

## FRANCHISE DISCLOSURE DOCUMENT

360 Painting, LLC

~~Aa~~ Delaware ~~Limited Liability Company~~ limited liability company

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Charlottesville, VA 22911

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[www.360painting.com](http://www.360painting.com)



The franchise offered is for the establishment and operation of ~~businesses~~ a home-based, mobile business that ~~providethat provides~~ a full range of painting and wall finishing services for both exterior and interior portions of residences and "light commercial" buildings ~~(a "Unit Franchise")~~.

The total investment necessary to begin operation of a 360 ~~Painting, LLC franchised business~~ PAINTING franchise is ~~from \$92,955 – \$135,000~~ \$99,125 to \$139,500. This includes \$62,500 that must be paid to ~~us~~ the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Paul Flick at 630 Peter Jefferson Parkway, Suite 200, Charlottesville, Virginia 22911, (434) 995-5582.

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, D.C.~~ Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

| *Issuance Date:* ~~April 17, 2019, amended October 1, 2019~~

**STATE COVER PAGE**

June 2, 2020

### **How to Use This Franchise Disclosure Document**

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

<b><u>QUESTION</u></b>	<b><u>WHERE TO FIND INFORMATION</u></b>
<b><u>How much can I earn?</u></b>	<u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.</u>
<b><u>How much will I need to invest?</u></b>	<u>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.</u>
<b><u>Does the franchisor have the financial ability to provide support to my business?</u></b>	<u>Item 21 or Exhibit E 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.</u>
<b><u>Will my business be the only 360 Painting business in my area?</u></b>	<u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>
<b><u>Does the franchisor have a troubled legal history?</u></b>	<u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>
<b><u>What's it like to be a 360 Painting franchisee?</u></b>	<u>Item 20 or Exhibits F and G list current and former franchisees. You can contact them to ask about their experiences.</u>
<b><u>What else should I know?</u></b>	<u>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.</u>

### **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 ~~a franchisor~~ **franchisors** to register ~~or file with a state franchise administrator~~ before offering or selling ~~in your franchises~~ in the state. ~~Registration does not mean that the state~~ **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

~~Call the~~ **recommends the franchise or has verified the information in this document. To find out if your state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your** ~~has a registration requirement, or to contact your state,~~ **use the agency information in Exhibit A.**

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

~~Please~~ consider the following RISK FACTORS before you buy this franchise:

1. ~~THE **FRANCHISE AGREEMENT** REQUIRES THAT MOST DISAGREEMENTS BE SUBMITTED TO LITIGATION ONLY IN THE STATE OF OUR PRINCIPAL PLACE OF BUSINESS, WHICH CURRENTLY IS THE COMMONWEALTH OF VIRGINIA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN OUR HOME STATE THAN IN YOUR HOME STATE.~~
2. ~~THE FRANCHISE AGREEMENT REQUIRES THAT VIRGINIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.~~
3. ~~YOU MUST PAY MINIMUM ROYALTY AND LOCAL ADVERTISING PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.~~
4. ~~THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.~~
5. ~~THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

~~We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.~~

~~(See the attached State Registrations page for State Effective Dates.)~~

**360 PAINTING, LLC**

**STATE REGISTRATIONS**

The following states require that the ~~Franchise Disclosure Document~~following risk(s) be registered or ~~filed~~highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the state, or be exempt from registration: California, Hawaii, Illinois, franchisor by litigation only in the state of the franchisor's principal place of business, which is currentlyIndiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and-. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in the franchisor's state than in your own state. ~~Wisconsin.~~

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<i>STATE</i>	<i>EFFECTIVE DATE</i>
California	October 29, 2019
Illinois	October 28, 2019
Indiana	May 13, 2019
Maryland	November 8, 2019
Michigan	May 1, 2019
Minnesota	November 6, 2019
New York	October 21, 2019
South Dakota	September 20, 2019
Virginia	November 14, 2019

2. **Mandatory Minimum Payments.** You must pay minimum royalty and local advertising 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.

<del>Washington</del>	<del>October 30, 2019</del>
<del>Wisconsin</del>	<del>October 24, 2019</del>



**STATE OF MICHIGAN  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**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 [the Michigan Franchise Investment Law]. 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 only applies 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 [Michigan]. 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 [Michigan].

**(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.

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

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913, (517) 373-7117.

**360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

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**EXHIBITS**

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**B. LIST OF AGENTS FOR SERVICE OF PROCESS**

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~~1/1/19 12/31/19~~ **H. FRANCHISEE DISCLOSURE, FRANCHISE COMPLIANCE**

**QUESTIONNAIRE**

**I. ~~MULTI-STATE-SPECIFIC~~ ADDENDA**

**FRANCHISE AGREEMENT**

The

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

~~360 PAINTING, LLC~~ Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

~~Exhibit C-1 is Miscellaneous Information; Territory Defined~~

~~Exhibit C-2 is Personal Covenants~~

~~Exhibit C-3 is Internet Website and Listings Agreement~~

~~Exhibit C-4 is Telephone Listing Agreement~~

~~Exhibit C-5 is Franchisee Information~~

~~Exhibit C-6 is Guaranty Agreement~~

~~Exhibit C-7 is General Release~~

**ITEM 1**

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

~~The Franchisor~~ To simplify the language in this Disclosure Document, the words “we,” “our” and “us” refer to 360 PAINTING, LLC, the franchisor of this business. The words “you” ~~and,~~ “your,” “yourself,” or “Franchisee” refer to the person who buys the ~~Unit Franchise~~ franchise, whether you are an individual or a corporation, limited liability company, or other legal entity. If you are a corporation, limited liability company, or other business entity, ~~certain provisions of this Disclosure Document~~ “you” also ~~apply to~~ may mean your owners ~~and will be noted.~~

**The Franchisor**

360 Painting, LLC is a limited liability company formed in the State of Delaware on April 1, 2013. Our principal place of business is 630 Peter Jefferson Parkway, Suite 200, Charlottesville, VA 22911. We do business only under our corporate name and the name “360 PAINTING.” As of December 31, ~~2018~~ 2019, there were ~~99~~ 117 360 Painting franchises in the U.S. (and ~~3~~ one in Canada). Our agents for service of process are listed in Exhibit B to this Disclosure Document. The name and address of our Agent for Service of Process in Delaware is: United States Corporation Agents, Inc., 300 Delaware Ave. Suite 210-A, Wilmington, DE 19801.

**Our Parent, ~~Predecessors~~ Predecessor and Affiliates**

Our Parent

We are 100% owned by Premium Service Brands, LLC, (“PSB”), a Delaware entity formed on January 20, 2015, with its principal place of business at 630 Peter Jefferson Parkway, Suite 200, Charlottesville, Virginia, 22911. PSB does not offer franchises in any line of business and does not provide products or services directly to our franchisees, but our training program, the call center services, our internally-prepared marketing and technology services are provided by PSB personnel who are leased to us based on an allocated share of their costs.

1. Our predecessors are 360 Painting, Inc., Professional Painting, LLC, and Painting Pros, LLC.

Our Predecessor

360 Painting Inc. was a Virginia entity formed on April 21, 2006 with its principal place of business located at 113 S. Columbus Street, Alexandria VA, 22314. ~~All franchise agreements under 360 Painting Inc. were transferred to 360 Painting, LLC soon after 360 Painting, LLC was formed on April 1, 2013. 360 Painting Inc. offered painting franchisees from 2006 until April 2013, when the franchise agreements were transferred to 360 Painting, LLC. 360 Painting Inc. was not involved in any other line of business.~~

~~Professional Painting, LLC was a Delaware limited liability company which operated a business similar to those provided by 360 Painting businesses in the Washington, D.C. area during 2005 and 2006 under the name “Professional Painting.” Professional Painting, LLC, was located at 1940 Duke Street, Suite 200, Alexandria, Virginia 22314. Professional Painting, LLC did not operate any other type of business. In October 2006, 100% of the assets of Professional Painting, LLC were transferred to 360 Painting, Inc.~~

~~In March 2010, 360 Painting, Inc. purchased 100% of the assets of Painting Pros, LLC, a North Carolina entity, which had operated a painting business for six years. Painting Pros was a franchise system that offered residential and commercial painting services, similar to the services we presently offer. Painting Pros, LLC did not operate any other type of business. Painting Pros principal business~~

address was 4284 Stormy Pointe Court, Denver, NC, 28037. By December 31, 2010, all Painting Pros franchisees offered services under 360 Painting, Inc.

#### Our Affiliates

2. ~~Our affiliate companies are,~~ Pro-Lift Doors Franchise, LLC, ~~Handyman Pro, LLC Maid Right, LLC, and Kitchen Wise, LLC.~~



~~Pro- (“Pro Lift Doors Franchise, LLC (“Pro Lift Doors”) is a franchise business~~the franchisor of businesses that ~~offers~~offer and ~~sells~~sell a full range of residential and commercial overhead garage services under the ~~trademark name “Pro –Lift Garage Doors. Pro Lift Doors.”~~ Pro Lift’s principal place of business is the same as ours. Pro Lift has been offering franchises since September 1, 2015. Pro Lift does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2019, there were 19 Pro Lift franchises in the U.S.

Our affiliate, Maid Right, LLC (“Maid Right”) is the franchisor of businesses that offer and sell residential cleaning and related services. Maid Right’s principal place of business is the same as ours. ~~Maid Right has been offering franchises since April 2018. Pro Lift Doors~~PSB acquired substantially all of the assets of Maid Right Franchising, LLC (“MRF”), a Delaware limited liability company, on April 13, 2018. MRF offered master franchises under the Maid Right name, which agreements were assumed by Maid Right as part of the acquisition. Maid Right does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, ~~2018~~2019, there were ~~18 Pro Lift Doors~~16 Maid Right master franchises in the U.S. and Maid Right had 6 unit franchises.

Our affiliate, Handyman Pro, LLC (“Handyman Pro, LLC (“Handyman Pro”) is a franchise business that offers and sells a full range of”) is the franchisor of businesses that handyman services for both exterior and interior portions of residences and “light commercial” buildings. Handyman Pro’s principal place of business is the same as ours. Handyman Pro ~~has been~~began offering franchises ~~since~~in April 2018. Handyman Pro does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, ~~2018~~2019, there were ~~zero~~4 Handyman Pro franchises in the U.S. and one in Canada.

~~Our affiliate, Maid Right, LLC (“Maid Right”) is a franchise business that offers and sells residential cleaning and related services. Maid Right has been offering franchises since April 2018. Our parent company acquired substantially all of the assets of Maid Right Franchising, LLC, a Delaware limited liability company, on April 13, 2018. Maid Right does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2018, there were 22 Maid Right franchises in the U.S.~~

Our affiliate, Kitchen Wise, LLC (“Kitchen Wise”) is ~~a franchise business~~the franchisor of businesses that ~~markets, designs, sells~~market, design, sell and ~~installs~~install custom products and shelving for kitchen and bathroom cabinets and closets. Kitchen Wise’s principal place of business is the same as ours. Kitchen Wise has been offering franchises since October 2019. ~~Our parent company PSB~~ acquired substantially all of the assets of Kitchen Wise, LLC, a Wisconsin limited liability company, on October 1, 2019. Kitchen Wise does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2019, there were 2 Kitchen Wise franchises in the U.S.

Our affiliate, Renew Crew, LLC (“Renew Crew”) is the franchisor of businesses that offer a full offering of cleaning, restoration and protection services for exterior surfaces. Renew Crew’s principal place of business is the same as ours. PSB acquired substantially all of the assets of Renew Crew Franchising Corporation (“RCFC”), a Delaware Corporation, on January 10, 2020. Renew Crew has been offering franchises since January 2020. Renew Crew does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, ~~2018~~2019, there were ~~3 Kitchen Wise~~23 Renew Crew franchises in the U.S., 6 Renew Crew franchisees had signed franchise agreements but had not yet opened, and 4 Renew Crew businesses were owned and operated by an affiliate of RCFC.

### **Our Business & the Franchise Offered**

~~360 PAINTING, LLC grants Unit Franchises. We grant franchises~~ to qualified individuals and business entities to establish and operate ~~businesses in conjunction with the service mark~~ home-based, mobile businesses that provide a full range of painting and wall finishing services for both exterior and interior portions of residences and "light commercial" buildings under the name "360 Painting" and certain other ~~trademarks, service marks, trade names, and logos and trademarks we designate from time to time~~ (collectively referred to as the "Marks"). We refer to the 360 ~~PAINTING~~ Painting business you will operate as ~~a Unit Franchisee as~~ the "Franchised Business." ~~We and our predecessor, "360 Painting Inc. have offered Business" or simply your "Business."~~ ~~We began offering franchises since September 2006 in October 2019.~~ We do not offer and have not previously offered franchises in any other line of business. ~~Furthermore, we~~ We do not operate ~~or own~~ any businesses similar to the Franchised Business.

