covenantor is an owner, director, or officer of Franchisee.

C. Franchisor has expended substantial amounts of time and money in developing the Marks and Franchisor's distinctive franchise system, including, without limitation, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, and procedures for the efficient operation of a Franchise, all of which Covenantor acknowledges to be confidential and proprietary information.

D. In connection with the operation of the Franchised Business, Covenantors will individually and collectively have access to such confidential and proprietary information.

E. As a condition precedent to granting the Franchise to Franchisee, and in order to prevent Covenantors from competing unfairly with Franchisor, Franchisee, and other Fresh Coat franchisees, all owners, directors, officers, and managers of Franchisee must agree to the covenants contained herein.

THEREFORE, each Covenantor hereby agrees as follows:

1. Confidentiality. Each Covenantor acknowledges the proprietary and confidential nature of Franchisor's Operations Manual, unique sales and marketing methods, pricing techniques, promotional materials, new product/service development, financial information, customer or referral lists, procedures for the efficient operation of a Fresh Coat Franchise, and any other methods, procedures, processes, techniques, information, knowledge, or know-how concerning Franchisor's franchise system or Franchisee's Franchise in particular that may not be commonly known to the public or to Franchisor's or Franchisee's competitors and that Franchisor or Franchisee have identified or may identify as proprietary and confidential information ("Trade Secrets"). Each Covenantor shall use such Trade Secrets solely for Franchisee's benefit and shall not, during the term of the Franchise Agreement or at any time thereafter, communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, partnership, association or entity.

2. Intellectual Property. Each Covenantor acknowledges Franchisor's right, title, and interest in and to the service mark FRESH COAT®, Franchisor's logo, and certain other proprietary service marks, logos, symbols, and trade names presently used by Franchisor or that Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the "Marks"). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Marks. Covenantor expressly covenants that he or she shall not, directly

or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. Covenants During Term of Franchise Agreement. Each Covenantor agrees that, so long as the Franchise Agreement is in effect, he or she shall not, either directly or indirectly, for him or herself or through, on behalf of, or in conjunction with, any other person (including a spouse, child, parent, or sibling of a Covenantor) (each of which is a "Covered Person" for purposes of this agreement):

(a) divert or attempt to divert any business or client of the Franchised Business or of any other Fresh Coat Franchisee to a Competitive Business, 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 Marks and the Operating System;

(b) aid, assist, provide goods or services to (whether as an employee or independent contractor), or loan money to any Competitive Business;

(c) own, maintain, engage in, operate, or have any interest in a Competitive Business, except as may be authorized under another franchise agreement in effect between Franchisee (or Covenantor) and Franchisor;

(d) promote, sell, or provide for compensation any Permitted Products or Services, or otherwise operate the Franchised Business, within a protected territory licensed to another Fresh Coat Franchisee (except as may be expressly permitted by the Franchise Agreement or the Manual), or otherwise infringe upon rights granted under franchise agreements between Franchisor and other Fresh Coat Franchisees; or

(e) take any action injurious or prejudicial to the Operating System.

4. Covenants After Termination of Franchise Agreement.

(a) Each Covenantor agrees that he or she shall not, for a continuous and uninterrupted period commencing upon the earlier of:

(i) the expiration of the Franchise Agreement,

(ii) the termination (regardless of the cause) of the Franchise Agreement, or

(iii) the termination of Covenantor's relationship with Franchisee (as defined in section 4(d)) for any reason,

and ending on the second anniversary thereof (the "Restrictive Period"), directly or indirectly, for him/herself or through, on behalf of, or in conjunction with a Covered Person:

(1) except as may be authorized under another franchise agreement in effect between Franchisee (or Covenantor) and Franchisor (including a successor agreement upon the renewal of the Franchise granted under the Franchise Agreement), own, maintain, operate, engage in, or have any interest in a Competitive Business that is or is intended to be located, or that operates, in or within 15 miles of the geographical boundaries of Franchisee's Territory; or

(2) except as may be authorized under another franchise agreement in effect between Franchisee (or Covenantor) and Franchisor (including a successor agreement upon

the renewal of the Franchise granted under the Franchise Agreement), own, maintain, operate, engage in, or have any interest in a Competitive Business that is or is intended to be located, or that operates, in or within 15 miles of the geographical boundaries of any other Fresh Coat Franchisee's protected territory; or

(3) be employed by, or be engaged on a self-employed basis in, a Competitive Business that is or is intended to be located, or that operates, in or within 15 miles of the geographical boundaries of Franchisee's Territory; or

(4) be employed by, or be engaged on a self-employed basis in, a Competitive Business that is or is intended to be located, or that operates, in or within 15 miles of the geographical boundaries of any other Fresh Coat Franchisee's protected territory; or

(5) divert or attempt to divert any business or client of the Franchised Business to a Competitive Business or, for the benefit of a Competitive Business, have any commercial dealings with or solicit the custom of anyone who was a client of or received services from the Franchised Business at any time during the one-year period prior to the beginning of the Restrictive Period; or

(6) except as may be authorized under another franchise agreement in effect between Franchisee (or Covenantor) and Franchisor (including a successor agreement upon the renewal of the Franchise granted under the Franchise Agreement), promote, sell, procure, provide or solicit referrals for, or offer to sell, procure, provide or solicit referrals for any Permitted Products or Services or any other products or services that are offered in the Franchised Business, from any Shared Referral Sources or in or within 15 miles of the geographical boundaries of Franchisee's or any other Fresh Coat Franchisee's Territory; or

(7) sell, assign or otherwise transfer any of the assets used in the Franchised Business (including the title or right to possession of the Franchise Premises), or transfer any Ownership Interest in Franchisee, to a third party which, in either case, would enable the third party to directly or indirectly carry on business activities that, if carried on by a Covered Person, would be a breach of this section 4(a).

(b) This section 4 will not apply to the beneficial ownership by Covenantor of less than 1% of the outstanding equity securities of any company that is registered under the Securities and Exchange Act of 1934.

(c) The time period referred to in subparagraph 4(a) will be stayed during any violation or breach of the terms thereof. The covenants in this section 4 will survive the expiration, termination, or transfer of this agreement.

(d) If Covenantor is an Owner of Franchisee, "the termination of Covenantor's relationship with Franchisee" occurs upon a Transfer of Covenantor's entire Ownership Interest in Franchisee. If Covenantor is an officer, director or manager of Franchisee, "the termination of Covenantor's relationship with Franchisee" occurs upon Covenantor's termination or resignation as officer, director or manager. If Covenantor has more than one relationship with Franchisee (e.g., Covenantor is both a Principal and an officer of Franchisee), "the termination of Covenantor's relationship with Franchisee" occurs upon the termination of Covenantor's last relationship with Franchisee.

5. The parties agree that the full extent of the damages that Franchisor will incur if a Covenantor fails to comply with their obligations under section 3 or 4 is difficult to ascertain, but the parties nevertheless desire certainty in this matter. Accordingly, if a Covenantor breaches or fails to comply with any of the provisions of section 3 or 4, they shall pay Franchisor, as liquidated damages and not as a penalty, a royalty equal to 15% of the gross amount of all income, sales, salary, wages, fees, dividends, distributions, and other compensation received or earned by Covenantor or any Covered Person, or to which any of those parties becomes entitled, as the result of the breach or noncompliance. The parties further agree that the royalty required by this paragraph is reasonable in light of the damages that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have, including equitable remedies, attorneys' fees, and costs.

6. Definition of Competitive Business. "Competitive Business" means a business (i) that offers, provides or sells any of the Permitted Products or Services; or (ii) that offers, provides or sells any products or services similar to those offered as part of the Operating System; or (iii) in which Trade Secrets could be used to the disadvantage of Franchisor, Franchisee, or another Fresh Coat Franchise; or (iv) that offers, provides or sells products or services that are otherwise competitive with or may be considered an alternative to any products or services offered by Fresh Coat Franchises; or (v) that franchises or licenses others to do any of the foregoing. Services that are "otherwise competitive with or may be considered an alternative" to services offered by Fresh Coat Franchises include services that offer or provide alternatives to residential or commercial painting services or other Permitted Products or Services.

7. Reasonableness of Covenants. Each Covenantor acknowledges and agrees that the geographic and temporal restrictions imposed by sections 3 and 4 on his or her ability to compete with Franchisor, Franchisee and other Fresh Coat Franchisees are reasonable and necessary to protect Franchisor's and Franchisee's business interests in the relevant markets. Each Covenantor also acknowledges and agrees that he/she has sufficient resources, business experience, and opportunities to earn an adequate living while complying with the terms of those restrictions.

8. Reduction of Covenants by Franchisor. Each Covenantor acknowledges and agrees that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant in sections 1 through 4, or any portion thereof, without Franchisee's or either Covenantor's consent, effective immediately upon receipt by Covenantor of written notice, and Covenantor shall comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of section 12.

9. Injunctive Relief. Each Covenantor acknowledges that his/her violation of any of the covenants contained in this agreement would result in irreparable injury to Franchisor and Franchisee, for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorney fees incurred by Franchisor or Franchisee in obtaining, an injunction enjoining any conduct by Covenantor prohibited by the terms of this agreement. This remedy will be in addition to any and all other remedies that may be available to Franchisor or Franchisee.

10. Severability. Each of the covenants in this agreement contain different but overlapping restrictions that are to be enforced simultaneously whenever permitted by Applicable Laws and construed as severable and independent of any other covenant or provision of this agreement. If all or any portion of a covenant contained herein is held to be unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which either Franchisee or Franchisor is a party, each Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this agreement, and the remaining provisions of this agreement will be unaffected thereby.