~~From August 2007 to December 2010, You will identify and solicit customers for your 360 Painting Business and we granted Regional Development Rights are not obligated to qualified individuals and business entities provide customers or accounts to solicit and recruit Unit Franchisees for the you, 360 PAINTING System. The Unit Franchise opportunity Painting Businesses are typically operated from a van or truck and a home office.~~

~~You must operate your 360 Painting under the terms of a franchise agreement ("Franchise Agreement"). A copy of our current form Franchise Agreement is the sole business opportunity offered pursuant attached as Exhibit C to this Disclosure Document and. The geographic area granted to you under the Franchise Agreement is referred to herein as a "360 PAINTING business." the "Protected Territory." Your 360 Painting must offer only authorized services and products we specify or authorize. We have the right to add, modify, or delete any services or products that you must offer or sell in your 360 Painting at any time.~~

~~360 PAINTING Unit Franchises are businesses that provide residential and commercial painting services. The prototypical 360 PAINTING Unit Franchise offers a full range of painting, decorating and wall finishing services for both exterior and interior portions of residences and "light commercial" buildings.~~

Each 360 ~~PAINTING business~~Painting must operate in accordance with our “System”. The distinguishing characteristics of the System include among other things, uniform standards and procedures for business operations and management; procedures and strategies for marketing, advertising and promotions, signage, vehicle wrapping, inventory and materials; methods and techniques for ~~painting~~cleaning, restoring and wall finishing;protecting exterior surfaces; methods and techniques for inventory and cost control; the Marks; the Operations Manual; uniform standards, specifications and procedures; record keeping, accounting, billing, collections and account management; all of which are designed to enhance the business and managerial aspects of ~~residential and commercial~~the painting and wall finishing services business.

~~We reserve the right to offer special incentive programs at any time in the future which may decrease any of the fees listed in Items 6 and 7 of this Disclosure Document. Generally, these incentive programs will be conditioned upon you executing a Franchise Agreement or opening your Store by a specified date and may only be available for specific Stores or in specified markets which we determine in our sole discretion. We may alter or discontinue these programs at any time in our sole discretion without notice to you. These incentive programs may not be combined with any other offer or program unless indicated by us in writing. Furthermore, if you have executed a Franchise Agreement before the dates specified for the incentive programs, acquired a 360 Painting location from an existing franchisee via a transfer, or are renewing an existing Franchise Agreement, you are not eligible to receive the incentive program.~~

#### **General Description of the Market and Competition**

Our concept is targeted towards any residential ~~or commercial~~real estate owners who are looking for quality ~~interior or exterior~~painting and wall finishing services. As a ~~Unit~~ Franchisee, you will compete in a developed market with local businesses as well as regional or national chains of businesses offering similar services and products~~similar to the Franchised Business that offer residential or commercial painting services to the public, including contractors that focus generally on home design and renovation.~~

#### **Regulations Specific to the Industry**

As a painting and wall finishing services contractor, ~~Unit Franchisee~~you may be required to obtain a contractor's license in certain states. You should investigate whether this requirement will apply to your Franchised Business. Additionally, federal, state, and local laws, rules, regulations and ordinances may apply to the operation of a 360 ~~PAINTING Unit Franchise~~Painting, including those which: (a) establish general standards, specifications and requirements for the construction, design and maintenance of real property improvements; (b) set standards pertaining to employee health and safety; and (c) ~~regulate~~protect the environment by, for example, regulating disposal of wastewater, airborne concentrations of lead, lead paint removal and disposal of hazardous chemicals and waste. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating a 360 ~~PAINTING business~~Painting, and you should consider both their effect and the cost of compliance.

Laws and regulations vary widely from place to place. You should consult an advisor in your area to determine all applicable laws and regulations. You must obtain all contractor permits and licenses and operational licenses. We are not required to provide any guidance in compliance with these laws and regulations, and any guidance that is provided is not guaranteed. You should consult with your attorney concerning these and other laws, regulations and ordinances that may affect the operation of the Franchised Business. You are solely responsible for investigating and complying with all of these applicable laws, regulations and other requirements, despite any advice or information that we may give you. We have not ~~specifically~~researched ~~any~~ ~~of~~ these laws in your state and locality to determine their applicability to your Franchised Business.

ITEM 2

BUSINESS EXPERIENCE

You must also comply with all provisions of the USA Patriot Act and Executive Order 13224. In addition, you must comply with all federal, state and local laws that apply to businesses generally, including the Americans With Disabilities Act, building and construction laws and codes, health and sanitation, permits and waste disposal. You are responsible for complying with all applicable laws and regulations. You should consult with state and local agencies and your attorney concerning these and other laws, regulations and ordinances that may affect the operation of the Franchised Business. You should research these requirements before you invest.

ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer: Paul Flick

Mr. Flick has served as the Chief Executive Officer of 360 Painting, LLC at our headquarters in Charlottesville, Virginia, ~~and its since our inception in April 2013. Prior to that time, Mr. Flick had been the CEO of our predecessor, 360 Painting, Inc. since its inception in April 2006. Mr. Flick has also served as the owner~~ Chief Executive Officer of our parent company, Premium Service Brands, LLC, ~~since at its creation~~ at its headquarters in Charlottesville, VA since January 2015. ~~Mr. operating out of~~ Mr. Flick also serves as the Chief Executive Officer of our affiliated companies: Maid Right, LLC, at its headquarters in Charlottesville, Virginia since April 2018; Handyman Pro, LLC, at its headquarters in Charlottesville, Virginia since April 2018; Kitchen Wise, LLC at its headquarters in Charlottesville, Virginia, since September 2019; Renew Crew, LLC at its headquarters in Charlottesville, Virginia, since January 2020; and Pro-Lift Doors Franchise, LLC, at its headquarters in Charlottesville, Virginia, since September 2015.

VP of 360 Painting—Brand Lead: Joel Gotshall

Mr. Gotshall has been ~~our Brand Lead (also known as Vice President of 360 Painting) in Charlottesville, Virginia since August 2019. Mr. Gotshall joined Premium Service Brands, the parent company of 360 Painting, in From October 2017 as to August 2019, Mr. Gotshall served as a Franchise Business Coach. Prior to for us and our parent, Premium Service Brands, LLC in Charlottesville, Virginia. Mr. Joel Gotshall worked for College Pro Painters from January 2013 until October 2017 in West Lafayette, Indiana. There, where he ran a franchise for 2 years, followed by 3 years as a General Manager.~~ our Brand Lead (also known as Vice President of 360 Painting) in Charlottesville, Virginia since August 2019. Mr. Gotshall joined Premium Service Brands, the parent company of 360 Painting, in From October 2017 as to August 2019, Mr. Gotshall served as a Franchise Business Coach. Prior to for us and our parent, Premium Service Brands, LLC in Charlottesville, Virginia. Mr. Joel Gotshall worked for College Pro Painters from January 2013 until October 2017 in West Lafayette, Indiana. There, where he ran a franchise for 2 years, followed by 3 years as a General Manager.

VP of Franchise Development: Jeff Powell

~~Mr. Powell has served as the VP of Franchise Development of Premium Service Brands, LLC since January 2019. From March 2018 to January of 2019, Jeff served as the Chief Development Officer for InXpress, LLC, a shipping and logistics franchise located in South Jordan, UT. Prior to that, from January 2011 to February 2018, he was the Franchise Recruitment Director and Vice President of Franchise Recruitment at Pillar to Post Home Inspectors.~~ Mr. Powell has served as the VP of Franchise Development of Premium Service Brands, LLC since January 2019. From March 2018 to January of 2019, Jeff served as the Chief Development Officer for InXpress, LLC, a shipping and logistics franchise located in South Jordan, UT. Prior to that, from January 2011 to February 2018, he was the Franchise Recruitment Director and Vice President of Franchise Recruitment at Pillar to Post Home Inspectors.

Director of Training: Josh Hoffman

Mr. Hoffmann is the Director of Training for Premium Service Brands, LLC and has been with Premium Service Brands, LLC since February 2018. Previously, Mr. Hoffmann worked for College Pro Painters in a number of positions ~~since from~~ June 2012 to February 2018, which included being the Franchise Owner ~~+/~~ Operator of the St. Charles, IL location as well as the Kansas City, MO location.

VP of Franchise Development: Matt Reeves

Mr. Reeves joined Premium Service Brands in November 2018 as Vice President of Franchise Development. From 2012 to 2017, he was Vice President of Development at Neighborly Brands in Waco, Texas. Mr. Reeves was also President of Development for Restoration 1 and Bluefrog Plumbing in 2017 and 2018, also in Waco, Texas.

VP of Franchise Development: John McLellan

Mr. McLellan has served as Vice President of Franchise Development of Premium Service Brands, LLC since October 2019. From 2011 to 2018, he was a franchise consultant with FranNet, which was based in Chicago, Illinois and is currently based in Detroit, Michigan.

Vice President of Operations: David Raymond

Mr. Raymond joined Premium Service Brands in July 2019 as Vice President of Operations. From October 2018 to June 2019, Mr. Raymond was Vice President of our affiliated company, Pro-Lift Garage Doors in Charlottesville, Virginia. From February 2016 to October 2018, Mr. Raymond was President of DoorAbility Inc. in Tampa, Florida. Mr. Raymond was a Senior Franchise Business Consultant at College Hunks Hauling Junk and Moving from August 2015 to December 2018 in Tampa, Florida. He held various positions ending as the General Manager of Discount Garage Doors Inc., located in Tampa, Florida, from 2003 to 2015.

Vice President of Brand Performance: Dave Rychley

Mr. ITEM 3

LITIGATION

LITIGATION AGAINST FRANCHISEES IN LAST FISCAL YEAR

Lawsuit for Breach and Violation of Royalties and Non-Competition Provisions of Franchise Agreement

Rychley has been the Vice President of Brand Performance for PSB in Charlottesville, Virginia since January 2020. From January 2018 to November 2019, Mr. Rychley was employed by Paul Davis Restoration in Jacksonville, Florida, first as Vice President – Operations (January 2018 to December 2018) and then as Vice President – Brand Performance (January 2019 to November 2019). From September 2010 to December 2017, Mr. Rychley served as President of College Pro Painters in Lombard, Illinois.

VP of Marketing: Samantha Lin

Ms. Lin has been VP of Marketing of PSB in Charlottesville, Virginia since February 2020. From June 2018 to April 2019, Ms. Lin served as a social media strategist for PSB. Since April 2019, Ms. Lin has also served as Executive Director of PSB's Kids-Lift program in Charlottesville, Virginia. From August 2018 to March 2019, Ms. Lin was a social media strategist for Longbeard in Rome, Italy. Ms. Lin was a Guide for the Thomas Jefferson Foundation in Charlottesville, Virginia from 2015 to September 2016. From August 2014 to August 2015, Ms. Lin was a Jesuit Volunteer for the Catholic Charities Refugee Resettlement Program in Chicago, Illinois.

Chief Development Officer: Luke Schulte

Mr. Schulte has been the Chief Development Officer of PSB since May 2020, in Charlottesville, Virginia. From December 2019 to May 2020, Mr. Schulte was Vice President of Franchise Development for us and our affiliate, Pro Lift, in Charlottesville, Virginia. Between January 2017 and December 2019, Mr. Schulte held the position of Director of Franchise Development for Two Maids & a Mop in Birmingham, Alabama. From October 2014 to January 2017, Mr. Schulte was Franchise Development Manager for Fish Window Cleaning in St. Louis, Missouri.

General Counsel: Patrick Maslyn

Mr. Maslyn has been General Counsel to Premium Service Brands, LLC in Charlottesville, Virginia since December 2019. From June 2018 to November 2019, Mr. Maslyn was Counsel for the law firm of Kaufman & Canoles, P.C. in Richmond, Virginia. Mr. Maslyn was Founder of Maslyn Law PLC in Moseley, Virginia from October 2009 to 2016 and March 2017 to June 2018. Mr. Maslyn was also associated with Drumm Law, LLC in Arvada, Colorado from April 2018 to May 2018. From October 2016 to March 2017, Mr. Maslyn served as President of The Foundry System, LLC, a start-up home services franchisor in Richmond, Virginia.

### **ITEM 3: LITIGATION**

The following litigation relates to us or our affiliate Pro-Lift Doors Franchise, LLC:

#### Pending Litigation

Deborah Carreno v. 360 Painting, LLC, et al. (U.S. District Court, Southern District of California, Case No. 19cv2239-LAB-BGS). On November 22, 2019, a former 360 Painting franchisee, brought an action against 360 Painting and other unnamed defendants, alleging breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, intentional misrepresentation, unjust enrichment and unfair business practices. Generally, Plaintiff claims that its difficulty in obtaining state licensing required to operate the franchised business constituted a default by 360 Painting of its responsibility to support Plaintiff in opening and operating the franchised business. Plaintiff also claims that 360 Painting was obligated to provide advertising materials which were specifically adapted to California's requirements. Plaintiff also claims that 360 Painting failed to provide sufficient field training. Plaintiff seeks unspecified compensatory and special damages, litigations costs and other relief. 360 Painting filed a motion to dismiss Plaintiff's claims for breach of the implied covenant of good faith and fair dealing and unjust enrichment on December 18, 2019, which the Court granted on March 17, 2020. 360 Painting denies the Plaintiff's remaining allegations and has filed a counterclaim on March 16, 2020 seeking damages resulting from plaintiff's breach of the franchise agreement. Plaintiff has moved for leave to amend its complaint, which motion was pending as of the date of this Disclosure Document. This case is in the pretrial phase.

#### Litigation Against Franchisees in Last Fiscal Year

#### **Post-Termination Royalties & Non-Competition Suits**

360 Painting, Inc. v. James Dorff and 360 Painting of Ohio, LLC (Circuit Court for Albemarle County, Virginia, No. #003CL18001898-00). Filing date: December 21, 2018. ~~Case~~The case was dismissed on December 2, 2019.