11. No Waiver. No failure of one party to exercise any power reserved to it under this agreement, or to insist upon strict compliance by another party with any provision of this agreement, and no custom or practice of the parties in variance with the terms of this agreement, constitutes a waiver of a party's right to demand exact compliance with the terms of this agreement. A waiver by one party of any breach or nonperformance by another party is not binding unless in writing and executed by the party sought to be charged, and does not affect or impair the non-breaching party's right with respect to any subsequent breach or nonperformance of the same or of a different nature; nor does any delay, waiver, forbearance, or omission of one party to exercise any power or right arising out of any breach or nonperformance by another party of any provision of this agreement, affect or impair the non-breaching party's rights, nor shall such constitute a waiver by the non-breaching party of any right under this agreement or of the right to declare any subsequent breach or default.

12. Modification. Except as provided in section 8, this agreement may be modified or amended only by a written instrument signed by all of the parties.

13. Assignment. This agreement may not be assigned by any party without the prior written consent of the other parties, except that Franchisor may, without the other parties' consent, assign this agreement to an affiliate or pursuant to a corporate reorganization, merger, acquisition, sale of all or substantially all of its assets to which this agreement relates, or other business combination transaction. No assignment will be effective unless the assignee agrees in writing to assume all rights and obligations under this agreement.

14. Governing Law. The laws of the State of Ohio will govern all aspects of this agreement.

15. Jurisdiction. Franchisor may enforce the terms of this agreement in an action filed in any state or federal court located in the State of Ohio in the judicial district in which Franchisor has its principal place of business (presently Hamilton County, Ohio), and Franchisee and each Covenantor hereby irrevocably consent to the exercise of personal jurisdiction by any such court and irrevocably waive all defenses based upon lack of personal jurisdiction, improper venue, or inconvenient forum for purposes of carrying out this provision.

16. Construction. In this agreement, the words "include," "includes" and "including" are to be construed to include the words "without limitation", and the word "person" includes corporations, limited liability companies, partnerships of any kind, joint ventures, unincorporated associations, estates, trusts, charitable organizations, governments, governmental bodies and agencies, commissions, and all other entities and organizations, as well as individuals. Capitalized terms used but not defined in this agreement are used as defined in the Franchise Agreement.

17. Counterparts; Electronic Signatures. This agreement may be executed in two or more counterparts, each of which will be an original, but all of which together constitute one and the same instrument. The parties agree that this agreement may be electronically signed and that an electronic or facsimile signature, including a photocopied, faxed or electronically reproduced (such as PDF) copy of a handwritten signature, is binding for all purposes to the same extent as an original handwritten signature with regard to this agreement or any amendment hereto.

The parties are signing this agreement as of the dates below.

F.C. FRANCHISING SYSTEMS, INC., Franchisor:

Date: _____

By: _____

Title: _____

Franchisee:

Date: _____

By: _____

Title: _____

Date: _____

Covenantor

Date: _____

Covenantor

EXHIBIT H

DURABLE IRREVOCABLE POWER OF ATTORNEY
[Individual Franchisee]

THIS POWER OF ATTORNEY is executed by each of the undersigned individual(s) (the "Principals") in favor of F.C. FRANCHISING SYSTEMS, INC., an Ohio corporation ("Franchisor").

PREAMBLE:

- A. Franchisor does business under, and licenses independently-owned franchisees to use, the names FRESH COAT and FRESH COAT PAINTING DONE RIGHT.
- B. Franchisor owns and has registered the trademarks FRESH COAT and FRESH COAT PAINTING DONE RIGHT with the United States Patent and Trademark Office (Reg. Nos. 5117759 and 4581589, respectively).
- C. Under a Franchise Agreement dated on or about _____, Franchisor granted the Principals the limited right to operate a commercial and residential painting business (a "FRESH COAT Franchise") using Franchisor's Marks (defined in the last paragraph of this instrument) and unique business format.
- D. The Principals' use of Franchisor's Marks under the Franchise Agreement is conditioned upon, among other things, the execution of this Power of Attorney by all the Principals.
- E. Each of the Principals acknowledges that Franchisor has the right and the obligation to control the use of its trademarks, and that the purpose of this Power of Attorney is to protect Franchisor's rights in its Marks.

THEREFORE, to induce Franchisor's execution of the Franchise Agreement and as additional consideration for the rights granted to the Principals thereunder, each Principal does hereby irrevocably constitute and appoint Franchisor as its true and lawful attorney-in-fact and agent, in the Principal's individual name, place and stead, to do or cause to be done all things, and to execute, acknowledge, certify, deliver, accept, record and file all agreements, certificates, instruments and documents, as may be necessary or advisable for the purpose of transferring to Franchisor, or to any person or entity designated by Franchisor in its sole and unfettered discretion, all of the Principal's rights and interest in, title to, and control over:

- 1. Each of the following telephone numbers, each of which is or has been used in connection with the FRESH COAT Franchise operated by the Principal:

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- 2. All other telephone numbers that, at any time after the date of this Power of Attorney, have been used in connection with a FRESH COAT Franchise operated by the Principal;
- 3. All Yellow Pages, White Pages, online directories, and other business listings that display or contain any of the telephone numbers listed or described in paragraphs 1 or 2 above;
- 4. All web sites, web pages, social media pages, web logs, banners, URLs, domain names, advertisements (including pay-per-click and Google keyword search programs and similar advertising programs), and other services and hyperlinks that (i) contain or display any of Franchisor's Marks, or (ii) use any of Franchisor's Marks as search keywords or metatags, or (iii) promote or relate to any FRESH COAT Franchise, or (iv) link to or from Franchisor's web site (currently www.freshcoatpainters.com) or any other web site or web page owned, established, or controlled by Franchisor or its other franchisees; and

5. All comments or postings by the Principal on any web site, web page, social media site, web log, forum or discussion group, if the comment or posting contains or references any of Franchisor's Marks or a hyperlink to or from Franchisor's web site (currently www.freshcoatpainters.com) or any other web site or web page owned, established, or controlled by Franchisor or its other franchisees.

Each Principal hereby grants Franchisor full power and authority to transfer, modify, cancel or remove any service, listing, link, registration or posting described above and to execute and deliver on the Principal's behalf any Transfer of Service Agreement and all other transfer documentation required by any telephone service provider, Internet service provider, electronic mail service, domain registrar, online directory, communication provider, search engine, regulatory agency or other provider of services, or any other party.

Each Principal further grants Franchisor full power and authority to cancel, revoke and remove any trade name, assumed name, fictitious name, business name, trademark or equivalent registration filed in the name of the Principal with the Secretary of State, Attorney General, Department of Commerce, or other agency or office of any state, or filed with the clerk or recorder of any county of any state, if the registration includes the names FRESH COAT or any of Franchisor's other Marks, and to execute and deliver on the Principal's behalf any cancellation, termination or modification request and all other documentation required by any such state or county office or any other party.

Each Principal further grants Franchisor full power and authority to do and perform any and all acts and things that, in Franchisor's sole and unfettered discretion, are necessary or advisable to be done in order to carry out the purposes of this Power of Attorney, as fully to all intents and purposes as the Principal might or could itself do, hereby ratifying and affirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney, and regardless of whether a Principal has designated any other person to act as its attorney-in-fact or agent, no one dealing with Franchisor is required to ascertain the Franchisor's authority, see to the performance of the agency, or be responsible in any way for the proper application of funds or property paid or delivered to Franchisor or for the proper exercise of the authority granted to Franchisor hereunder. Anyone dealing with Franchisor shall be fully protected in acting and relying on Franchisor's certification that this Power of Attorney has not been revoked and is in full force and effect as of the date of such certification, and no Principal shall take any action against anyone who acts in reliance on such a certification or a copy of this Power of Attorney. Any instrument or document executed by Franchisor on behalf of any Principal will be deemed to include such a certification by Franchisor, whether or not expressed. This paragraph will survive the expiration of this Power of Attorney.

This Power of Attorney will expire on the twelfth anniversary of the date of the Franchise Agreement (indicated in paragraph C of the Preamble above). The expiration of this Power of Attorney will not affect the validity of any act of Franchisor that occurred before the date of expiration.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. This Power of Attorney is a durable Power of Attorney and shall not be affected by the disability of any Principal or the lapse of time. The death of a Principal shall not revoke the power, authority or acts and actions of Franchisor who, without knowledge of the Principal's death, continues to act in good faith under this Power of Attorney, and any such actions so taken shall inure to the benefit of and be binding upon the Principal's heirs, successors, personal representatives and assigns. This Power of Attorney is delivered in the State of Ohio and the laws of the State of Ohio govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

As used in this instrument, the term "Franchisor's Marks" means Franchisor's service mark FRESH COAT and other trademarks owned by Franchisor. Throughout this instrument the singular includes the plural and vice versa and the masculine includes the feminine or neuter and vice versa, wherever and whenever the context may require.

PRINCIPALS

Signature

Signature

Date: _____

Date: _____

EXECUTION OF THIS INSTRUMENT BY EACH PRINCIPAL MUST BE NOTARIZED

STATE OF _____, COUNTY OF _____

On _____, before me, a Notary Public in and for said county and state, personally appeared _____, known to me or proven to me by satisfactory evidence to be the person whose name is subscribed to the foregoing instrument as Principal, and acknowledged the signing thereof to be his/her voluntary act and deed for the uses and purposes described therein.

—

NOTARY PUBLIC

STATE OF _____, COUNTY OF _____

On _____, before me, a Notary Public in and for said county and state, personally appeared _____, known to me or proven to me by satisfactory evidence to be the person whose name is subscribed to the foregoing instrument as Principal, and acknowledged the signing thereof to be his/her voluntary act and deed for the uses and purposes described therein.

—

NOTARY PUBLIC

F.C. FRANCHISING SYSTEMS, INC.,
Franchisor

By: _____

Title: _____

Date: _____

EXHIBIT I

Reserved

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F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2022

As of the above date, there are a total of 167 franchises of a type substantially similar to those offered in this disclosure document, 166 of which are operational. The names, addresses, and telephone numbers of the individual owners are listed below.

ALABAMA

Jerry Ma
1092 Amber Lane
Auburn, AL 36830
(334) 887-2336

Jamical Denzel Bonner
707 Monroe Street
Mobile, AL 36602
(251) 510-2566

James W. Rainey
13 Hillcrest
Tuscaloosa, AL 35401
(205) 242-5212

ARIZONA

Steven Fields and Melissa Morales
2853 East Birchwood Place
Chandler, AZ 85249
(520) 431-7682

Jordan Murzyn
19320 West Denton Street
Litchfield Park, AZ 85340
(623) 205-9812

Johnathan Trainor
8855 West Shaw Butte Drive
Peoria, AZ 85345
(623) 695-3565

ARKANSAS

Joshua Dean¹
52 Earnhardt Circle
Cabot, AR 72023
(337) 288-0438

Mario Alfredo Franco Reyes
4400 Clarendon Avenue
Fort Smith, AR 72904
(479) 651-3583

BRITISH COLUMBIA

Olawale Oloidi
100-14555 68th Avenue #100
Surrey, British Columbia V3S-2A8

CALIFORNIA

Julius Mugumya
10227 Mason Avenue
Chatsworth, CA 91311
(972) 801-8977

Grygoriy Tomachov
2700 Peterson Place, Apt. 42C
Costa Mesa, CA 92626
(949) 903-3694

Justin Engelbach
15521 Moorpark Street
Encino, CA 91436
(510) 290-7447

Justin Wondries
1347 Moncado Drive
Glendale, CA 91207
(818) 442-7280

Jennifer Burgh
338 Highland Place
Monrovia, CA 91016
(626) 202-9219

Jennifer & Doris Javan
3801 Quartzite Lane
San Bernardino, CA 92407
(909) 815-5444

Kimberly Lynn Pace
38 Wray Avenue
Sausalito, CA 94965
(858) 442-0129

Riley Cox
936 Armor Drive
Stockton, CA 95209
(209) 688-1135

Albert Cliff Hudson
1295 Cornucopia Place
Tracy, CA 95377
(209) 390-4326

COLORADO

David Wallon
3415 17th Avenue
Evans, CO 80620
(970) 396-4225

Bernie L. Mascarenaz
1015 Trading Post Road
Fort Collins, CO 80524
(970) 214-7017

Laird A. Mooney
1610 Pace Street, Suite 900-333
Longmont, CO 80504
(619) 507-0607

CONNECTICUT

Eric Stavropoulos²
728 Route 171
Woodstock, CT 6281
(860) 576-3015

DELAWARE

Eric Barry
14 Addy Road
Bethany Beach, DE 19930
(302) 537-1916

LaMont Hampton³
413 Prestwick Place
Townsend, DE 19734
(313) 999-8530

¹Owns 2 Territories

²Owns 2 Territories

³Owns 2 Territories

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2022

As of the above date, there are a total of 167 franchises of a type substantially similar to those offered in this disclosure document, 166 of which are operational. The names, addresses, and telephone numbers of the individual owners are listed below.

FLORIDA	(215) 239-5478	Alan & Betsy Carleton
Andrea Coehlo		6612 Windbrook Way
14621 E State Road 70	Jason Zuccarelli	Flowery Branch, GA 30542
Suite 411	6130 Jameson Circle	(678) 232-3782
Bradenton, FL 34202	Pace, FL 32571	
(941) 914-5453	(850) 324-5880	Diego Berto & Isabel Calero
		3265 Moss Glen Court
Victoria Lee Thompson	Renee Ifrah	Buford, GA 30519
14621 W State Road 70	1447 SW Peninsula Lane	(678) 595-9071
Suite 411	Palm City, FL 34990	
Bradenton, FL 34202	(716) 208-9646	Walt Hoskins
(941) 962-1408		7621 River Crest Drive
	Marvin Pinchon	Columbus, GA 31904
Javier Harrington	10320 SW City Center Boulevard,	(706) 570-5788
5200 NW 43rd St., Ste 102-105	Apartment 109	
Gainesville, FL 32606	Pembroke Pines, FL 33025	Michael Brock ⁴
(352) 275-8467	(786) 877-9399	1630 Alvecote Court
		Cumming, GA 30041
Jaime Taveras & Juan de Jesus Ryan	Amy Wasserman	(678) 316-0620
4504 Varsity Lakes Court	2575 University Parkway	
Lehigh Acres, FL 33971	Unit 301	Chi-Chun Hsu
(239) 823-2679	Sarasota, FL 34243	2393 Hopewill Lane
	(647) 461-1117	Decatur, GA 30032
John Hilson		(706) 296-2026
117 Countryside Drive	Jason and Jennifer Kurz	
Longwood, FL 32779	7901 4th Street North, Suite 300	Karen Byars ⁵
(407) 405-3501	St. Petersburg, FL 33702	316 Battlefield Creek Drive
	(647) 546-5879	Marietta, GA 30064
Brian Balzli		(770) 424-3200
3051 Valle Collina Lane	Luis Mosquera	
Merritt Island, FL 32952	4514 W. Jean Street	Bradley Griesbach
(724) 971-3738	Tampa, FL 33614	613 West Tietgen Street
	(813) 263-2742	Pooler, GA 31322
Oscar Guardo & Marcela Carvajales		(912) 247-1930
3250 NE 1 st Avenue	GEORGIA	
Suite 305	Brandon and Unique Ottley	Alex DeLeon ⁶
Miami, FL 33137	3631 Utoy Drive SW	415 Holland Springs Drive
(786) 832-8390	Atlanta, GA 30331	Powder Springs, GA 30127-8313
	(347) 723-5438	(678) 520-3745
Andre Lessa		
654 Sweetbriar Drive		
Oldsmar, FL 34677		

⁴ Owns 2 Territories

⁵ Owns 2 Territories

⁶ Owns 2 Territories

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2022

As of the above date, there are a total of 167 franchises of a type substantially similar to those offered in this disclosure document, 166 of which are operational. The names, addresses, and telephone numbers of the individual owners are listed below.

IDAHO

Christopher Lockhart
8532 S. Chugiak Place
Meridian, ID 83642
(208) 577-1450

ILLINOIS

Robert Pudlik and Gail Hodina
200 East Harrison Street
Algonquin, IL 60102
(815) 236-5251

Benjamin Eli Wheeler
3304 Sharp Drive
Champaign, IL 61822
(262) 818-3896

Mohammed Omar Khan
4550 W. Barry Avenue, Unit 1
Chicago, IL 60641
(312) 533-1184

Todd Carr
50 East 16th Street #1012
Chicago, IL 60616
(773) 329-1340

Justin & Kimya Lewis
20 Gladstone St.
Northamptonshire, UK NN160TE

Andy Chmielak⁷
814 S. 11th Avenue
St. Charles, IL 60174
(630) 854-1294

IOWA

Jeffrey Michael Linton
2007 South Fifth Avenue
Marshalltown, IA 50158-2542
(641) 752-5488

KENTUCKY

Christopher Fischer
329 Farmington Drive
Lakeside Park, KY 41017
(859) 578-8854

Terry Williams⁸
285 Shoreside Drive
Lexington, KY 40515
(859) 314-0099

LOUISIANA

Wes Schexnider
17325 West LA Highway 700
Kaplan, LA 70548
(337) 523-9572

Cristin and Brad Gosslee
6301 East Ridge Drive
Shreveport, LA 71106
(318) 272-1297

MARYLAND

William Greenwell
1903 Town Center Boulevard, #235
Annapolis, MD 21401
(443) 994-5294

William Theologus
1213 Liberty Road, Suite 194
Eldersburg, MD 21784
(410) 795-5913

Cameron Scott Hollenberg
427 Sherman Avenue
Frederick, MD 21701
(240) 422-8824

George Manyara
1407 Mt. Airy Road
Rosedale, MD 21237
(443) 455-0002

Marlon and Catherine Brown
5248 Mudville Lane
Waldorf, MD 20602
(972) 201-8951

MASSACHUSETTS

Ron Imposimato
1337 Massachusetts Ave., Ste 212
Arlington, MA 2476
(781) 646-0177

Fadi Francis
59 Cox Lane
Methuen, MA 1844
(978) 323-1000

Tim Stanley⁹
6 Rolling Hill Rd.
Shrewsbury, MA 01545
(603) 793-7711

MICHIGAN

Alexandre Fonseca
3079 Roosevelt Road
Muskegon, MI 49441
(616) 215-6873

Michael Hogan
30037 Malvern
Westland, MI 48185
(734) 717-6125

MINNESOTA

Andrew H. Crone
1213 Leo Lane
Buffalo, MN 55313

⁷ Owns 2 Territories

⁸ Owns 2 Territories

⁹ Owns 2 Territories

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2022

As of the above date, there are a total of 167 franchises of a type substantially similar to those offered in this disclosure document, 166 of which are operational. The names, addresses, and telephone numbers of the individual owners are listed below.