#### **PRIOR ACTIONS**

360 Painting, LLC v. R Sterling Enterprises, Inc. and Robert Sterling (Circuit Court for Albemarle County, Virginia, Case No. 19-837-00). Filing date: November 21, 2019. 360 Painting, LLC filed a Motion to Non-Suit on January 30, 2020.

Pro-Lift Doors Franchise, LLC v. Baus and Kim Micheloni (Circuit Court for Albemarle County, Virginia, Case #CL19000769-00). Filing date: May 3, 2019. The parties entered into a settlement agreement on July 29, 2019. Pro-Lift obtained an order from the Court on September 29, 2019 enforcing the settlement agreement.

#### Prior Actions

*Leslie Owens Brown, et al v. 360 Painting Inc. and Paul Flick* (Case # CAL13-14582, Circuit Court for Prince George's County, Maryland). In 2013, Plaintiff brought an action against 360 Painting Inc. and Paul Flick alleging that 360 Painting, Inc. sold an unregistered franchise to plaintiff in the state of Maryland. The parties entered into a consent order dated October 10, 2013, wherein 360 Painting paid Leslie Brown \$46,000 (the franchise fee, costs, and attorney's fees) without conceding the allegations in the complaint.

*MMG-360 LLC, et al. v. Paul Flick, Home Service Franchising, Inc., 360 Painting LLC, Maintenance Made Simple LLC, et al.* (Case No. CV-11-752725, Court of Common Pleas, Cuyahoga County, Ohio). On April 6, 2011, Plaintiff brought an action against Defendants alleging fraud in the inducement and seeking refund of Plaintiff's purchase price in a transaction in which Plaintiff entities purchased assets of Defendant entities for \$140,000, which transactions were rescinded shortly after their occurrence; fraud and breach of contract based on the rescission or settlement agreement entered into between Plaintiffs and Defendants in which Plaintiffs agreed to accept \$100,000 from Defendants in full ~~re-payment~~ repayment of the \$140,000 original purchase price paid by Plaintiffs; and seeking declaratory judgment that certain ancillary agreements were canceled and terminated and that exclusive control over ~~3~~ Plaintiff entities revert to Plaintiff Merry Meeting, Inc. Plaintiffs and Defendants filed cross motions for summary judgment. Plaintiff's summary judgment motion was granted control over Plaintiffs MMG- 360, LLC; MMG-MMS, LLC; and MMG-MC, LLC is returned to Plaintiff MerryMeeting, Inc.

#### GOVERNMENTAL ACTIONS

##### Governmental Actions

*In the Matter of 360 Painting, LLC f.k.a. 360 Painting, Inc., and Paul Flick*, Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2015-0477, as modified by Order Modifying Consent Order dated January 4, 2017. On or about February 23, 2016, the Securities Division of the Office of the Attorney General of the State of Maryland initiated an investigation into the franchise -related activities of 360 Painting, LLC and Paul Flick. On August 18, 2016, we entered into a Consent Order with the Securities Commissioner, pursuant to which we agreed, without admitting or denying any of the Commissioner's statements of fact or conclusions of law, except as to the Commissioner's jurisdiction in the proceeding, (1) to immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Registration and Disclosure Law; (2) to promptly file with the Securities Division and diligently pursue the completion of an initial application to register our franchise offering in Maryland; and (3) to send offers of rescission to two Maryland Franchisees, offering them the right to rescission of their 360 Painting franchise agreements and to obtain a refund of initial franchise fees. Pursuant to the Order Modifying Consent Order dated January 4, 2017, the Consent Order was modified so that 360 Painting was not required to register its 360 Painting franchise offering in Maryland as long as no offers or sales of 360 Painting franchises were made in Maryland or to any Maryland residents. In the Consent Order, the Commissioner concluded that we had violated §§ 14-214, 14-216, 14-228 and 14-229 of the Maryland Franchise Registration and Disclosure Law by offering and selling franchises in Maryland and to Maryland residents while not registered to offer and sell franchises in Maryland and using a Franchise Disclosure Document that failed to set forth all information the Securities Division requires to be included in a Maryland -registered Franchise Disclosure Document under the Maryland Franchise Registration and Disclosure Law and Maryland's Franchise Regulations. Specifically, the Commissioner found that, in the Franchise Disclosure Documents distributed to

the Maryland Franchisees, we had failed to disclose the lawsuit filed by Leslie Owens Brown referenced immediately above in Item 3 of the Franchise Disclosure Documents. We have corrected this error. The two Maryland Franchisees accepted the rescission offer.

In the Matter of 360 Painting, LLC, No. 20-AVC-F001, investigation by Illinois Attorney General's Office. In January 2020, the Illinois Attorney General's Office began an investigation of potential violations of the Illinois Franchise Disclosure Act by 360 Painting regarding its failure to obtain a signed Illinois amendment to the franchise agreement for Illinois franchises between April 2017 and December 2019. 360 Painting did not contest that Illinois amendments were not executed by Illinois franchisees during this period, but asserted that: (a) each Illinois franchisee received a properly registered franchise disclosure document, including an addendum to the disclosures and an amendment to the franchise agreement containing modifications required by Illinois law; and (b) because each franchisee received the required disclosures, the failure to obtain executed amendments from each franchisee could not have affected the franchisees' decision to purchase the franchise. The Illinois Attorney General asserted that because 360 Painting brought suit against an Illinois franchisee in Virginia (before unilaterally dismissing the case by filing a Motion to Non-Suit), Illinois franchisees were harmed. On May 22, 2020, 360 Painting entered into an Assurance of Voluntary Compliance ("AVC"), under which 360 Painting agreed to offer affected franchisees the opportunity to rescind their franchise agreements, make a payment to the state, disclose the AVC in its disclosure document, and comply with the Illinois Franchise Disclosure Act in the future.

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

Item.

**ITEM 4: BANKRUPTCY**

In re: Maslyn, Case No. 17-34208-KRH, U.S. Bankr. Court, E.D. Va., Richmond Div. PSB's General Counsel, Patrick Maslyn of 6430 Arwen Mews, Moseley, VA 23120 and whose principal business address is 630 Peter Jefferson Parkway, Charlottesville, VA 22911, filed for bankruptcy protection under Chapter 13 on August 23, 2017. A plan of reorganization was confirmed by the Court on October 17, 2017.

Except

**BANKRUPTCY**

~~No bankruptcies are as described above, no bankruptcy is~~ required to be disclosed in this Item.



ITEM 5  
INITIAL FEES

ITEM 5: INITIAL FEES

**Franchise Fee**

The initial franchise fee ("**Franchise Fee**") for a 360 ~~PAINTING Unit Franchise~~ Painting Franchised Business is \$60,000, ~~which. The Franchise Fee is payable by wire transfer and generally must be paid to us in one lump-sum upon signing execution of the Franchise Agreement. This fee is charged for a license to operate from one location in a specific residential territory called~~ If you obtain third-party SBA financing, the "Protected Territory." (See Item 12). The Franchise Fee is uniformly calculated for all franchisees under this offering. All initial fees described above are fully earned when terms of that financing may require that you pay a portion of the Franchise Fee (typically \$15,000) upon execution of the Franchise Agreement and the remainder (typically \$45,000) be paid and are after receiving funding. The Franchise Fee is not refundable under any circumstances.

Veteran Discount

~~We reserve the right to offer special incentive programs at any time which may decrease any of the fees listed in this Item. Generally, these incentive programs will be conditioned upon you executing a Franchise Agreement and may only be available for specific Unit Franchises or in specified markets which we determine at our sole discretion. We may alter or discontinue these programs at any time at our sole discretion without notice to you. If you have executed a Franchise Agreement before the dates specified for the incentive programs, acquired a Unit Franchise from an existing franchisee via a transfer, or are renewing an existing Franchise Agreement, you are not eligible to participate in the incentive program unless otherwise indicated by us in writing.~~

~~During our 2019 fiscal year, we offered a special~~ an ~~incentive program for U.S. military veterans purchasing who purchase~~ a new Franchised Business. Under this program, we offered ~~offer~~ honorably discharged veterans a 10% discount on the initial franchise fee. Fourteen (14) franchisees took advantage of this discount ~~Franchise Fee.~~

First Responder Discount

~~We offer an incentive program for certain first responders who purchase a new Franchised Business. Under this program, we offer certain former emergency services personnel a 10% discount on the Franchise Fee.~~

"Stacking" Discount

~~If you already own and operate an existing franchise in a franchise system owned by us or one of our affiliates and you are in compliance with the terms of your franchise agreement, we may offer you a 10% discount on the Franchise Fee.~~

~~Discounts may not be combined. The maximum discount we offer is 10% of the Franchise Fee.~~

~~In 2019, the range of the actual Franchise Fees paid by new franchisees was \$54,000 to \$60,000.~~

### ***Initial Technology Fee***

~~There is~~ You must pay to us an initial technology fee of \$2,500 ~~, which must be paid to us~~ in one-lump sum upon signing the Franchise Agreement.

~~{Remainder~~ The Initial Technology Fee is not refundable. In 2019, the range of Page Intentionally Left Blank the actual Initial Technology Fees paid by new franchisees was \$0 to \$2,500.

**ITEM**

**ITEM 6: OTHER FEES**

**OTHER FEES**

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
<del>Royalty Fees</del>	<del>6% of Gross Sales</del>	<del>Weekly on Tuesday</del>	<del>Based on the previous week's Gross Sales.</del>
<u>Royalty</u>	<u>6% of Gross Sales</u>	<u>Weekly on Tuesday</u>	<u>Based on the previous week's Gross Sales.</u>
Minimum Royalty	You must pay us a minimum royalty of \$ <del>600</del> <u>140</u> per month after week beginning on earlier of (a) the date you begin presales even if the franchised business has no business revenue operations or (b) 3 months after the Effective Date.		The <del>minimum royalty</del> <u>Minimum Royalty</u> amount increases each year in years 1 through 5:  <u>Year</u> - (see Franchise Agreement Section 1 = \$140/week <u>Year 2 = \$185/week</u> <u>Year 3 = \$230/week</u> <u>Year 4-2) = \$345/week</u> <u>Year 5 and later = \$460/week</u>
Breaching <del>Royalties</del> <u>Royalty Fees</u>	10% of Gross Sales (increase of 4% of Gross Sales)	Weekly on Tuesday	If you are in breach of the <del>franchise</del> <u>Franchise</u> Agreement and fail to cure the breach within the required time period, we may charge you royalties at this increased rate until you cure the breach or we terminate the Agreement. (See <del>Franchise Agreement 4.2).</del>
<u>Taxes</u>	<u>Amount required to reimburse us for certain taxes imposed on payments to us</u>	<u>Upon demand</u>	<u>If your payments to us are taxed (except as in income tax), you must pay us an increased Royalty so that the net payment to us is equal to the amount that we would have received without the tax.</u>
Marketing Fund <u>Contribution</u>	2% of Gross Sales	Weekly on Tuesday	<del>In the future we may require Marketing Fund Contributions to be used in cooperative advertising.</del>
Minimum Local Advertising	\$10,000 upon grand opening and \$10,000 in	As invoiced by suppliers	You pay directly subject to our approval. (see Franchise Agreement Section 11.3) We may

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
Type of Fee	Amount	Due Date	Remarks
	each quarter through end of 10 year term.		require Local Advertising expenditures to be used in cooperative advertising.
Job Proposal/ Estimating Software	As determined by vendor, currently, \$35 per month, paid to a 3 <sup>rd</sup> party we specify	As invoiced by supplier	See Item 8 for details; Section 4.8 of Franchise Agreement.
Call Center Fee	<del>\$125</del> 140 per week or 1% of Gross Sales, whichever is greater, <u>up to \$290 per week.</u>	Weekly on Tuesday	Inbound/Outbound call service to handle leads <del>(see Item 8 for details; Section 4.6 of Franchise Agreement).</del>
<u>Weekly Technology Fee</u>	<del>Initial fee of \$2,500.00 and \$75.00</del> 125 per week	Weekly on Tuesday	Website <u>and software</u> development and email address <del>(see Item 8 for details; Section 4.7 of Franchise Agreement)</del>
<u>Audit</u>	<u>All costs and expenses associated with audit</u>	<u>Upon demand</u>	<u>Audit costs payable only if the audit shows an understatement of Gross Sales of at least 3%</u>
<u>Late Fees and Insufficient Funds Fees</u>	<u>\$100 plus 1.5% per month or the highest rate allowed by law, whichever is less</u>	<u>Upon demand</u>	<u>Interest also applies to any amount due revealed by an audit.</u>
<u>Late Report Fees</u>	<u>\$100 per report, per week</u>	<u>Upon demand</u>	<u>If you do not submit a required report by the required deadline, you must pay a late fee of \$100 for each report for each week the report is late.</u>
<u>Hardware and Software Fees</u>	<u>Currently, \$0 (reasonable fee, charged by us)</u>	<u>Upon demand</u>	<u>If we determine that any accounting, POS or other System computer hardware or software fees must be paid to us, you must pay us a reasonable fee. This is in addition to the Weekly Technology Fee, above.</u>
<u>Local Advertising</u>	<u>Up to 10% of Gross Sales per month</u>	<u>Upon demand</u>	<u>If you do not make the minimum required expenditures on local advertising, we may spend up to 10% of your Gross Sales on your behalf and you must reimburse us for those expenditures.</u>