(612) 578-1947	NEW YORK	(330) 261-5906
Jerold Fancher	Jeffrey Granger	Fred Harrison ¹¹
11622 Mount Curve Road	125 Nottingham Way	7724 Hatfield Place
Eden Prairie, MN 55347	Elmira, NY 14903	Cincinnati, OH 45242
(612) 386-4367	(607) 259-3651	(216) 849-0009
	Darren Mungkhalodom ¹⁰	
Eric Heipel	5998 Onyx Drive	Bradley R. Burgess ¹²
16984 County 94	Farmington, NY 14425	8500 Fox Glove Avenue NW
Sauk Centre, MN 56378	(818) 235-3689	Clinton, OH 44216
(320) 281-1232		(330) 606-9334
	NORTH CAROLINA	
MISSISSIPPI	Danny Chung and Sarah Seymour	Anthony Butler
Travis Templeton	10407 Torrelle Drive	3530 Snouffer Road #100
1452 Turner Road	Charlotte, NC 28277	Columbus, OH 43235
Maben, MS 39750	(704) 493-1612	(614) 448-0206
(662) 769-5008		
	Danny Chung and Sarah Seymour	Fernando Lara
NEBRASKA	10407 Torrelle Drive	4040 Sexton Drive
David Luttrell	Charlotte, NC 28277	Columbus, OH 43228
12912 Lillian Street	(704) 493-1612	(614) 735-8133
Omaha, NE 68138		
(402) 515-0692	Florence Ngollo Mpongo	Hugh Downs
	3505 Skybrook Lane	9873 Gabriel's Way
NEVADA	Durham, NC 27703	Concord Township, OH 44060
Krystal Sanchez & Marie Vallejo	(3248) 413-0750	(216) 246-9477
1405 Sky Mountain Dr.		
Reno, NV 89523	Mike Fogleman	Brian Denny ¹³
(775) 229-9800	6102 Great Oak Drive	1869 Meadowsweet Drive
	Summerfield, NC 27358	Lebanon, OH 45036
NEW JERSEY	(336) 908-5257	(865) 773-7380
Antoine Ford		
70 Winding Wood Drive 5B	Stephen and Sandra Sullivan	Ivan Lopez
Sayreville, NJ 8872	5297 Leisure Circle	718 16th Avenue
(973) 951-1365	Wilmington, NC 28409	Middletown, OH 45044
	(910) 399-3771	(513) 372-5514
[Valerie Kim Brown-Traore		
1 Friendship Circle	OHIO	Dale Hlad
Sicklerville, NJ 8081	Donald and Shannon Jones	11314 Trenton Road Northwest
(856) 631-8940]	7085 Saint Ursula Drive	Uniontown, OH 44685
	Canfield, OH 44406	(330) 564-7676

¹⁰ Owns 2 Territories¹¹ Owns 2 Territories¹² Owns 3 Territories¹³ Owns 2 Territories

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2022

As of the above date, there are a total of 167 franchises of a type substantially similar to those offered in this disclosure document, 166 of which are operational. The names, addresses, and telephone numbers of the individual owners are listed below.

Chris Lebling 7723 Tylers Place Blvd. #104 West Chester, OH 45069 (513) 618-8181	Chris Fisher 5 Cherry Street Downington, PA 19335 (856) 383-1039	SOUTH DAKOTA Kory & Michelle Jons 6401 S. Venita Ave Sioux Falls, SD 57108 (605) 728-2694
Steve Gloyer 520 South State Street, Suite 285B Westerville, OH 43081 (425) 495-0096	Troy Page 137 Ridens Road Lewistown, PA 17044 (717) 250-7166	TENNESSEE Richard Whitaker 1158 Buggy Cove Clarksville, TN 37043 (253) 820-8055
OKLAHOMA Collin M. Shaw 3321 Oakbrook Drive Del City, OK 73115 (405) 317-9033	Jorge Ruiz 614 Laurel Street Reading, PA 19602 (610) 780-5589	Moh Hayati 101 Governors Point Boulevard Hendersonville, TN 37075 (615) 476-1216
Kim Aguilar 4025 NW 32nd Street Oklahoma City, OK 73112 (405) 596-1752	Lawrence Lathers 1132 Dodgson Rd West Chester, PA 19387 (610) 399-9397	Luis Rossi 22 Blossomwood Jackson, TN 38305 (731) 414-4479
OREGON Randy Ramos 6808 SE 74th Avenue Portland, OR 97206 (503) 680-8916	SOUTH CAROLINA Jarrell Cash 9703 Short Creek Road Ladson, SC 29456 (843) 442-7239	Greg and Amy Spradling ¹⁵ 11511 Ivy Chase Lane Knoxville, TN 37934 (904) 254-9520
Sean Ferriter 4424 SW Buddington Portland, OR 97219 (949) 680-5161	Terry Reaves & Robert Dees 1005 13 th Street Port Royal, SC 29935 (912) 293-2010	Cameron Lee 9182 White Ash Drive Ooltewah, TN 37362 (423) 215-6365
PENNSYLVANIA Patrick Boyle 108 Woodridge Drive Cranberry Township, PA 16066 (724) 651-1968	Chad McCall 1027 Cross Creek Drive Seneca, SC 29678 (864) 985-8830	TEXAS Edgar Alvarez ¹⁶ 1411 Tufflit Lane Austin, TX 78753 (737) 230-9981
	Paul Thompson ¹⁴ 229 Chestatee Simpsonville, SC 29680 (703) 489-1781	Sarah and Kelly Ross ¹⁷ 706 Clear Springs Hollow Buda, TX 78640

¹⁴ Owns 2 Territories¹⁵ Owns 2 Territories¹⁶ Owns 2 Territories¹⁷ Owns 2 Territories

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2022

As of the above date, there are a total of 167 franchises of a type substantially similar to those offered in this disclosure document, 166 of which are operational. The names, addresses, and telephone numbers of the individual owners are listed below.

(512) 787-2379

John Michael and Susan Heine
5335 Browns Landing Drive
Chandler, TX 75758
(903) 574-0648

David Meneses
134 Oak Estates Drive
Conroe, TX 77384
(201) 286-4771

Bret & Lacey Mitchell¹⁸
8412 Bishop Pine Rd
Denton, TX 76208
(940) 382-0436

Miguel Mejia & Gilbert Perez
823 Oscar
Edinburg, TX 78541
(956) 478-0228

Darren and Nicole Rich
2931 Mesa Verde Trail
Grapevine, TX 76051
(510) 225-8794

Joe Martinta
13330 West Road, Apt. 1227
Houston, TX 77041
(516) 362-7972

Rachel Kriheli¹⁹
11823 Stallion Lane
Houston, TX 77071
(713) 485-6803

Jonathan and Kelly Webb
4938 Falcon Forest Drive
Humble, TX 77346

(281) 883-4199

Jorge Valencia
801 FM 1463, Suite 200-#210
Katy, TX 77494
(281) 704-0144

Yuri Lorenzen²⁰
2838 Raintree Village Drive
Katy, TX 77449
(832) 549-9617

David L. Campbell²¹
9328 Bedford Lane
McKinney, TX 75071
(618) 540-9619

Erick and Teresa Estrada²²
19533 Brue Street
Pflugerville, TX 78660
(512) 897-9910

Brian Henegar²³
880 South Coit Road, #3101
Prosper, TX 75078
(903) 520-8377

Navid Fadaie & Jessica Rousseau
1609 Santa Ana Avenue
Rancho Viejo, TX 78575
(613) 266-4979

Alexander Serrano²⁴
12838 Coal Mine Rise
San Antonio, TX 78245
(210) 758-8579

Chad Dillard
1114 Sundance Hunt
San Antonio, TX 78245

(210) 544-9356

UTAH

Justin Daniel Kesler
352 E. Golden Pheasant Drive
Draper, UT 84020
(801) 580-4117

VIRGINIA

Nelson Norris
20332 Beechwood Terrace #301
Ashburn, VA 20147
(703) 729-4178

Manuel Jaar
5765-F Burke Center Parkway
Burke, VA 22015
(571) 432-6479

Alexander Rogatnik
12416 Summer Creek Court
Glen Allen, VA 23059
(414) 324-4866

Scott Kirkpatrick
19603 Airmont Road
Round Hill, VA 20141
(240) 501-9630

WEST VIRGINIA

Robert Smith²⁵
1923 Harrison Avenue
Saint Albans, WV 25177
(304) 993-361

WISCONSIN¹⁸ Owns 2 Territories¹⁹ Owns 2 Territories²⁰ Owns 2 Territories²¹ Owns 2 Territories²² Owns 2 Territories²³ Owns 3 Territories²⁴ Owns 2 Territories²⁵ Owns 2 Territories

F.C. FRANCHISING SYSTEMS, INC.
FRANCHISEES WHO HAVE LEFT THE SYSTEM

Below are Franchisees who have left the system as of the fiscal year ending December 31, 2022 or who have not communicated with us within 10 weeks of the issuance of the disclosure document. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Kenneth Van Ert
4402 County Road M
Rudolph, WI 54475
(920) 604-2276

As of the above date, we have entered into 1 franchise agreement with a franchise owner that is not yet operational. The name, address, and telephone number of of that owner is listed below..

Uzma Hussnain
2526 7th Ave.
N. St. Paul, MN 55109
(651) 434-1076

EXHIBIT L

F.C. FRANCHISING SYSTEMS, INC.
FRANCHISEES WHO HAVE LEFT THE SYSTEM

Below are Franchisees who have left the system as of the fiscal year ending December 31, 2022 or who have not communicated with us within 10 weeks of the issuance of the disclosure document. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Anthony James Vu Anaheim, CA 92801 (707) 300-7025	Aurora, IL 60503 (630) 697-3336	Derek Stafford Ocean Isle Beach, NC 28469 (234) 410-0985
Paul LaRoque Mission Viejo, CA 92691 (949) 981-3819	Kristin & Steve Rosko Palos Heights, IL 60463 (312) 292-1681	Jerry Cowley ⁴ Stow, OH 44224 (330) 612-3216
Jonathan A. Morrison Ventura, CA 93003 (818) 433-2694	Richard Jesuit Willow Springs, IL 60480 (630) 687-3871	Brittany Tuttle Xenia, OH 45385 (803) 457-2180
Daniel West, Wade Haselden & Michael Gallagher Oxnard, CA 93030 (805) 832-1828	Roger Teachout Scarborough, ME 04074 (207) 699-7745	Herman Lenhardt Oklahoma City, OK 73170 (405) 985-0532
David Warren Visalia, CA 93277 (559) 786-6064	Jerome Lacey Aberdeen, MD 21001 (410) 688-7722	Dani Jo McLane Cranberry Township, PA 16066 (724) 553-5895
Merrick Kelly, William Clark and Kyle Sims Jacksonville, FL 32218 (904) 486-0497	Ally DiPietro & Patrick Hayward ² Princeton Junction, NJ 08550 (732) 670-3084	Chris Nauman Littlestown, PA 17340 (443) 621-6147
Clifford Fontenot ¹ Merritt Island, FL 32953 (321) 473-7179	Valerie Kim Brown-Traore Sicklerville, NJ 08081 (856) 631-8940	Robert Lee Maxwell Willow Grove, PA 19090 (215) 740-3425
Samuel Brignoni Palm Bay, FL 32908 (321) 961-6361	Kris Noyes Turnersville, NJ 08012 (856) 228-9100	Dustin and Dana Whiteley ⁵ Austin, TX 78751 (512) 287-1122
Kevin Meza & Katyria Yabar St. Cloud, FL 34769 (321) 301-3783	Dominick Passafiume ³ Shrub Oak, NY 10588 (917) 880-6114	Karen Wagner Cedar Park, TX 75613 (512) 796-6371
Allan Moss	Robert Kelly Kernersville, NC 27284 (248) 459-3872	Jessica Land & Alex Cruz Coppell, TX 75019 (214) 770-6023

¹ Owned 2 Territories

² Owned 2 Territories

³ Owned 2 Territories

⁴ Sold 2 Territories

⁵ Sold 2 Territories

EXHIBIT L

F.C. FRANCHISING SYSTEMS, INC. FRANCHISEES WHO HAVE LEFT THE SYSTEM

Below are Franchisees who have left the system as of the fiscal year ending December 31, 2022 or who have not communicated with us within 10 weeks of the issuance of the disclosure document. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Michael Gorman
Houston, TX 77007
(602) 334-8924

Michael Wooton⁶
Lubbock, TX 79412
(806) 445-3707

Nathaly Vasquez-Ruiz & Lawrence
Johnson
Chesapeake, VA 23320
(757) 217-8631

⁶Owned 2 Territories

EXHIBIT M

FRESH COAT ASSIGNMENT AGREEMENT¹

THIS ASSIGNMENT AGREEMENT, executed this _____ day of _____, 20____ by and among **F.C. FRANCHISING SYSTEMS, INC.**, an Ohio corporation (“Franchisor”), _____, individual residents of the State of _____ (“Assignor”), and _____, a(n) _____ corporation [or limited liability company] (“Assignee”);

W I T N E S S E T H:

WHEREAS, Franchisor and Assignor entered into a Franchise Agreement on _____, 20____ (the “Franchise Agreement”), pursuant to which Franchisor licensed Assignor to operate an interior/exterior painting using Franchisor’s service mark and trade name “*Fresh Coat*” and Franchisor’s business format; and

WHEREAS, Assignor owns _____% of the issued and outstanding stock [or ownership units] of Assignee; and

WHEREAS, Assignor desires to assign, transfer, and delegate to Assignee all of Assignor’s rights and obligations under the Franchise Agreement; and

WHEREAS, Assignee desires to assume all of Assignor’s rights and obligations under the Franchise Agreement;

NOW THEREFORE, in consideration of the mutual promises and conditions contained herein, the parties agree as follows:

1. **Assignment.** Assignor assigns, conveys, and transfers to Assignee all of Assignor’s rights, title, and interest in and to the Franchise Agreement and the franchise granted therein. Assignee assumes and undertakes to perform all of Assignor’s obligations and liabilities under the Franchise Agreement and agrees to comply with and be bound by all the terms and conditions thereof.

2. **Consent of Franchisor.** Franchisor consents to the assignment, in accordance with the terms contained herein, to Assignee of Assignor’s interest in the Franchise Agreement and the franchise granted therein.

3. **Guaranty by Assignor.** The assignment to Assignee of Assignor’s interest in the Franchise Agreement shall not relieve Assignor from any liability or obligation contained therein. Assignor specifically guarantees to Franchisor the prompt payment of all royalty and other fees required to be paid by the Franchisee under the Franchise Agreement, and the performance of all the provisions of the Franchise Agreement for and during the term thereof (including any renewals or extensions thereof). Assignor acknowledges that he/she shall continue to be bound by all covenants, obligations, and commitments of the Franchisee contained in the Franchise Agreement including, without limitation, those covenants contained in Article 15 of the Franchise Agreement.

4. **Representations of Assignee.** In order to induce Franchisor to consent to the assignment by Assignor, Assignee represents as follows:

¹ This Assignment Agreement is required only if you sign your franchise agreement individually rather than in the name of a business entity.

(a) The assumption of Assignor's obligations under the Franchise Agreement and the execution of this Assignment Agreement have been duly authorized and approved by Assignee's Board of Directors [or Managing Member]; and

(b) Assignor is the owner of _____% of the issued and outstanding capital stock [or ownership units] of Assignee.

5. **Release.** By execution of this agreement, Assignor and Assignee, their respective members, shareholders, directors, agents, and employees, hereby release Franchisor, its shareholders, directors, officers, employees, affiliates, agents, successors and assigns (the "Released Parties"), from any and all debts, claims, demands, damages, losses, liabilities, actions, causes of action, awards, and suits of any kind, known or unknown, that they may now have against the Released Parties up to and including the final date of execution of this agreement.

IN WITNESS WHEREOF, the parties executed this Assignment Agreement, or caused it to be executed by their duly authorized agent, as of the date first set forth above.

F.C. FRANCHISING SYSTEMS, INC.

By: _____

ASSIGNOR(S)

[Individual(s)]

[Individual(s)]

ASSIGNEE

Print Corporation or Company Name

President [or Managing Member]

EXHIBIT N

FRANCHISEE ACKNOWLEDGMENT STATEMENT

As you are aware, you are preparing to enter into a Franchise Agreement with F.C. Franchising Systems, Inc. (Franchisor) for the operation of a Fresh Coat franchise. The purpose of this Acknowledgment Statement is to determine whether any statements or promises were made to you, either verbally or in writing, that the Franchisor did not authorize and that may be untrue, inaccurate, or misleading. Please read each of the following questions carefully and provide honest and complete responses to each question.

1. Did you receive a copy of Franchisor's Franchise Disclosure Document at least 14 days before you signed the Franchise Agreement or remittance form or paid any money for the franchise?

Yes _____ No _____

2. Did you read the franchise contracts and their exhibits?

Yes _____ No _____

3. Did you understand everything in the franchise contracts and their exhibits?

Yes _____ No _____

If "No," what parts of the franchise contracts or their exhibits do you NOT understand? (Attach additional pages if necessary.)

4. Have you discussed your purchase of a Fresh Coat franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

5. If "No," do you understand that you may do so?

Yes _____ No _____

6. Do you understand the risks of investing in and operating a Fresh Coat franchise?

Yes _____ No _____

7. Do you understand that the success or failure of your Fresh Coat franchise will depend in large part upon your skills and abilities, the number of hours you are willing to work, competition from other businesses, interest rates, the general state of the economy, inflation, labor and supply costs, and other general economic and business factors?

Yes _____ No _____

8. Do you understand that you are responsible for investigating and complying with any and all laws, regulations, and licensing requirements that may apply in your territory?

Yes _____ No _____

NOTE: QUESTIONS 9 THROUGH 14 DO NOT APPLY TO ANY INFORMATION YOU WERE GIVEN DIRECTLY BY A FRESH COAT FRANCHISEE.

Has any employee of Franchisor or other person speaking on behalf of Franchisor made any written or oral statement or promise regarding:

9. . . . the actual revenue or profits of a Fresh Coat franchise that is contrary to or different from that disclosed in the Franchise Disclosure Document?

Yes _____ No _____

10. . . . the amount of money you can earn operating a Fresh Coat franchise that is contrary to or different from that disclosed in the Franchise Disclosure Document?

Yes__ _____ No__ _____

11. . . . the amount of sales revenue you can earn operating a Fresh Coat franchise that is contrary to or different from that disclosed in the Franchise Disclosure Document?

Yes _____ No _____

12. . . . your initial investment to open a Fresh Coat franchise or the costs you may incur operating a Fresh Coat franchise, that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

13. . . . the advertising, marketing, training, support services, or assistance that Franchisor will provide you that is contrary to or different from the information in the Franchise Disclosure Document?