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
<u>Advertising Cooperative Fee</u>	<u>Determined by members of the Cooperative but not more than \$10,000 or 2% of Gross Sales per year, whichever is greater.</u>	<u>Upon Demand</u>	<u>There is no voting power of franchisor-owned outlets on these fees.</u>
<u>Approval of Products or Suppliers</u>	<u>All reasonable costs of evaluation, which is \$40 per hour</u>	<u>Time of evaluation</u>	<u>Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved.</u>
<u>Insurance Policies</u>	<u>Amount of unpaid premiums plus our reasonable expenses in obtaining the policies</u>	<u>Upon demand</u>	<u>Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.</u>
<u>Renewal Fee</u>	<u>Greater of 25% of our then-current initial Franchise Fee or \$15,000</u>	<u>Prior to expiration</u>	
<u>Transfer Fee</u>	<u>\$10,000</u>	<u>At the time of transfer</u>	
<u>Warranty Service after Transfer</u>	<u>Our cost, plus 15%</u>	<u>After transfer, upon demand</u>	<u>If you transfer the Business and are unable or fail to perform service on warranties you issued as a Franchisee, you must reimburse us our cost to perform the work, plus an administrative charge of 15%.</u>
<u>Transfer Expenses</u>	<u>Our expenses</u>	<u>At the time of transfer, upon demand</u>	<u>If you transfer the Business to an entity you control entirely, you will not have to pay a Transfer Fee, but you must pay us the reasonable expenses and charges we incur in connection with facilitating that transfer.</u>
<u>Customer Service</u>	<u>\$5 per call received by the call center</u>	<u>Upon demand</u>	<u>Applies to call related to appointments you miss or customer complaints.</u>
<u>Additional Assistance/Training</u>	<u>Rates as published in the Manual, currently, \$250 per day, plus our expenses</u>	<u>Time of assistance</u>	<u>You pay for additional operations or training assistance, if you request it.</u>

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
<u>Annual Convention</u>	<u>Attendance fee varies (January 2020 Annual Convention attendance fee was \$400 per attendee, or \$600 for a double booking).</u>  <u>\$1,000 if you do not attend.</u>	<u>Upon demand</u>	<u>Attendance fee varies depending on convention location.</u>
<u>Conference Fees</u>	<u>Currently \$40/hour.</u>	<u>Time of program</u>	<u>You must pay your expenses as well as your managers' expenses in attending periodic conferences. We may charge a reasonable fee to cover costs and expenses of the conference.</u>
<u>Cost of Enforcement</u>	<u>All costs and expenses, including attorneys' fees</u>	<u>Upon demand</u>	<u>You must reimburse us for all costs and expenses incurred as a result of your failure to fulfill any obligations under the Franchise Agreement.</u>
<u>Indemnification</u>	<u>All damages and costs including attorneys' fees</u>	<u>Upon demand</u>	<u>You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Business.</u>
<u>Management Fee</u>	<u>10% of Gross Sales</u>	<u>After your default, upon demand</u>	<u>If you default, we may take over operation of the Business until you cure the default and you must pay us a Management Fee, in addition to the fees you would otherwise pay.</u>
<u>Warranty Assurance</u>	<u>\$10,000</u>	<u>On termination or expiration</u>	<u>To ensure that any customer warranties you issued during the term are honored, you must post a bond in an amount equal to 0.5% of your Gross Sales for the 24 months before termination or expiration or (if the amount of the bond would be less than \$10,000) pay us \$10,000.</u>

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
Type of Fee	Amount	Due Date	Remarks
<u>Liquidated Damages</u>	<u>\$30,000 or the average monthly Royalty Fees and Marketing Fees paid during the 12 months before termination multiplied by the lesser of 36 or the number of remaining full months in the term.</u>	<u>On termination</u>	

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
High-Speed Internet Access Fee	As determined by vendor	As invoiced by vendor	High-speed Internet connection (through DSL or cable modem)
Audit	All costs and expenses associated with audit	Upon demand	Audit costs payable only if the audit shows an understatement in amounts due of at least 3% (see Section 6.4 of Franchise Agreement)
Late Fees	1.5% per month or the highest rate allowed by law, whichever is less	Upon demand	Applies to all overdue Royalty Fees, Call Center Fees, Technology Fees, Marketing Fund Contributions and amounts overdue to our Affiliates or us. (see Section 5.3 of Franchise Agreement) Also applies to any amount due revealed by an audit. (see Section 6.4)
Approval of Products or Suppliers	All reasonable costs of evaluation, which is \$40 per hour	Time of evaluation	Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved. (see Item 8)
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (see Item 8 and Section 18.2 of Franchise Agreement)
Renewal Fee	10% of our then-current Initial Franchise Fee if charged by Franchisor at the time of renewal	Prior to expiration of the then-current term	Payable if you elect and we approve you to enter into a renewal franchise agreement upon expiration of the Franchise Agreement. (see Section 3.2 of Franchise Agreement)
Transfer Fee	\$10,000	At the time of transfer	Does not apply to an assignment upon the death or disability of Franchisee (see Section 19.3 of the Franchise Agreement)
Customer Service	All costs incurred in assisting your customers, which is \$40 per hour	Upon demand	You must reimburse us if we determine it is necessary for us to provide services directly to your customers. (see Section 9.9 of Franchise Agreement)



<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Additional Operations Assistance	Rates as published in the Manual; currently, \$250 per day, plus our expenses	Time of assistance	You pay for additional operations assistance if you request it. (see Section 13 of Franchise Agreement)
Conferences and Conventions	You must pay your expenses as well as your managers' expenses in attending conferences. We may also charge a reasonable fee (\$40 per hour) to cover costs and expenses of the convention or conference.	Time of program	See Section 14.5 of Franchise Agreement. Annual conventions are mandatory and scheduled in advance based on all franchisees attending. Franchisees who do not attend are subject to a \$1,000 annual convention fee.
Cost of Enforcement	All costs including attorneys' fees	Upon demand	You must reimburse us for all costs incurred as a result of your failure to fulfill any obligations under the Franchise Agreement. (See Section 31 of Franchise Agreement)
Indemnification	All damages and costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Business. (See Section 18.1 of Franchise Agreement)

## NOTES

1. Gross Sales. ~~The term "Gross Sales"~~ means the total of all monies and receipts ~~derived by Franchisee (for purposes of this paragraph, inclusive of Franchisee's owners and officers as well as any business entity through which the Franchised Business is operated) from the sale of products or services you derive~~ in connection with the ~~Franchised~~ Business, and from all other business using the Marks, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property or services, including ~~(without limitation)~~ all proceeds received from any business interruption insurance policy ~~and~~. Gross Sales also include all commissions, finder's fees, referral fees, construction management fees or other compensation ~~received by Franchisee you receive~~ arising ~~in any way~~ from the operations of the ~~Franchised~~ Business. Gross Sales does not include (i) promotional allowances or rebates paid to Franchisee in connection with its purchase of products or supplies; (ii) sales, use, merchants' or other taxes measured on the basis of the gross revenues of the ~~Franchised~~ Business imposed by governmental authorities directly on sales or use and collected from customers, ~~provided that if~~ the taxes are

added to the selling price of ~~Franchisee's~~your goods and services and are in fact paid by ~~Franchisee~~you to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by ~~Franchisor~~you, or any bona fide discounts or customer refunds approved by ~~Franchisor~~us.

<sup>2</sup>~~If any state imposes any sales or use taxes on the royalty fees, then we have a right to collect this sales and use tax from you.~~

<sup>3</sup>

~~2.~~ 2. All costs and fees set forth in Item 6 are current as of the issuance date of this franchise disclosure document. The current amount of all costs and fees shall be set forth in our Manual.

~~Except~~<sup>4</sup>3. Except as otherwise noted in this Item, all fees are uniformly imposed and non-refundable. Except for insurance premiums and as otherwise noted in this Item, all ~~fee~~fees are payable to, and imposed and collected by us.

~~We reserve the right to offer special incentive programs at any time which may decrease any of the fees listed in this Item. Generally, these incentive programs will be conditioned upon you executing a Franchise Agreement and may only be available for specific Unit Franchises or in specified markets which we determine at our sole discretion. We note that in 2018, we offered a veterans discount of 10%. We may alter or discontinue these programs at any time at our sole discretion without notice to you. If you have executed a Franchise Agreement before the dates specified for the incentive programs, acquired a Unit Franchise from an existing franchisee via a transfer, or are renewing an existing Franchise Agreement, you are not eligible to participate in the incentive program unless otherwise indicated by us in writing.~~

ITEM 7

YOUR ESTIMATED INITIAL INVESTMENT

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Column 1 Type of <del>Expenditures</del> Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment <del>Is To Be</del> is Made
Franchise Fee (1)	\$60,000	Wire Transfer	Upon Signing Franchise Agreement	<del>360 Painting</del> Us
Vehicle (2)	\$1,500 - \$5,000	As Arranged	Before Beginning Operations	Lessor
<del>Real Estate and/or</del> Leasehold Improvements (3)	<del>\$0 - \$13,000</del>	As Arranged	Before Beginning Operations	Third Parties <del>or Landlord</del>
Non-Office Equipment & <del>&amp; Supplies</del> (4)	\$750 - \$2,500	As Arranged	Before Beginning Operations	Third Parties, Approved Suppliers
Insurance (45)	\$2,000 - \$5,000	As Arranged	Before Beginning Operations	Third Parties
Signage (56)	\$3,000 - \$4,000	As Arranged	Before Beginning Operations	Third Parties, Approved Suppliers
<del>Job Proposal/Estimating</del> <del>Computer</del> Software (67)	<del>\$105 - \$1,275 -</del> <del>\$2,000</del>	As Arranged	<del>First Month of</del> <del>Operation Before</del> <del>Beginning</del> <del>Operations</del>	<del>Third Party</del> <del>Approved</del> <del>Suppliers</del> <del>Us and</del> <del>Vendors</del>
Office Equipment & Supplies (78)	\$500 - \$2,000	As Arranged	Before Beginning Operations	Third Parties Approved Suppliers
Technology Fee (89)	\$2,500	As Arranged	Before Beginning Operations	Us
<del>Local</del> Grand Opening Advertising (910)	<del>\$10,000 -</del> <del>\$15,000</del>	As Arranged	<del>Quarterly Before</del> <del>Beginning with</del> <del>Operations and</del> <del>First Month 2</del> <del>Months of</del> <del>Operations</del>	Third Parties <del>or 360 Painting</del> <del>(as applicable)</del>
Training Expenses (1011)	\$2,000 - \$4,000	As Arranged	Before Beginning Operations	Third Parties

YOUR ESTIMATED INITIAL INVESTMENT				
<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>	<u>Column 5</u>
Type of <del>Expenditures</del> <u>Expenditure</u>	Amount	Method of Payment	When Due	To Whom Payment <del>Is To Be</del> <u>is Made</u>
Business Licenses or Bonds <del>(11)</del> <u>(10)</u>	\$100 - \$1,500	As Arranged	Before Beginning Operation	Licensing Authorities
Professional Fees <del>(12)</del> <u>(11)</u>	<del>\$500</del> - \$1,500 <u>- \$3,000</u>	As Arranged	As Necessary	Third Parties
Additional Funds <del>(13)</del> <u>(12)</u> (3 months)	\$10,000 - \$30,000	As Arranged	As Necessary	You Determine
<b><u>TOTAL (15)</u></b>	<b><u>\$99,125 -</u></b> <b><u>\$139,500</u></b>			

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditures	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
TOTAL(14)	\$92,955—\$135,000			

## NOTES

~~-1. <sup>1</sup>Franchise Fee.~~ The Franchise Fee is described in greater detail in Item 5 of this Disclosure Document. All expenditures are non-refundable unless specifically noted otherwise.

~~-2. <sup>2</sup>Vehicle.~~ ~~Assumes one leased vehicle.~~ This estimate assumes you will lease one vehicle, typically a truck or work van. We have the right specify requirements relating to the vehicle make and model of vehicles used by the Business, but have not done so as of the date of this Disclosure Document. The estimate does not include mandatory vehicle wrapping or other signage—see, See note 56, below. If you decide to purchase one or more Vehicles, your costs will likely be higher.

~~<sup>3</sup>Leasehold Improvements.~~ ~~You may need to make improvements to a home office. It is assumed that you will operate the Franchised Business from a home office; you will make the decision as to when and if to open an office outside your home, and therefore we do not provide estimates relating to the costs to develop an outside office.~~

~~<sup>4</sup>Insurance.~~ Requirements are described in greater detail in Section 10.2 of the Franchise Agreement. Factors that may affect your cost of insurance include the value and age of your equipment, number of employees, your safety record and record of workers' compensation claims, record of liability claims and driving record.

~~<sup>5</sup>Signage.~~ This range includes the cost of all signage used in the Franchised Business, including a fully wrapped sales vehicle and lawn signs, etc. The signage requirements and costs will vary based upon the size and location of the Franchised Business, local zoning requirements and local wage rates for installation, among other things.

~~<sup>6</sup>Job Proposal Estimating Software.~~ You will use software from a third party vendor we specify. Our approved vendor for software currently charges \$35.00 per month. (see item 8 for further details).

~~<sup>7</sup>Office Equipment and Supplies.~~ You must purchase general office supplies including stationery, business cards and typical office equipment including telephones, computers, monitors and printers. Factors that may affect your cost of office equipment and supplies include local market conditions, the size of the premises, suppliers and other factors.

~~<sup>8</sup>Technology Fee.~~ There is a one time technology fee payable to us prior to commencing operations. In addition, there is a weekly technology fee of \$75.00 due after operations commence.