Yes _____ No _____

14. . . . any other aspect of a Fresh Coat franchise that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

If you answered "Yes" to any of Questions 9 through 14, please provide a full explanation of your answer in the following space (attach additional pages if necessary and refer to them in the space below). If you answered "No" to every Question 9 through 14, please leave the following space blank.

You understand that your answers are important to us and that we will rely on them in entering into the Franchise Agreement with you.

NOTHING IN THIS DOCUMENT IS TO BE CONSTRUED AS A RELEASE, ESTOPPEL OR WAIVER OF ANY LIABILITY OR OBLIGATION IMPOSED BY A STATE FRANCHISE OR INVESTMENT LAW.

By signing below, you represent that you have responded truthfully to the above questions.

Date: _____

Signature

Date: _____

Signature

STATE-SPECIFIC ADDITIONAL DISCLOSURES AND RIDERS

The following are additional disclosures and/or riders required by certain state franchise laws. A particular state's disclosures/riders only apply if you are covered by that state's franchise law.

California State Addendum disclosures:

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.
2. No person or franchise broker listed in Item 2 above is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling these persons from membership in any association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The franchise agreement requires binding arbitration. The arbitration will occur at Hamilton County, Ohio with the costs being borne as incurred by either party.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
9. The franchise agreement requires application of the laws of Ohio. This provision may not be enforceable under California law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release if you renew or transfer your franchise. California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code sections 31000 through 31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code sections 20000 through 20043).
12. The financial performance representation does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales 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 franchise business. Franchisees or former franchisees, listed in the franchise disclosure document may be one source of this information.
13. Any provision in the franchise agreement shortening the time in which you may bring a claim against the franchisor for violations of the California Franchise Investment Law are not enforceable.

14. The following URL address is for the franchisor's web site: www.freshcoatpainters.com

15. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

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.

Disclosure Regarding California Contractors License Law

Under the California Contractors License Law (California Business and Professions Code sections 7000 through 7199), you must have a C-33 Painting and Decorating Contractors License (a “C-33 License”) to paint structures or hang wallpaper. The C-33 License is regulated by the California Contractors State License Board (“CSLB”). To obtain a C-33 License, you must have more than \$2,500 of operating capital (your current assets minus your current liabilities), post a \$12,500 contractor’s bond or cash deposit with the CSLB, and either you or a “qualifier” must be at least 18 years old, pass a written examination, and have at least 4 years of practical painting experience as a journeyman, foreman, supervisor, or contractor. A “qualifier” is an individual who meets the experience requirements and passes the examination for the license. The qualifier will be responsible for your painting and wallpapering services. The qualifier may be an individual franchisee, an officer of a corporate franchisee (called a “Responsible Managing Officer,” or “RMO”), or an employee of the franchised business (called a “Responsible Managing Employee,” or “RME”). If your qualifier is an RME, he or she must be regularly employed by the franchised business and actively engaged in the operation of the business at least 32 hours per week or 80% of the total business operating hours, whichever is less.

Technical training, apprenticeship training, or education may qualify for part (up to 3 years) of the 4 years of practical experience required for a C-33 License. The CSLB will grant you up to 3 years of credit for a 4-year college degree in architecture, construction technology, or any field of engineering that is directly related to house painting, or for a certificate of completion of apprenticeship in house painting from an accredited apprenticeship program or a certified statement of completion of apprenticeship training in house painting from a union. The CSLB will grant you up to 2 years of credit for a law degree, or for substantial college work in accounting, architecture, business, economics, mathematics or physics, or for a 4-year college degree in accounting, business, construction technology, drafting, economics, engineering, mathematics, physics, or areas related to house painting. The CSLB will grant you up to 1½ years of credit for an associate’s degree in building or construction management.

The current fees for a C-33 License are a \$250 non-refundable application processing fee and a \$150 initial license fee. The current renewal fee is \$300. A license is issued for a 2-year period. Licenses are issued only to individuals, partnerships, or corporations—they are not issued to limited liability companies.

If you do not have or are unable to obtain a C-33 License, all painting and wallpapering services must be performed by a licensed painting and decorating contractor who contracts directly with and is paid directly by your customers. In addition, you may not advertise that you offer painting or wallpapering services unless the advertisement clearly states that you are not licensed under the California Contractors License Law.

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the California Franchise Relations Act:

1. Section 16.2 is amended by the addition of the following sentences:

“California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning the arbitration of disputes between the franchisee and franchisor. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.”

2. Section 18.3 is amended by the addition of the following sentences:

“California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning the choice of which state’s law governs your franchise agreement. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.”

3. Section 18.4 is amended by the addition of the following sentences:

“California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning the choice of forum for disputes between the franchisee and the franchisor. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.”

4. Section 3 and 4 of the Restrictive Covenant Agreement are deleted.

5. Section 16.6 is amended by the addition of the following sentences:

“California Corporations Code Sections 31303 and 31304 provide certain statutes of limitations for certain claims under the California Franchise Investment Law. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

6. Section 18.11 is deleted.

7. No statement, questionnaire, or acknowledgment signed by a franchisee in connection with the commencement of the franchise relationship shall be construed as waiving any claims under any applicable state franchise law, including fraud in the inducement, or as 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.

Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

HAWAII

The following additional disclosures are required by the Hawaii Franchise Investment Law:

1. The following list reflects the status of our franchise registrations in the states which have franchise registration laws:

- This registration is effective in the states of California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, Texas, Virginia, Washington, and Wisconsin.
- There are no other states in which a proposed registration or filing is or will be on file.
- There are no states which have refused, by order or otherwise, to register these franchises.
- There are no states which have revoked or suspended the right to offer these franchises.

2. The release required as a condition of renewal, assignment, and transfer will not apply to any liability arising under the Hawaii Franchise Investment Law.

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

This addendum, executed and agreed to concurrently with the Franchise Agreement to which it is attached, amends the Franchise Agreement as follows:

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement is amended as follows:

- (a) The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- (b) A general release required as a condition of the renewal, assignment, or transfer of the Franchise Agreement or the franchise granted thereunder shall not apply to any claim or liability arising under the Hawaii Franchise Investment Law.

2. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this addendum. To the extent this addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or any exhibit or attachment thereto, the terms of this addendum shall govern.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

ILLINOIS

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

INDIANA

The following additional disclosures are required by the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law:

THE STATE OF INDIANA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE [INDIANA CODE §§23-2-2.5-1 THROUGH 23-2-2.5-50]. THIS STATE ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF INDIANA HAS A STATUTE WHICH RESTRICTS OR PROHIBITS THE IMPOSITION OF LIQUIDATED DAMAGE PROVISIONS [INDIANA CODE §23-2-2.7(10)]. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101.

A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

The franchise agreement does not expressly give you the right to terminate, but Indiana law may give you the right to terminate if we commit a substantial breach of the franchise agreement.

Any provision in the franchise agreement or franchise development agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this Addendum is attached is amended as follows to comply with the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.
2. Any provision in this Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.
3. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law shall prevail.

4. Section 10.2 is replaced with the following:

“Franchisee acknowledges that any failure to comply with Section 10.1 of this Agreement will cause Franchisor irreparable injury. Accordingly, Franchisor shall have the right to seek specific performance of, or an injunction against a violation of, the requirements of Section 10.1. Franchisee agrees to pay all court costs and reasonable attorneys’ fees incurred by Franchisor in successfully obtaining any such specific performance or injunctive relief.”

5. Section 15.9 is replaced with the following:

“Franchisee acknowledges that Franchisee’s violation of the terms of this Article 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisor shall have the right to seek specific performance of, or an injunction against a violation of, the requirements of this Article 15. Franchisee agrees to pay all court costs and reasonable attorneys’ fees incurred by Franchisor in successfully obtaining any such specific performance or injunctive relief.”

6. Section 16.1 is replaced with the following:

“Franchisor shall be entitled, without bond, to seek temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (a) Franchisee’s use of the Marks; (b) the obligations of Franchisee upon the termination or expiration of this Agreement; (c) the obligations of Franchisee under Sections 15.2, 15.3, or 15.4 of this Agreement; or (d) an assignment of this Agreement or any ownership interest therein; or (e) as necessary to prohibit any act or omission by Franchisee or its employees: (i) that would constitute a violation of any applicable law, ordinance, or regulation; (ii) which is dishonest or misleading to Franchisor and/or Franchisor’s other franchisees; or (iii) which, in Franchisor’s reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the franchised business, Franchisor, the System or the Marks.”

7. The fourth sentence of Article 17 is replaced with the following:

“Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee’s operation of the franchised business (excluding,

however, liabilities caused by (i) Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence), and shall pay all costs (including, without limitation, attorney and accountant fees) incurred by Franchisor in defending against and/or responding to them."

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

MARYLAND

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

ITEM 17

The general release required as a condition of renewal and/or assignment/transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

The general release required as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

The following terms amend the Franchise Agreement to which this addendum is attached, for the purpose of complying with the Maryland Franchise Registration and Disclosure Law, and are hereby incorporated into the Franchise Agreement by this reference. The terms in this addendum control in the event of conflicting terms in the Franchise Agreement.