~~<sup>9</sup>Local Advertising.~~ You must spend at least \$10,000 in the first three months of operation for local advertising. You must prove your expenditures on local advertising through receipts, if

~~requested. We must approve all local advertising before published.~~

<sup>10</sup> ~~Training. You are not charged an additional fee for initial training, but you must pay for transportation, meals, lodging and other incidentals while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. Furthermore, this estimate does not include a salary for you or your employees during training.~~

<sup>11</sup> ~~Business Licenses or Bonds. Local government agencies typically charge fees for construction permits, occupancy permits, and operating licenses, among other things. Your actual costs may vary based on the requirements of local government agencies.~~

<sup>12</sup> ~~Professional Fees. We recommend that you have a minimum amount of money available to cover any legal or accounting fees that you may incur in establishing the Franchised Business. Your actual costs may vary based on the complexity of services needed.~~

<sup>13</sup> ~~Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including employees' salaries, for the first three (3) months that the Franchised Business is open. This estimate does not include a salary for the Designated Manager. We cannot guarantee that this recommendation will be sufficient, and additional working capital may be required if sales are low or operating costs are high. You should ensure that you have sufficient personal resources to cover your expenses during this period.~~

<sup>14</sup> ~~Total. In compiling this chart, we relied on our CEO's industry experience of 20 years and our predecessor's experience in franchising painting businesses similar to the one offered in this Franchise Disclosure Document. The amounts shown are estimates only and may vary for many reasons including the size of your home office, the number of Vehicles you choose to lease or buy, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the 3. Real Estate and/or Leasehold Improvements. We expect that you will operate the Business from a home office. You may need to make improvements to a home office. Franchised Business.~~

**ITEM 8**

**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

In that case, the costs to make those improvements will typically be about \$1,000 or less. If local laws, rules, ordinances or neighborhood covenants do not permit the operation of the Business from your home or if you decide to locate your office outside of your home, your real estate costs will likely be higher. Locations for offices are typically in an industrial or commercial office park. The amount reflects the amount of lease payments for the first three months that you operate the Business. Lease payments vary considerably depending upon regional and local factors and the type of lease negotiated by you. Lease payments for a typical small office lease usually range from \$500 to \$1,500 per month depending upon the size, location and market demand for the property. The rate may be higher for a metropolitan area. Landlords typically require that one month's rent be paid prior to taking possession and may require an amount equal to one month's rent as a security deposit. The high estimate contained in the table above assumes that one month's rent and a security deposit are required to be paid before opening.

4. Non-Office Equipment & Supplies. You may need certain equipment or supplies that are specifically related to services you will offer. You may wish to have several ladders, drop cloths, paint brushes, rollers, rags, and other painting tools.

5. \_\_\_\_\_

~~Except as indicated below, you are not required to purchase or lease products or services from us or from suppliers approved by us or under our specifications.~~

Call Center/Technology Services

~~The Call Center answers all inbound calls either through the local number or the 800#. It also performs out bound calling when there is a lead submitted through the website, Home Advisors. The customer service representative will take the call and schedule the estimate. The technology fee covers website maintenance and administrative duties with the assignment of an email address.~~

~~As of the date of this Disclosure Document, the only type of goods or services for which we or any of our Affiliates are an approved supplier is the Call Center/Technology features of the franchise business.~~

Job Proposal/Estimating Software

~~You must use our approved supplier for software we use in conjunction with operating your business. The Software fee will entitle two users to gain access to the software. This software will assist in completing job proposals. You may purchase other software to assist your business. This will assist in completing job proposals.~~

Approved Suppliers/Standards and Specifications

~~You may operate your 360 PAINTING business from your home, provided that you equip your home office with a high-speed Internet connection that is "always on" (such as DSL or cable modem), and that you make adequate provisions for storage of equipment and supplies at or near your home. You also may choose to operate your 360 PAINTING business from an office outside of your home (see Item 11 of this Disclosure Document for more information on this option).~~

~~You must maintain, furnish and equip your 360 PAINTING business and all Vehicles according to our standards and specifications, which we will make available to you. All products, supplies,~~



Vehicles, equipment and tools, signs and other products or materials for use or sale in your 360 PAINTING business must meet our specifications and quality standards and, if required by us, shall be purchased only from an Approved Supplier, which may be us, an affiliate, or another supplier we designate. We will provide, in the Manual or by other written or electronic form, a list of items you will need to purchase for resale or to operate your 360 PAINTING business and, if required, a list of Approved Suppliers for some or all of these items, and periodically we may revise this list. Our specifications may include minimum standards for performance, design, appearance and quality. We formulate and modify our specifications and standards for products and services based on the industry knowledge and experience of our company's CEO, Paul Flick. Currently, our approved suppliers that are not affiliated with us are Sherwin-Williams (paint supplies), PPG Coatings (paint supplies) and Home Advisors (listing of services).

If you would like to use any item or service in establishing or operating your 360 PAINTING business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications and/or samples for us to determine whether the item or service complies with our standards and specifications or the supplier meets our Approved Supplier

~~criteria. We may charge a reasonable fee to you or the prospective supplier in connection with determining whether we will approve an item, service or supplier. We will decide within 30 days after receiving the required information whether you may purchase or lease those items or services or from the supplier. We apply the following and other general criteria in approving a proposed supplier: the ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; and dependability and general reputation of the supplier. No franchise officer owns an interest in any supplier.~~

~~We may review our approval of any item, service or supplier at any time. We will notify you if we revoke our approval of an item, service or supplier, and you must immediately stop purchasing disapproved items or services, or must immediately stop purchasing from a disapproved supplier.~~

~~There currently exist no purchasing or distribution cooperatives relevant to your 360 PAINTING business. We do not provide material benefits to franchisees based on their purchase of particular products or services or use of particular suppliers.~~

#### Insurance

~~You must purchase and maintain in effect during the term of your 360 PAINTING business the types and amounts of insurance specified in the Unit Franchisee Operations Manual, as appropriate. In addition, you must purchase and maintain any other insurance that may be required by applicable law and any lender or lessor. Your insurance policies must name us as an additional insured and/or loss payee. We do not derive revenue as a result of your purchase of insurance.~~

~~To satisfy our current insurance requirements under the Franchise Agreement, you must ~~maintain~~obtain the following insurance policies and minimum coverage amounts: (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the ~~Franchised Business~~, or ~~Franchisee's~~your conduct of business ~~pursuant to this Agreement~~ with a minimum per occurrence coverage of ~~One Million Dollars (\$1,000,000.00)~~ and general aggregate liability coverage of ~~Two Million Dollars (\$2,000,000.00)~~; (2) auto insurance for the Vehicles in an amount required by state law; (3) ~~products liability~~property and casualty insurance ~~with a minimum liability coverage of Two Million Dollars (\$2,000,000.00)~~; and (4) workers' compensation insurance that complies with the statutory requirements of the state in which the ~~Franchised Business~~ is located; and (5) employer liability coverage with a minimum limit of ~~Five Hundred Thousand Dollars (\$500,000.00)~~. You may have to purchase additional coverage, either in dollar limits or types, if required by your state's laws. Factors that may affect your cost of insurance include the value and age of your equipment, number of employees, your safety record and record of workers' compensation claims, record of liability claims and driving record.~~

6. Signage. This range includes the cost of all signage used in the Business, including a fully wrapped sales vehicle and lawn signs, etc. The signage requirements and costs will vary based upon the size and location of the Business, local zoning requirements and local wage rates for installation, among other things.

7. Computer Software. You will need standard software, such as Microsoft Office.

8. Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment including telephones, computers, monitors and printers. Factors that may affect your cost of office equipment and supplies include local market conditions, the size of the premises, suppliers and other factors.

9. Technology Fee. There is a one-time technology fee payable to us prior to commencing operations.

10. Grand Opening. During the 30 days before and 60 days after the opening of the Franchised Business, you must spend a minimum of \$15,000 on Grand Opening advertising. You may choose to spend more. Factors that may affect the actual amount you spend include the type of media used, local media cost, location of the Business, customer demographics in the surrounding area and local competition.

11. Training. You are not charged an additional fee for initial training, but you must pay for transportation, meals, lodging and other incidentals while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. This estimate does not include a salary for you or your employees during training.

12. Business Licenses or Bonds. Local government agencies typically charge fees for construction permits, occupancy permits, and operating licenses, among other things. Your actual costs may vary based on the requirements of local government agencies.

13. Professional Fees. We recommend that you have a minimum amount of money available to cover any legal or accounting fees that you may incur in establishing the Business. Your actual costs may vary based on the complexity of services needed.

14. Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including employees' salaries, for the first three months that the Business is open. This estimate does not include a salary for you or the Designated Manager. We cannot guarantee that this recommendation will be sufficient, and additional working capital may be required if sales are low or operating costs are high. You should ensure that you have sufficient personal resources to cover your expenses during this period.

15. Total. In compiling this chart, we relied on our experience and the experience of operations staff operating franchise systems of businesses similar to the one offered in this Disclosure Document. The amounts shown are estimates and may vary for many reasons including the location of your office, the number of Vehicles you choose to use, whether you lease or buy your Vehicles, the capabilities of your management team, the market where your Business is located and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the Business.

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

You must operate your Business according to our System, which includes (among other things) using only certain products and services that we require or products and services that meet our specifications. In some cases, we require that you purchase those products and services only from specific vendors and suppliers, which may include us or one of our affiliates. We may revise or update the lists of mandatory and approved products and services, required vendors and suppliers and standards and specifications from time to time.

We estimate that required purchases will be approximately 65% of your purchases of goods and services in establishing your Business and 20% to 30% of your purchases of goods and services in operating your Business.

Except as indicated below, you are not required to purchase or lease products or services from us, from suppliers approved by us or under our standards and specifications.

### **Required Purchases from Specified Sources**

You currently must purchase, obtain a license for and/or use the following products or services from vendors or suppliers we designate: call center services, technology services (e.g., website set-up, design, keyword optimization, business management software set-up), business management software, bookkeeping software, bookkeeping services, digital marketing, and online reputation management.

We are currently the only approved supplier for call center services and the technology services described above. You must obtain the required bookkeeping software, bookkeeping services and digital marketing from and pay directly third-party sources we designate. You must obtain and use business management software and initial digital marketing set-up from third-party vendors and suppliers we specify and arrange for on your behalf and for which you must pay us.

### **Approved Products, Services and Vendors**

We require that certain other products and services that you use in the operation of your Business be purchased only from an approved vendor or otherwise meet our standards and specifications. In particular, we currently have approved vendors for: paint, tools, and related supplies; print marketing materials; direct mailing; merchant services; customer financing; job postings; payroll services; online portals for lead generation; background checks; insurance; and vehicle wraps. But, you are not required to purchase from these vendors. You may purchase products or services that we approve as meeting our standards and specifications.

### **There Miscellaneous**

are currently no purchasing or distribution cooperatives. We have negotiated distribution and supply arrangements, commissions, and group rates for purchases of certain inventory and supplies necessary for the operation of the Business. The terms of these arrangements may vary, but may include preferential pricing or purchasing terms for franchisees, contributions to the Marketing Fund, franchisee training and educational programs provided by the vendor, rebates paid to us and/or payments to us to support our annual convention or other franchisee meetings. Rebates and other financial considerations from vendors may be flat payments or based on the aggregate amount of franchisee purchases.

We and our affiliates will derive revenues or other material consideration as a result of required purchases or leases by franchisees. We ~~reserve the right to~~ may use any payments, discounts, or other amounts received ~~by us~~ from suppliers, lessors, or other parties in connection with those arrangements without restriction. We are not required to give you ~~any~~ any accounting of those payments, discounts or other amounts or ~~to~~ share the benefit of them with you ~~or other franchisees.~~ Any such amounts ~~and benefits shall~~ may be kept by us as compensation for locating and negotiating with suppliers for ~~you and other franchisees, the System.~~ We do not provide material benefits to franchisees ~~(for example, renewal of existing franchises or granting of additional franchises)~~ based on their use of designated or approved suppliers.

We have negotiated distribution

**Alternative Products, Services and supply agreements, commissions, Vendors**

The standards and group rates specifications for purchases of certain inventory products and supplies necessary for services you use in the operation of the Franchised Business. You (and, where applicable, the vendors approved for those products and services) are contained in the Operations Manual. We may update the Operations Manual with additional or modified standards and specifications from time to time and you must comply with any additional or modified standard or specification. If you wish to use any product or service that we have not evaluated or to buy all paint supplies or lease from an Approved Supplier or the supplier we designate that we have not yet approved or designated, you must provide us with sufficient information, specifications, and samples so that we may determine whether the product or service meets our standards and specifications and our supplier criteria. We may charge you or the supplier a reasonable fee for the evaluation and will make our decision within 10 business days. We may establish procedures or requesting approval of additional products and services or vendors and we may limit the number of products, services or vendors as we decide it best.

Supplier approval may depend on product quality, delivery capabilities, service standards, financial capacity, customer relations, concentration of purchases with limited suppliers to obtain better pricing or purchasing terms, warranties, incentives provided to us or the System and any other criteria we determine is appropriate. We do not make our criteria for approving vendors available to franchisees. We may revoke our approval of any vendor at any time, by providing written notice or updating the Operations Manual.

**Our** We recommend that you purchase all paints from Sherwin Williams, LLC. If you choose to do so, you must obtain your own account with Sherwin Williams which will incorporate a discounted pricing schedule that we have negotiated on your behalf. A representative of Sherwin Williams will be available to you during initial training and will coordinate all account openings, credit applications and related matters with you.

**In the Interests**

As noted above, we are currently the only supplier for the call center services and technology services (e.g., website set-up, design, keyword optimization, business management software set-up). Except for these services, neither we nor any of our officers owns an interest in any of our suppliers.

During our 2019 fiscal year that ended on December 31, 2018, we received \$325,974.81, we derived \$818,541.25 from the Call Center/Technology Fees that we provide described above, and we received rebates from our approved suppliers at rates ranging from 2.5% to 8%, depending on the supplier.

We estimate that approximately 65% of your expenditures for leases and franchisee purchases in establishing your 360 PAINTING Unit Franchise will be for goods and services that must be purchased either from us, an Approved Supplier or in accordance with our standards and specifications. We estimate that approximately 20 – 30% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, an Approved Supplier or in accordance with our standards and specifications.

and leases, which is 16.3% of our

Except for the Call Center/Technology Fees described above, the franchisor's revenue derived from required purchases and leases by franchisees in the fiscal year ending December 31, 2018 was zero. The total revenue of the franchisor in the fiscal year ending December 31, \$5,035,448 2018 was \$3,794,280.14, as derived from our unaudited financial statements for that period.

**ITEM 9**

**FRANCHISEE'S OBLIGATIONS**

**ITEM 9: FRANCHISEE'S OBLIGATIONS**

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

The Section references are to those in the Franchise Agreement unless otherwise noted.

Obligation	Section in Agreement	Disclosure Document Item
a. Site Selection and Acquisition/Lease	FA Section <del>None</del> <u>2.1</u>	Items 11 and 12
b. Pre-Opening Purchases/Leases	FA Section 9	Items 7 and 8
c. Site Development and Other Pre-Opening Requirements	FA <del>Section</del> <u>Sections 9, 11.1, and 15</u>	Items 6, 7 and 11, 16
d. Initial and Ongoing Training	FA <del>Section 14</del> <u>Sections 15.1 through 1415.4</u>	Items 6, 7 and 11
e. Opening	FA <del>Section</del> <u>Sections 1, 2.1, 11.1, and 13</u>	Item 7 and 11
<u>f. Fees</u>	<u>FA Sections 4 and 5</u>	<u>Items 5, 6, and 7</u>
<u>g. Compliance with Standards and Policies/Operating Manual</u>	<u>FA Sections 6, 7, 8, 9, 10, 11, 16, 22.3 and 25</u>	<u>Items 8, 13, 15 and 16</u>
<u>h. Trademark and Proprietary Information</u>	<u>FA Sections 7, 8, 16 and 22.3; Internet Web Sites and Listings Agreement; Telephone Listing Agreement</u>	<u>Items 11, 13 and 14</u>
<u>i. Restrictions on Products/Services Offered</u>	<u>FA Section 9</u>	<u>Items 8 and 16</u>
<u>j. Warranty and Customer Service Requirements</u>	<u>FA Sections 9.9 and 9.17</u>	<u>Item 16</u>
<u>k. Territorial Development and Sales Quotas</u>	<u>FA Section 14</u>	<u>Item 12</u>
<u>l. Ongoing Product/Service Purchases</u>	<u>FA Sections 6.1, 9 and 10.1</u>	<u>Items 8 and 11</u>

<del>f. Fees (including reduced franchise fees for multiple franchise purchases)</del>	FA Section 4	<del>Items 5, 6, and 7</del>
<del>g. Compliance With Standards and Policies/Operating Manual</del>	FA Section 7, 8, and 9	<del>Items 8 and 16</del>
<del>h. Trademark and Proprietary Information</del>	FA Section 7, 8, and 15; Internet Web Site Agreement (Interest in Internet Web Sites and Listings); Telephone Listing Agreement (2.1)	<del>Items 11, 13 and 14</del>
<del>i. Restrictions On Products/Services Offered</del>	FA Section 9	<del>Items 8 and 16</del>
<del>j. Warranty and Customer Service Requirements</del>	FA Section 9	<del>Item 16</del>
<del>k. Territorial Development and Sales Quotas</del>	FA Section None	<del>Item 12</del>
<del>l. Ongoing Product/Service Purchases</del>	FA Section 9	<del>Items 8 and 11</del>

m. Maintenance, Appearance and Remodeling Requirements	FA Section 9	Item 6
n. Insurance	FA Section <del>18</del> <u>19</u> .2	Items 6, 7 and 8
o. Advertising	FA Section 11; Internet Web <del>Site Agreement (Interest in Internet Web Sites and Listings);</del> <u>Agreement</u> ; Telephone Listing Agreement ( <del>2.1</del> )	Items 6, 7 and 11
p. Indemnification	FA Section <del>18</del> <u>19</u> .1; Internet Web <del>Site</del> <u>Sites and Listings Agreement (Indemnification) and</u> ; Telephone Listing Agreement ( <del>3.2</del> )	Item 6
q. Owner's Participation Management/Staffing	FA <del>Section</del> <u>Sections</u> 9, <del>14</del> , <del>15</del> , <del>22</del> , <del>4</del> and <del>25</del>	Item 15
r. Records and Reports	FA <del>Section</del> <u>Sections</u> 6.1 through 6.3	Item 11
s. Inspections and Audits	FA Section 6.4	Item 6, 11 and 13
t. Transfer	FA <del>Section 19</del> <u>Sections 20 and 20</u> <u>21</u>	Item 17
u. Renewal	FA <del>Sections</del> <u>Section</u> 3.2	Item 17
v. Post-Termination Obligations	FA Section <del>23</del> <u>24</u> ; Internet Web Sites <u>and Listings</u> Agreement; Telephone Listing Agreement	Item 17
w. Non-competition Covenants	FA Section <del>21.1 and 21.2</del> <u>22</u>	Item 17
x. Dispute Resolution	FA Section <del>30</del> <u>31</u>	Item 17

ITEM  
ITEM 10 FINANCING: FINANCING

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

[Remainder of page intentionally left blank.]



~~ITEM 11~~

~~FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING~~

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

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

A. Before The Franchised Business Opens

**Pre-Opening Obligations**

Before you open your ~~Franchised~~ Business, we will:

1. \_\_\_\_\_ designate your Protected Territory, as further described in ~~ITEM~~Item 12. (Franchise Agreement, Section 2.1)~~}, and Exhibit C-1);~~

2. \_\_\_\_\_ provide an initial training program ~~of approximately 40 hours of on-boarding training, 80 hours of on-line training, 36 hours of classroom training and 4 hours of field training.~~ This training is described in detail later in this ~~ITEM~~Item. (Franchise Agreement, Section ~~4.15.1~~);

3. \_\_\_\_\_ provide to you, on loan, one copy of the ~~360 PAINTING~~ Operations Manual ~~for Unit Franchisees, which includes (among other things) employment applications, interview questions, job descriptions, and suggested pay scales.~~ Our current Operations Manual is 137 pages long ~~and the table, The Table of contents~~Contents of ~~the~~our Operations Manual is attached ~~as Exhibit D~~ to this Disclosure Document. ~~You may also view our Operations Manual at our offices, provided that you sign our Nondisclosure Agreement regarding that document that is attached as Exhibit E, as Exhibit D.~~ (Franchise Agreement, Section 7);

4. \_\_\_\_\_ provide you with a list of approved suppliers for equipment, signs, fixtures, opening inventory, and supplies, ~~which you will need to obtain.~~ (Franchise Agreement, Section 9.10);

~~Other Assistance.~~ 5. \_\_\_\_\_ ~~assist you with setting up certain mandatory software systems, websites and other technology used in the operation of the business and provide you with an email account.~~ (Franchise Agreement, Sections 4.7 and 10.1); and

6. \_\_\_\_\_ consult with you in planning the Grand Opening promotional campaign. (Franchise Agreement, Section 11.1).

**During the Operation of ~~The Franchised~~ the Business**

After the opening of the ~~Franchised~~ Business, we will:

1. \_\_\_\_\_ ~~upon your request and if approved by us,~~ provide you with additional opening assistance with sales, promotional and operations matters regarding the ~~Franchised~~ Business, ~~if determined by us is needed,~~ at the rates published in the Operations Manual (which is currently \$250 per day) plus our expenses. This assistance will be provided on days and times as mutually agreed upon by you and us. (Franchise Agreement, Section 13);

2. \_\_\_\_\_ periodically advise and offer general guidance to you by telephone, e-mail, ~~video conference~~facsimile, newsletters and other methods. ~~Our guidance is based on our experience in operating painting businesses.~~ Our advice and guidance may consist of knowledge and experience relating to the authorized

services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (Franchise Agreement, Section 12);

3. \_\_\_\_\_ at our discretion, make periodic visits to the ~~Franchised~~ Business for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the ~~Franchised~~ Business (Franchise Agreement, Section 12) and make available to you operations assistance and ongoing training as we deem necessary (Franchise Agreement, Sections 12 and ~~14~~15.4);

4. \_\_\_\_\_ provide you with changes and additions to the System, the Operations Manual, the approved or designated suppliers, and the approved products and services, as generally made available to all franchisees. (Franchise Agreement, Sections 7, 8, 9, 10 and ~~15~~9.13);

~~1. — 5);~~

\_\_\_\_\_ approve forms of advertising materials you will use for Local Advertising, Grand Opening Advertising and Cooperative Advertising. (Franchise Agreement Section 11.5); and

provide you with modifications to the Manual as they are made available to franchisees.  
6. maintain a call center for the purpose of providing centralized customer service and scheduling for all businesses operating under the System and the Marks. (Franchise Agreement, Section 7.9.21).

We will not provide any assistance relating to the prices at which you must sell your products and services.

### **Advertising and Promotion**

Each year, you Grand Opening

You must spend \$10 at least \$15,000.00 per quarter for on Grand Opening advertising during the term period that is 30 days before and 60 days after the opening of the Franchise Agreement on advertising, promotions and public relations in the local area surrounding the Franchised Business. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines, including print or news media and/or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. We will consult with you in planning and we will review and must approve your advertisements before it is available to the materials you use in the public Grand Opening promotional. (Franchise Agreement Sections Section 11.3 and 11.51)

We have developed a System-wide Marketing Fund, where

We have a Marketing Fund to which you will be required to must contribute 2% up to 2% (as we determine) of your Gross Sales to the fund. (Franchise Agreement Section, Sections 4.3 and 11.2) We will administer the Marketing Fund as follows: ]

We will control the creative. We may use Marketing Fund contributions, at our discretion, to meet any and all costs of maintaining, administering, directing, conducting, developing and preparing advertising, marketing, public relations and other promotional programs and materials, and any other activities which we believe will enhance the system, including the costs of preparing and developing print, radio and television advertising; Internet advertising; direct mail advertising; marketing surveys; employing advertising or public relations agencies; purchasing promotional items; and providing promotional and other marketing materials and services to businesses operating under the System. The coverage of the materials and programs may be local, regional or national. We may use the Marketing Fund to reimburse us or our affiliates for the internal expenses of operating an advertising department and administering the advertising program.

We will direct all Marketing Fund programs, with sole discretion over the concepts and the materials and media to be used in the programs and we will determine the placement and allocation of advertisements. We may use print, television, radio, them. The Marketing Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of 360 Painting businesses in the United States and Canada and the System. We are not obligated to make expenditures for you, on your behalf or in your Territory which are equivalent or proportional to your contributions or to ensure Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit benefits directly or in proportion to their contribution pro rata from the placement of advertising expenditures by the Marketing Fund.

All monies paid into the Marketing Fund will be accounted for separately from our general operating revenues. We anticipate that all contributions to the Marketing Fund will be expended during the Marketing Fund's fiscal year in which they are received. The Marketing Fund is not a trust, and we assume no fiduciary duty in administering the Marketing Fund. Marketing Fund surpluses, if any, may be expended in the following fiscal year(s). We may advance money to the Marketing Fund from time to time. In this event, we may be reimbursed

by the Marketing Fund for the monies advanced, including a reasonable interest rate. The Marketing Fund will not be audited, but at your request you may receive an annual report of expenditures and advertising contributions for the fiscal year most recently ended.

In We may use your contributions to meet any cost of producing, maintaining, ad ministering and directing consumer advertising (including the cost of preparing and conducting television, radio, 2019, Marketing Fund expenditures were as follows:

Type of Expense	%
Video & TV	2.5%
Social Media	3.3%
Public Relations	1.9%
Outdoor	2.7%
Production	1.8%
Mail	1.2%
Print Media	5.5%
Electronic Media	64.9%
Print Materials	11.6%
Other	4.6%
Total	100%

1.—— Internet, magazine and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; and providing other marketing materials to franchisees). We initially plan to conduct all advertising in house, but we may use a national or regional advertising agency in the future. We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to administration of the Marketing Fund. We will not use Marketing Fund Contributions for advertising that is principally a solicitation for the sale of franchises.

2.—— We may use all contributions in the fiscal year they are made. We will use any interest or other earnings of the Marketing Fund before using current contributions. We intend for the Marketing Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the Marketing Fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to you and all of our franchisees on a pro rata basis.

All 360 PAINTING businessesPainting Businesses owned by us or our affiliates will make similar contributions to the Marketing Fund as required of you.

We will have a financial statement of the Marketing Fund prepared each year and we will provide you with a copy if you request it. We Advertising Council

3.—— We may require that the annual financial statement be audited byform, at our discretion, an independent certified public accountant at the expense of the Marketing Fund.