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Maryland Franchise Regulation and Disclosure Law.
2. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Section 16.6 is deleted in its entirety, and in its place is substituted the following:

“16.6 Statute of Limitations. Franchisor and Franchisee acknowledge that, pursuant to Section 227 of the Maryland Franchise Registration and Disclosure Law, any claims arising thereunder must be brought within three years after the grant of the Franchise.”
4. The representations contained in Section 18.11 are not intended to act, nor shall they act, as a release, estoppel, or waiver of any liability arising under the Maryland Franchise Registration and Disclosure Law.
5. The general release required as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

MINNESOTA

The following additional disclosures are required by the Minnesota Franchise Act:

1. GOVERNING LAW, CHOICE OF FORUM, JURISDICTION AND VENUE

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit F.C. Franchising Systems, Inc. from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. NOTICE OF TERMINATION AND NON-RENEWAL

With respect to franchises governed by Minnesota law, F.C. Franchising Systems, Inc. will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.

3. RIGHT TO USE TRADEMARKS, SERVICE MARKS TRADE NAMES, LOGOTYPES OR OTHER COMMERCIAL SYMBOLS

F.C. Franchising Systems, Inc. will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

4. WAIVING OF RIGHTS, POSTING BOND

Minnesota law prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties, or judgment notes. The franchisee cannot consent to F.C. Franchising Systems, Inc. obtaining injunctive relief. However, F.C. Franchising Systems, Inc. may seek injunctive relief. A court will determine if a bond is required. Any language to the contrary in the disclosure document or franchise agreement is null and void.

5. GENERAL RELEASE

Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. Any provision in the Franchise Agreement to the contrary is void.

6. STATUTE OF LIMITATIONS

Minn. Stat. Sec. 80C.17, Subd. 5 provides that an action may be commenced to enforce any provision of the Minnesota Franchise Act (Minn. Stat. Secs. 80C.01 to 80C.22, inclusive) or any rule or order thereunder within three years after the cause of action accrues. Any language to the contrary in the Franchise Disclosure Document or the Franchise Agreement is null and void.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

This addendum is attached to and incorporated in the F.C Franchising Systems, Inc. ("FCFS") Franchise Disclosure Document and Franchise Agreement as required by the Minnesota Franchise Act and the administrative rules and regulations relating thereto. The terms of this addendum shall control in the event of conflicting terms in the Franchise Disclosure Document or Franchise Agreement.

1. GOVERNING LAW, CHOICE OF FORUM, JURISDICTION AND VENUE

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit F.C. FRANSISING SYSTEMS, INC. from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. NOTICE OF TERMINATION AND NON-RENEWAL

With respect to franchises governed by Minnesota law, F.C. FRANSISING SYSTEMS, INC. will comply with Minn. Stat. Sec. 80C14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.

3. RIGHT TO USE TRADEMARKS, SERVICE MARKS TRADE NAMES, LOGOTYPES OR OTHER COMMERCIAL SYMBOLS

F.C. FRANSISING SYSTEMS, INC. will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

4. WAIVING OF RIGHTS, POSTING BOND

Minnesota law prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties, or judgment notes. The franchisee cannot consent to F.C. FRANSISING SYSTEMS, INC. obtaining injunctive relief, however, F.C. FRANSISING SYSTEMS, INC. may seek injunctive relief. A court will determine if a bond is required. Any language to the contrary in the disclosure document or franchise agreement is null and void.

5. GENERAL RELEASE

Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. Any provision in the Franchise Agreement to the contrary is void.

6. STATUTE OF LIMITATIONS

Minn. Stat. Sec. 80C.17, Subd. 5 provides that an action may be commenced to enforce any provision of the Minnesota Franchise Act (Minn. Stat. Secs. 80C.01 to 80C.22, inclusive) or any rule or order thereunder within three years after the cause of action accrues. Any language to the contrary in the Franchise Disclosure Document or the Franchise Agreement is null and void.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

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 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

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

The following terms amend the Franchise Agreement to which this addendum is attached, for the purpose of complying with the New York General Business Law and the New York State Franchise Regulations, and are hereby incorporated into the Franchise Agreement by this reference. The terms in this addendum control in the event of conflicting terms in the Franchise Agreement.

1. Section 2.2(d) of the Franchise Agreement shall be amended by adding the following language:

“Provided, however, that all rights arising in Franchisee’s favor from the provisions of Article 33 of the General Business Laws of the State of New York (“GBL”) and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, sections 687.4 and 687.5 be satisfied.”

2. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The addendum is signed concurrently with the attached Franchise Agreement.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

NORTH DAKOTA

The following additional disclosures are required by the North Dakota Franchise Investment Law:

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Non-competition covenants such as the one mentioned in Item 17(r) and in Section 15.3 are generally considered unenforceable in the State of North Dakota.

The release required as a condition of renewal and/or assignment/transfer, as stated in Item 17(c) and Section 2.2(d), will not apply to any liability arising under the North Dakota Franchise Investment Law.

Any provision of the franchise agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

Any provision of the franchise agreement requiring you to waive the right to a trial by jury is void.

Any provision of the franchise agreement requiring you to waive exemplary or punitive damages is void.

Any provision of the franchise agreement requiring you to consent to a statute of limitations that is shorter than the applicable North Dakota statute of limitations is void.

Any provision of the franchise agreement requiring you to consent to termination or liquidated damages is void.

RHODE ISLAND

The following additional disclosures are required by the Rhode Island Franchise Investment Protection Act:

The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Rhode Island Franchise Investment Act.

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 this Addendum is inconsistent with any terms or conditions of the Franchise Disclosure Document, the Franchise Agreement, or any exhibits or attachments thereto, the terms of this Addendum shall control.

The following terms amend the Franchise Agreement to which this addendum is attached, for the purpose of complying with the Rhode Island Franchise Investment Act, and are hereby incorporated into the Franchise Agreement by this reference. The terms in this addendum shall control in the event of conflicting terms in the Franchise Agreement.

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Rhode Island Franchise Investment Protection Act.
2. Any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Protection Act.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Its: _____

Signature

SOUTH DAKOTA

The following additional disclosures are required by the South Dakota Franchise Act:

Covenants not to compete upon the termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act. Issues regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, all provisions of the franchise agreement will be subject to the governing law of the State of Ohio.

Pursuant to SDLC 37-5B, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order thereunder is void. Any acknowledgement provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the South Dakota Franchise Act, South Dakota Codified Laws, Title 37, Chapter 37-5B:

1. Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.
2. In the event that either party shall make demand for arbitration, the arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.
3. The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Ohio. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.
4. To the extent this addendum is inconsistent with any terms or conditions of the Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

VIRGINIA

THE FOLLOWING DISCLOSURES ARE REQUIRED UNDER THE VIRGINIA RETAIL FRANCHISING ACT, AND SHALL SUPERSEDE ANY INCONSISTENT DISCLOSURES CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

In addition to the other curable defaults listed in row (g) of the table in Item 17 of the franchise disclosure document, you also have 30 days to cure any failure to comply with the franchise agreement, operations manual, or operating standards.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for F.C. Franchising Systems, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON

The following additional disclosures are required by the Washington Franchise Investment Protection Act:

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.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

Franchisees who receive financial incentives to refer franchise prospects to franchisors may be required to register as franchise brokers under the laws of Washington.

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, FRANCHISE ACKNOWLEDGMENT STATEMENT, AND RELATED AGREEMENTS

The parties hereby amend the following provisions of the Franchise Agreement to which this addendum is attached to comply with the Washington Franchise Investment Protection Act:

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.

Section 18.11(c) is revised to read: **FRANCHISEE ACKNOWLEDGES THAT THERE HAVE BEEN NO REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, SALESMEN, DIRECTORS, OFFICERS, OR EMPLOYEES, OR ANY OTHER SALESMEN OR OTHER PERSON OR ENTITY REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC FRESH COAT FRANCHISE.**

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

WISCONSIN

The following additional disclosures are required by the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

THE WISCONSIN FAIR DEALERSHIP LAW SUPERSEDES ANY PROVISION OF THE FRANCHISE AGREEMENT THAT IS INCONSISTENT WITH THAT LAW. THE STATE OF WISCONSIN MAY ALSO HAVE COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE RELATIONSHIP IN RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS WHICH RESTRICT THE IMPOSITION OF LIQUIDATED DAMAGES. THE IMPOSITION OF LIQUIDATED DAMAGES IS ALSO RESTRICTED BY FAIR PRACTICE LAWS, CONTRACT LAW, AND STATE AND FEDERAL COURT DECISIONS. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATED THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED.

We may revoke our approval of any previously approved supplier at any time if the quality of the product or the supplier's financial condition or ability to satisfy your requirements do not continue to meet our satisfaction.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

The parties hereby amend the following provisions of the Franchise Agreement to which this addendum is attached to comply with the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

1. Franchisor and Franchisee agree that Chapter 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement inconsistent with that law.
2. To the extent this addendum is inconsistent with the Franchise Agreement or its exhibits or attachments, this addendum controls.
3. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Title: _____

EXHIBIT P

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

F.C. FRANCHISING SYSTEMS, INC. (“we,” “us,” “our,” or “Franchisor”) and the undersigned franchisee, _____ (“you,” “your,” or “Franchisee”), currently are parties to a certain franchise agreement dated _____ (the “Franchise Agreement”) for the operation of a Fresh Coat franchised business designated Fresh Coat franchise no. _____. You have asked us to take the following action or to agree to the following request: [*insert as appropriate for renewal or transfer situation*]

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action nor agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “Franchisor Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now have, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties (1) arising out of or related to the Franchisor Parties’ performance of their obligations under the Franchise Agreement before the date of your signature below or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signature below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100

Notwithstanding the above, nothing contained herein shall act as a release, estoppel or waiver of any claim or liability arising under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT Q

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

The undersigned depositor ("DEPOSITOR") hereby authorizes F.C. FRANCHISING SYSTEMS, INC. ("PAYEE") to initiate debit entries and/or credit correction entries to the DEPOSITOR's checking account designated below, and authorizes the financial institution designated below ("BANK") to debit such account pursuant to PAYEE's instructions.