4.—— The Marketing Fund is not a trust and we assume no fiduciary dutyadvertising council consisting of 360 Painting Businesses(the "Advertising Council") in administering the Marketing Fund.

~~An advisory board has been formed by franchisees which you may be required to participate and provide advice and counsel regarding our use of Marketing Fund Contributions. The advisory board the Marketing Fund. We select members of the Advertising Council based on a variety of objective and subjective factors, including volume of business, collaborative disposition, availability, and personal interest, among others. The Advertising Council will function in an advisory capacity only and will not exercise authority over the Marketing Fund or over us. We reserve the right to change or dissolve the advertising council after formation. We reserve the right to change or dissolve the advertising council after formation. You may be required to your own expenses associated with participating in Advertising Council activities and pay dues assessed for the administration of the Advertising Council. We will pay our proportionate share of Advertising Council dues based on the number of 360 Painting Businesses we or our affiliates operate. From time to time, we may also seek input or feedback from the Advertising Council on System operational issues or other matters beyond advertising.~~

#### Cooperative Advertising

Although we are not obligated to do so, we may create a Cooperative Advertising program for the benefit of all 360 ~~PAINTING businesses~~ Painting Businesses located within a particular region. We have the right to (a) allocate any ~~portion~~ Portion of the Marketing Fund to a Cooperative Advertising program, and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We will determine the geographic territory and market areas for each Cooperative Advertising program, and we may require cooperatives to be changed, dissolved or merged. You must participate in any Cooperative Advertising program established in your region, and ~~if so~~ we may establish an advertising council for you and the other franchisees in that region to self-administer the program. ~~(Franchise Agreement Section 11.4)~~ Franchisee's payments to any Advertising Cooperative shall be determined by Franchisee and those other franchisees of the 360 Painting System and/or Franchisor, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than the greater of \$10,000 or 2% of Gross Sales per annum in connection with any Advertising Cooperative. (Franchise Agreement Section 11.4)

#### ~~You~~ Local Advertising

~~In addition to contributions to the Marketing Fund, after the Grand Opening program, you must spend at least \$ten percent (10,000.00%) of your Gross Sales per month on Grand Opening Advertising during the period advertising in the Protected Territory (either by way of direct promotion or participation in an Advertising Cooperative). You must provide us with evidence that is 30 days before and 60 days after the opening you have spent the required amount on local advertising. We may require that your minimum local advertising expenditure be allocated to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign.~~

~~We may also require that any local marketing or advertising include reference (in a form we determine) to one or more franchise systems which may be owned by us or our affiliates; provided that a substantial focus of those materials, programs or activities includes the promotion of the Business, including print or news.~~

~~Your advertising must be in such media and/or direct mail advertising, dues, and of such type, format and other particulars as we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by us must be submitted to us at least 14 days prior to any publication or run date for business organizations, event dues or other solicitation and promotional efforts approval, which we may withhold for any or no reason. We will provide you with~~

~~guidance for conducting Grand Opening Advertising, and we will review and approve the materials you use in your Grand Opening Advertising. In addition, we retain the option to collect \$10,000.00 from you before the opening written notification of approval or disapproval within a reasonable time. If we do not notify you of approval or disapproval within 10 days of our receipt of the Franchised Business and implement materials, the grand opening promotion on your behalf. (Franchise Agreement Section 11.4) materials will be approved. You may not establish, create or operate an Internet site or website using any domain name containing the words "360 PAINTING" or any variation thereof without our prior written consent. We retain the sole right to advertise on the use of any approved advertising within five days of your receipt of our request to do so. Internet and create web sites using the "360 PAINTING" domain name and any other domain names we may designate in the Manual. You may not advertise or promote your 360 PAINTING business conduct advertising or promotion on or through the Internet/world wide web or other electronic transmission via computer without our express prior written approval. All of you advertising and promotion must be factually accurate and shall not detrimentally affect the Marks or the System, as we determine. You must use the telephone number provided by us for in connection with all marketing initiatives. We are not required to conduct local advertising for you.~~

~~The advertising funds were used as follows during 2019, the most recently completed fiscal year:~~

~~Marketing Fund Collected - \$325,794.95~~

~~Expenses:~~

~~Media - \$38,940.00 (11.9%)~~

~~Marketing Creation - \$14,626.77 (4.5%)~~

~~Quigo (SEO) - \$93,017.00 (28.6%)~~

~~Scorpio - \$30,000.00 (9.2%)~~

~~Home Show Booths - \$21,507.13 (6.6%)~~

~~Website Hosting - \$29,428.34 (9.0%)~~

~~Social Media - \$17,619.02 (5.4%)~~

~~Promo/Giveaways - \$11,382.51 (3.5%)~~

~~Overhead - \$57,372.97 (17.6%)~~

~~Misc. - \$11,891.21 (3.7%)~~

~~All advertising funds were spent in the fiscal year accrued. Any advertising funds not used in the fiscal year in which they were contributed will be applied and used for advertising expenses in the following year.~~

## ***Computer/Point-of Sale System***

### Hardware

–You must purchase and use a laptop PC (not a Mac computer) designated and approved by us that converts into a tablet. (Franchise Agreement Section 10). If we elect to modify our computer hardware or software requirements, you must upgrade your equipment at the actual cost of the upgrade. There are no contractual limits on the frequency or cost of upgrades. ~~We estimate the cost of the required computer hardware and software for your 360 PAINTING business at \$200.00 to \$3,000.00.~~ You may use hardware and software that you currently own in the operation of your 360 PAINTING business so long as it meets our standards and specifications. You ~~will~~ are not required to incur any annual costs for optional or required maintenance, updating, upgrading or support contracts for the computer systems.

### Call/Technology Center

–You must use our Call Center/~~Technology~~ services, described in Item 8. Through the business management software (described below), the Call Center answers customer calls, takes basic customer information and schedules appointments for your Business based on the availability you indicate.

### Job Proposal/Estimating Business Management Software

–You must use ~~Job Proposal/Estimating business management~~ software for the management of the franchised business through our approved vendor, ~~(or vendors)~~, which is also described in Item 8. Other than this ~~Job Proposal/Estimating Software~~ business management software, there are no additional maintenance costs. ~~We will have access to your sales management system of your franchised business, which will only include access to sales and lead generation information. Other than this information, the franchisor will not have independent access to any other information that may be generated or stored in any electronic cash register or computer system.~~

### Internet

–You must obtain and install a high-speed Internet connection (through DSL or cable modem) to your computer system ~~at the Approved Location~~ and maintain ~~a valid~~ and use the e-mail address and account ~~(or accounts) we provide to you,~~ to which you will have access and through which we may contact you. (Franchise Agreement Section 10) We own your email account and have the right to independently access ~~all information you collect or compile~~ it at any time without first notifying you, ~~and you.~~ You must give cooperate with us ~~password to enable our~~ access to your computer system to enable us to obtain this data. ~~(for example, by providing your password).~~ (Franchise Agreement Section 10)

### Websites

–You must use our approved website provider for advertising your business on the internet. We will provide the URL for your website.

### Our Access to Your Data

We will not disclose to any third party any specific financial or other information directly associated with you or the Business unless authorized by you. But, we may disclose information to our employees, attorneys, accountants, consultants, agents and others retained or employed by us who have a need to know the

information in order to facilitate the administration of the relationship between you and us, or to comply with applicable law, court orders or accounting rules. During the term of the Franchise Agreement, we may collect and disclose to other franchisees operating in the System data relating to your operation of the Business for the purpose of benchmarking or performance recognition. After termination of the Franchise Agreement, we may release such information to other franchisees and prospective franchisees.

#### Upgrades, Updates and Maintenance

Currently, each of the required software programs used in the operation of the business are provided on a software-as-a-service basis, so you are not required to spend any additional money annually on upgrades, updates or maintenance of those systems. We do not generally require that you spend any money annually on upgrades, updates or maintenance to your computer hardware systems. But, you are responsible for ensuring that your hardware performs adequately and maintains compatibility with the required software programs, which may require you to service or upgrade your hardware.

#### ***Typical Length of Time Before Operation***

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a 360 ~~PAINTING business~~ Painting is no more than 60 days. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, ~~whether~~ weather conditions, and delays in installation of equipment and fixtures. You must ~~commence~~ attend training at our headquarters (as described below) within 50 days of signing the Franchise Agreement, and you must open your ~~Franchised~~ Business and be operational within ~~four (4)~~ three (3) months after signing the Franchise Agreement. (Franchise Agreement Section 1).

#### ***Site Selection***

You may operate your Business from your home, provided that it is equipped with a high-speed Internet connection that is “always on” (such as DSL or cable modem), and that you make adequate provisions for storage of equipment and supplies ~~at or near your home.~~ If you prefer, you may locate your Business elsewhere provided that the proposed alternate location meets our specifications and is expressly approved by us in writing. The criteria that we use in deciding whether to approve a location outside of your home are whether (a) it is located within the Protected Territory (which will be designated in reference to your home address), and (b) it is suitable for use of the equipment required in the Business and for storage of equipment and supplies.



be designated in reference to your home address), and (b) that it is suitable for use of the equipment required in the business and for storage of painting equipment and supplies.

We will respond to your request for approval within ~~thirty (30)~~ days after you provide us with the information necessary for us to determine that it will otherwise satisfy our criteria. There is no time limit for the Franchisor to approve or disapprove a site. We will not unreasonably withhold our approval of your proposed location outside of your home; however, you must operate the Business from your home until we approve ~~in writing~~ an alternative location. ~~You in writing. In addition, you~~ must operate from your home if we do not approve ~~in writing or agree upon~~ an alternative location ~~in writing. We do not generally own the location of your Business. We do not provide any assistance to you in conforming the premises of your Business to local ordinances and building codes or obtaining any required permits.~~

### **Training**

~~The initial training program includes 40 hours of on-boarding training, 80 hours of on-line training, 36 hours of classroom training at our headquarters in Charlottesville, Virginia and 4 hours of field training. If you will be an owner/operator of the franchise, you and an employee who will be your second in charge (your "Assistant Designated Manager") must attend and complete our initial training program to our satisfaction and within three months of signing the franchise agreement. If you will be a passive owner of the franchise, then you, the person you designate to operate the Business on a daily basis (your "Designated Manager"), and a designated Assistant Designated Manager must also attend and complete our initial training program to our satisfaction. If you replace your Designated Manager or Assistant Designated Manager, you must immediately inform us and the proposed replacement Designated Manager and/or Assistant Designate Manager must attend and complete our training program to our satisfaction.~~

~~Although the cost of initial training is included in the Franchise Fee, you must pay for all costs in attending training, such as travel, employees' salaries, meals, accommodations, and other incidentals. You may also be charged fees for additional training of a new Designated Manager and/or Assistant Designate Manager. You must train your own employees and other management personnel. The schedule for our initial training program is provided on the following page. We will hold the training program within four (4) weeks of when you sign the Franchise Agreement. You (or your principal owner, if you are an entity) and your Manager must attend and successfully complete an initial training program before the Business may open. You must complete the initial training program no later than three months after the Effective Date of the Franchise Agreement. We do not charge a fee for the participation of up to two individuals in the initial training program; but, you are responsible for the costs and expenses (such as transportation, lodging, meals, incidentals and compensation) of each person who attends the training. The Business must be operated at all times by a person who has successfully completed the initial training program. We reserve the right to waive all or a portion of the initial training program in its sole discretion.~~

~~You may, upon payment of our then-current initial training fee and reasonable notice, have additional representatives attend the initial training program. All travel, living, and related expenses incurred by your representatives during training will be at your cost and expense.~~

~~You must train your own employees and other management personnel.~~

~~TRAINING PROGRAM FOR FRANCHISEES:~~

The initial training program is overseen and conducted by ~~Paul Flick~~Josh Hoffman. Mr. ~~Flick has more than 22~~Hoffman has been with PSB since February 2018 and has approximately 7 years' experience ~~providing~~conducting training ~~to new 360 PAINTING~~programs for franchisees.