_____		_____	
Name of Financial Institution		Branch	
_____		_____	_____
Address of Financial Institution	City	State	ZIP Code
_____		_____	
Account Number		Bank Transit/Routing Number	

This authority will remain in effect until BANK receives a written cancellation notification from DEPOSITOR in such time as to afford BANK a reasonable opportunity to act on it. DEPOSITOR may stop payment of any entry by notifying BANK at least three (3) business days before the entry is charged to DEPOSITOR'S account. DEPOSITOR may have the amount of any erroneous entry immediately credited to DEPOSITOR'S account by notifying BANK within fifteen (15) calendar days after BANK issues DEPOSITOR'S account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. These rights are in addition to any rights DEPOSITOR may have under federal and state banking or consumer protection laws.

Name of DEPOSITOR: _____

By: _____ Date: _____

Title: _____

A voided check must be attached to this form.

EXHIBIT R

FRESH COAT WINNER'S CIRCLE PROGRAM

Addendum to Franchise Agreement

This addendum is between F.C. FRANCHISING SYSTEMS, INC., an Ohio corporation ("Franchisor"), and the party or parties identified as "Franchisee" below.

PREAMBLE:

- A. Franchisor and Franchisee are parties to a "Franchise Agreement" under which Franchisor licensed Franchisee to operate a Fresh Coat franchised business (the "Franchised Business") using Franchisor's trademarks and unique business format.
- B. The parties desire to modify the Franchise Agreement as provided in this addendum.

THEREFORE the parties hereby amend the Franchise Agreement as follows:

1. This addendum is an integral part of, and is incorporated into, the Franchise Agreement. Nevertheless, this addendum supersedes any inconsistent or conflicting provisions of the Franchise Agreement.
2. To make this addendum easier to read and understand, certain terms have been defined below and will be capitalized throughout the addendum. Capitalized terms that are not defined below may be defined in the section where they first appear. Capitalized terms used but not defined in this addendum are used as defined in the Franchise Agreement.
 - (a) The "Commencement Date" is the first day of the first month following the month in which Franchisee or its Designated Individual completes the initial training program described in section 7.1 of the Franchise Agreement.
 - (b) A "Year" is a one-year period beginning on the Commencement Date or the anniversary of the Commencement Date. The parties acknowledge that a "Year" as defined in this Addendum may not necessarily coincide with a calendar year. For example, a Year may be the period from April 1, 2021 through March 31, 2022, or from July 1, 2021 through June 30, 2022.
 - (c) The "Rebate Period" begins on the Commencement Date and ends on the day before the fifth anniversary of the Commencement Date.
3. As an incentive for Franchisee to fully develop the Franchised Business and the Territory, if Franchisee attains:
 - (a) at least \$900,000 of cumulative Gross Revenues during the two-Year period after the Commencement Date, then Franchisor will rebate to Franchisee \$10,000² of the Franchise Fee;
 - (b) at least \$1,700,000 of cumulative Gross Revenues during the three-Year period after the Commencement Date and qualified for a rebate under subparagraph (a), then Franchisor will rebate to Franchisee an additional \$10,000 of the Franchise Fee;
 - (c) at least \$2,700,000 of cumulative Gross Revenues during the four-Year period after the Commencement Date and qualified for rebates under subparagraphs (a)-(b), then Franchisor will rebate to Franchisee an additional \$10,000 of the Franchise Fee; and

² If Franchisee received a discount of the initial franchise fee, then the amount of the initial rebate may be reduced by the amount of the discount.

(d) at least \$3,900,000 of cumulative Gross Revenues during the five-Year period after the Commencement Date and qualified for a rebate under subparagraphs (a)-(c), then Franchisor will rebate to Franchisee the remainder of the Franchise Fee paid by Franchisee.

If Franchisee does not have sufficient Gross Revenues to qualify for any one of the rebates in subparagraphs (a) – (c) above, then Franchisee will be ineligible for any additional rebates thereafter, regardless of Franchisee’s subsequent Gross Revenues. Rebates shall be paid within 90 days after the respective anniversary date of the Commencement Period regardless of when the Gross Revenue target was attained, provided that Franchisee is in full compliance with the Franchise Agreement.

4. To be eligible to receive any rebates under this addendum, Franchisee must not be in default under any agreement or instrument between Franchisee and Franchisor, must be current in all of its obligations thereunder, and, throughout the entire Rebate Period, must have timely reported its Gross Revenues, must have paid when due all Royalties, National Branding Fees, and other amounts due under the Franchise Agreement, must have substantially complied with all other material terms and conditions of each agreement and instrument between Franchisee and Franchisor, must attend all franchise system national conferences, and must execute a general release in a form prescribed by Franchisor prior to each rebate. If the Franchise Agreement is terminated for any reason prior to the end of its initial term, then Franchisee must return all rebates to Franchisor, if any. If Franchisee commits any default of any agreement or instrument between Franchisee and Franchisor during the Rebate Period, then, in addition to all other remedies Franchisor may have under the Franchise Agreement, at law, or in equity, this addendum shall be irrevocably null and void.

5. To the extent that any provision of the Franchise Agreement is inconsistent with this addendum, the provision is hereby modified to the extent necessary to conform to the terms of this addendum. The parties hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum on the dates below.

F.C. FRANCHISING SYSTEMS, INC.

FRANCHISEE

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

FRANCHISEE

By: _____

Title: _____

Date: _____

EXHIBIT S

REMITTANCE FORM

F.C. Franchising Systems, Inc.
4755 Lake Forest Drive, Suite 100
Cincinnati, Ohio 45242

Sir or Madam:

I am making a payment in the amount of \$_____ as a payment to be applied toward the initial franchise fee for a Fresh Coat franchise. I understand and agree that you will reserve, for 30 days after your receipt of my payment, all portions of the territory I have selected below not previously sold or otherwise reserved as of the date you receive my deposit. I further understand and agree that this deposit is fully earned and non-refundable, in consideration of your removal of the territory from the market for 30 days and your lost or deferred opportunity to franchise it to others.

Please reserve the following territory for me: _____
County and State

I understand and agree, if not already completed, that the final boundaries of my territory will be determined within the next 30 days after your receipt of this Remittance Form accompanied by my payment, and that the final territory will be subject to availability as of the date you receive this deposit and the population guidelines described in Item 5 of your Franchise Disclosure Document (FDD), a copy of which I have already received. I agree that if I do not enter into a Franchise Agreement with you within 30 days after your receipt of this payment, you may keep my payment and sell the territory described above without further obligation to me. This Remittance Form constitutes the entire agreement between us relating to my payment, and supersedes any prior understandings and agreements, oral or otherwise. This agreement is governed by the laws of the state of Ohio, without regard to its conflict of laws principles. The federal and state courts located within Hamilton County, Ohio have exclusive jurisdiction in any controversy relating to or arising out of this agreement. I understand and certify that no representations concerning the franchise we are acquiring have been made by F.C. Franchising Systems, Inc. other than those contained in the FDD. In particular, no representations have been made to us concerning the financial prospects of the franchise I am acquiring other than those in the FDD. Nothing contained in this remittance form shall act as a release, estoppel, or waiver of any liability arising under any state franchise registration or disclosure law.

Signature

Signature

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	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.

Item 23. RECEIPT
(Keep this copy for your records)

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 Fresh Coat offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan, Oklahoma, Rhode Island or Washington law, if applicable, Fresh Coat must provide this disclosure document to you at your first personal meeting to discuss the franchise, if earlier. Under New York law, if applicable, Fresh Coat must provide this disclosure document to you at the earlier of the first personal meeting or ten (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 Fresh Coat does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit B.

The name, principal business address, and telephone number of each Franchise Seller offering the franchise is: Tara Riley, President, Leo Haley, Vice President of Sales, and:

Name: _____ Title: _____

all at 4755 Lake Forest Drive, Suite 100, Cincinnati, Ohio 45242, (513) 999-9918.

The issuance date of this Franchise Disclosure Document is April 17, 2023.

We authorize the respective state officials listed on Exhibit A to receive service of process for us in each particular state.

I have received a Franchise Disclosure Document dated April 17, 2023 that included the following Exhibits:

- | | |
|--|--|
| A Agents for Service of Process | K Franchisee List |
| B State Franchise Regulators | L Franchisees Who Have Left the System |
| C Financial Statements | M Assignment Agreement |
| D Franchise Agreement | N Franchisee Acknowledgment Statement |
| E Additional Territory Rider | O State-Specific Additional Disclosures/Riders |
| F Personal Guaranty | P Form of General Release |
| G Restrictive Covenant Agreement | Q EFT Authorization Form |
| H Irrevocable Power of Attorney | R Addendum |
| I Reserved | S Remittance Form |
| J Table of Contents of Operations Manual | |

Date: _____

Signature of Prospective Franchise Owner

Print Name

Signature of Prospective Franchise Owner

Print Name

Item 23. RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Fresh Coat offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan, Oklahoma, Rhode Island or Washington law, if applicable, Fresh Coat must provide this disclosure document to you at your first personal meeting to discuss the franchise, if earlier. Under New York law, if applicable, Fresh Coat must provide this disclosure document to you at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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Date: _____

Signature of Prospective Franchise Owner

Print Name

Signature of Prospective Franchise Owner

Print Name