~~Mr. Flick's experience is also described in Item 2.~~Our confidential Operations Manual is used as the instructional material for our Initial Training program. After you have been trained, we may periodically require ~~that~~ you, your manager(s) and/or employees ~~to~~attend refresher-training programs concerning operation of the ~~Franchised~~-Business, and ~~if you must~~attend we may require that you pay a fee and pay all ~~your own~~ expenses ~~to attend these programs.~~

~~The initial training program includes a week-long (approximately 40 hours) specialist-directed on-boarding program, 40 hours of on-line training and 36 hours of classroom training at our headquarters in Charlottesville, Virginia, and 4 hours of field training. The schedule for our initial training program is provided below. The training program conducted at least once a month.~~

~~The on-boarding program is guided by an on-boarding specialist, who will help you understand and complete much of the administrative work necessary to enable you to apply the information covered in the virtual and live training programs to the opening of your Business. On-boarding is done at your own pace, using web-based materials we provide. We ask trainees to expect onboarding to take 40 hours. After on-boarding, we provide virtual, Internet-based training over a two-week period. Finally, we provide a week-long in-person training program at our corporate offices in Charlottesville, Virginia, after which you should be ready to start operating your Business. The topics and agenda for the virtual and live training programs are provided in the chart below.~~

#### TRAINING PROGRAM

~~Prior to the classroom training, we will provide 80 hours of on line training, which will include the following topics: vendor introductions, painter recruitment, setting up marketing initiatives, practice estimates, setting up insurance, business plan, and marketing plans.~~

*Classroom Training Program for Franchisees*

Subject	Hours of Classroom Training	Hours of On-the- Job Training	Location
<b>Virtual Program</b>			
Welcome and Core Business Principles	4.5	0	Internet
Marketing 101 and Marketing Spend	5	0	Internet
Financial Planning	4	0	Internet
Production Processing & Hiring 101	5	0	Internet
Vonigo 101	2.5	0	Internet
Industry Knowledge 101 & 102	5	0	Internet
Meet Your Coach	2	0	Internet
Estimating 101 & 102	4	0	Internet
Sales 101 – The 10 Step Sales Process	4	0	Internet
Preparation for Live Training & Understanding Breakeven	4	0	Internet
<b>Live Program*</b>			
History/Philosophy of 360 Degree Painting	1	0	Charlottesville, VirginiaVA
Use of the Operations Manual	0.5	0	Charlottesville, VirginiaVA
Services Provided to 360 Degree Painting Franchisees	0.5	0	Charlottesville, VirginiaVA
Pre-Opening Procedures	2	0	Charlottesville, VirginiaVA
Human Resources	4	0	Charlottesville, VirginiaVA
Advertising/Marketing	4	0	Charlottesville, VirginiaVA
Sales Procedures	8	4	Charlottesville, VirginiaVA
Pricing	2	0	Charlottesville, VirginiaVA
Management Procedures	4	0	Charlottesville, VirginiaVA
Customer Service Procedures	5	0	Charlottesville, VirginiaVA
Use of the 360 Degree Painting Software System	2	0	Charlottesville, VirginiaVA
Scheduling Jobs	1	0	Charlottesville, VirginiaVA
Franchise Reporting Requirements	2	0	Charlottesville, VirginiaVA
<b>TOTAL</b>	<b>36.76</b>	<b>4</b>	

ITEM\* As of the date of this Disclosure Document, many jurisdictions were under social-distancing restrictions because of the coronavirus epidemic. To address these restrictions, we have made the Live Program also available on the Internet.

#### ITEM 12-TERRITORY: TERRITORY

We provide a Protected Territory to each ~~Unit~~ Franchisee. You must operate your franchise only in the Protected Territory defined in Exhibit ~~AC-1~~ of the Franchise Agreement, and only from your home office (or other approved office space) and the Vehicles. ~~(Franchise Agreement Section 2.1)~~ Your Protected Territory will be delineated by zip codes, ~~streets, highways, or other natural or political boundaries~~ and will consist of a geographic area containing not less than 200,000 people as of the date of the Franchise Agreement. ~~During the term of the Franchise Agreement, we cannot change the Protected Territory without your consent, and we will not establish any substantially similar franchised or company-owned businesses under the name "360 PAINTING" or any other name within your Protected Territory. (Franchise Agreement Sections 2.2 and 2.4)~~

If you are in compliance with the Franchise Agreement ~~during its term~~, we will not establish or operate, or license others to establish or operate, 360 Painting ~~businesses or competing businesses~~ Businesses within the Protected Territory. We do not offer any options, rights of first refusal or similar rights to acquire additional franchises within the territory or contiguous territories. ~~However, we~~ We retain the right to: (a) own and operate, and license to others the right to own and operate 360 Painting or Franchised Businesses outside of your Protected Territory using the Marks or any other marks ~~we may designate~~; (b) own and operate and license to others the right to own and operate similar businesses ~~under different names~~ inside or outside of the Protected Territory under different marks; (c) use the Marks and System in connection with ~~services and products, promotional and marketing efforts~~ conducting marketing and promotional activities within it outside the Protected Territory, including marketing and promotional activities related to the solicitation of National Accounts (defined below); (d) use the Marks and System to offer services and products, or related items, or in alternative channels of distribution, including the sale of goods or services through wholesale and retail stores, via the Internet, through mail order catalog, and via direct marketing through telephone, television, or radio within or outside of your Protected Territory; ~~(de)~~ develop or become associated with other concepts (including dual branding relationships and/or operation of other franchise systems), whether or not using the Premium Service brands System and/or the Marks, and award franchises under other concepts for locations anywhere; ~~(ef)~~ acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere ~~(these transactions, and if such transaction involves the operation or license of a business in the Protected Territory, may include @the conversion such a business~~ 2019 360 Painting Franchise Disclosure Document arrangements involving competing outlets and brand conversions to or from one operated under the 360 Painting Marks and the System); and (fg) engage in any other activities not expressly prohibited by the Franchise Agreement. (Franchise Agreement Section 2.3) We are not required to pay you for soliciting or accepting orders from inside your Protected Territory.

We may enter into agreements, periodically, with customers that we consider "National ~~Account Customers~~ Accounts" (that is, customers that contract with us or with our affiliate for the provision of services at more than one location). ~~To the extent that~~ If we enter into an agreement with ~~a~~ National Account ~~Customer~~ that requires services in your ~~Territory~~ Protected Territory and you are then in compliance with the Franchise Agreement, we ~~may~~ will offer you the right to provide the services on the terms provided in the contract with the National Account. You will have 10 days to accept or reject the opportunity to provide services to the National Account on the terms contained in the National Account contract. If you decline the opportunity or fail to respond within 10 days, we may provide the services ~~ourselves, directly~~ or we may subcontract ~~offer~~ the work opportunity to another franchisee or ~~independent contractor, who may provide services in a third party.~~ If any National Account informs us that your Territory services do not meet their standards or their selection

~~criteria, we may offer the opportunity to service the National Account to another franchisee.~~ You will be compensated only for the services that you provide.

~~You are restricted from soliciting or advertising for~~~~You may not solicit~~ customers ~~or advertise~~ outside of your Protected Territory, and you may not advertise on the Internet ~~or use other channels of distribution,~~ without our prior written consent. ~~You are not required to achieve a sales or market penetration quota. (Franchise Agreement Section 2.4)~~

You must obtain our written consent and approval before opening an office location other than your home office. The conditions under which we will approve an office re-location are the same as those under which we will approve any office outside your home, and they are described in Item 11. ~~F. of~~

~~this Disclosure Document. We do not make any representations concerning site selection assistance should you choose to relocate your Business from your home office.~~

~~The franchisor will not pay any compensation for soliciting or accepting orders inside the franchisee's territory. A franchisee is not prohibited from soliciting or accepting orders from consumers outside its territory unless another franchisee is already operating in that territory.~~

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Until completion of your second calendar year of owning a franchise, the cost of ~~residential painting, decorating and wall finishing~~ services cannot exceed \$15,000.00 per project or \$30,000.00 in the aggregate without our prior approval. ~~Residential Painting, decorating and wall finishing~~ services are limited to one, two, or three owner-occupied dwellings. Subject to your compliance with the terms of the Certification Programs referenced below and National Accounts ~~listed immediately described~~ above, and subject to you being in full compliance with the Franchise Agreement, you may perform commercial work in your Protected Territory but you ~~agree and acknowledge that you~~ do not ~~own the have~~ exclusive rights to perform such commercial work in your Protected Territory. If you wish to offer services other than ~~residential painting, decorating and wall finishing~~ services, you must obtain our prior written approval, which we may grant at our sole discretion. We may condition our approval on your completion of a Certification Program, if any, and the payment of any licensing fee associated with providing additional services.

~~Active development of the Protected Territory is important to the effective development of the System. We select franchisees in reliance upon their commitment to actively implement the System in the Protected Territory. So, beginning 18 months after the Effective Date and after notice to you, we may identify and implement quantitative operational performance standards (for example, Gross Sales) upon which your development of the Protected Territory and active implementation of the System will be evaluated. If your performance under such standards fails to meet or exceed the performance of the lowest 25% of all franchised units operating for at least 18 months under the System and the Marks, as we determine, in any 8 months of any year, we may: (a) require you and your employees to attend and complete additional training programs; or (b) provide additional on-site assistance and consultation. If we provide any additional training, assistance or consultation, you will be responsible for all costs and expenses for such training, assistance or consultation, which may include a fee payable to us. If you fail to improve your performance by at least 10%, and you fail to meet or exceed the performance of the lowest 25% of all franchised units operating for at least 18 months under the System and the Marks in any 2 of the next 12 months, we may eliminate your territorial protection or terminate the Franchise Agreement.~~

If

ITEMthe US Postal Service modifies any of the zip codes encompassed by the Protected Territory or which represent the area included in the Protected Territory, we may modify the Protected Territory to account for the modification. The modified Protected Territory may result in fewer people being included in or a smaller geographic area being represented by the Protected Territory.

Except as described above, you are not required to achieve a sales or market penetration quota and we cannot change the Protected Territory without your consent.

**ITEM 13 TRADEMARKS: TRADEMARKS**

We grant you the right to operate a Franchised Business under the name “360° PAINTING” and using the stylized mark “360° PAINTING”.


Our predecessor 360 Painting, Inc. registered the following mark on the United States Patent and Trademark Office’s Principal Register, which was assigned to us.

MARK	REGISTRATION NUMBER	REGISTRATION DATE
360° PAINTING	<u>3,242,374</u> 3242374	May 15, 2007

Registration No. 3,242,374 was renewed on March 27, 2017.

We grant the right to operate 360° PAINTING businesses under the service mark “360 PAINTING.” You may also use any other current or future Mark to operate your 360 PAINTING business that we designate in writing, including the logo on the front of this Disclosure Document. By Mark, we mean, trade names, trademarks, service marks and logos used to identify 360 PAINTING businesses. 360 PAINTING, LLC has obtained registration of the 360 Painting Mark on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”) and has filed all required affidavits.

We have filed required affidavits and renewals pertaining to this mark. You may use this registered trademark and other current and future marks to operate your Franchised Business, as we may designate.

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	<u>NA</u>	<u>NA</u>

We do not have a federal registration for the stylized mark “360° PAINTING” apart from the word mark shown in the first table above. Therefore, this mark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative

trademark, which may increase your expenses. We have not applied for a federal trademark registration for this mark as of the date of this Disclosure Document, but we intend to do so.

There are currently no agreements in effect that significantly limit our rights to use or license the use of the Marks that are material to you.

You must follow our requirements when you use the Marks. You must use only the Marks that we designate and you may use them only in the manner we authorize. You may use the Marks only in connection with operating your Franchised Business in the Protected Territory, or in advertising for the business in the Protected Territory. You may not use the Marks as part of your corporate or other legal name.

There are currently no effective material determinations of the USPTO, trademark trial and appeal board, ~~the any state~~ trademark administrator ~~of this state~~ or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

~~There~~We are ~~not aware of any~~ infringing or prior superior ~~uses actually known to us of the Marks~~ that could materially affect the use of the Marks in this state or any other state in which the 360 ~~PAINTING business is to be located~~. Painting is to be located. If we become aware of potentially infringing uses and we believe we can demonstrate that we have superior prior rights, we intend to send cease and desist letters to the business that are using the "360 Painting" name and may take further legal action where we believe it is warranted.

~~There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.~~

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your 360 ~~PAINTING business~~. Painting. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so; however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations, and we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to that proceeding. We have the right to control the defense and settlement of that proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of



a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Franchised Business; ~~howeverbut, if you are a Unit Franchisee and~~ your 360 ~~PAINTING-business~~Painting is a conversion franchise, during the first six (6) months that your Unit Franchise is open, we may, ~~in our discretion~~, allow you to display secondary signage referring to your prior trade name. You may not use any Mark or part of any Mark as part of your corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

#### ITEM 14

#### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

#### ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents of which we are aware that are material to the 360 ~~PAINTING-businesses~~Painting Businesses, and there are no patents pending. We own copyrights in the Operations Manual, ~~our estimating software~~, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating the Franchised Business, and you must stop using them if we direct you to do so. You must promptly tell us when you learn about any unauthorized use of copyrighted information. We have the right to control any litigation concerning our copyrighted materials. We are not obligated to protect your rights to use the copyrighted materials.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain Confidential Information, including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in operating ~~mobile full-service painting, decorating and wall finishing services~~ businesses, ~~and we may divulge this information in confidence to qualified franchisees and managers~~. We will provide our Confidential Information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Confidential Information for the purpose of operating your 360 ~~PAINTING-business~~Painting. You may only divulge Confidential Information to employees who must have access to it to operate the 360 ~~PAINTING-business~~Painting. You must enforce the confidentiality provisions as to your employees.

#### Certain individuals

Individuals with access to Confidential Information, including your owners (and members of their immediate families) officers, directors, executives, managers and professional staff, ~~may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to~~ are required to execute the Personal Covenants contained in the Franchise Agreement as Exhibit C-2, which are substantially the same as the noncompetition, non-solicitation and confidentiality covenants contained in the Franchise Agreement.

All ideas, concepts, techniques or materials concerning your 360 ~~PAINTING business~~ Painting, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

#### ITEM 15

##### OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

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

Your ~~Unit~~ Franchise must always be under the direct, “on-premises”, full-time supervision of a Designated Manager, which is you if you are an individual, or is an individual you select if you are a business entity. We ~~strongly~~ encourage you to operate the ~~Unit~~ Franchise and are primarily seeking to grant franchises to owner/operators. ~~However~~ But, if you pursue this franchise as a second business, we must approve ~~of your Designated Manager you hire to ensure he or she will~~ the résumés of potential managers and be able to implement our system standards. We may request ~~allowed~~ to conduct phone interviews ~~with your potential Designated Managers~~ before they may begin to work. You (and your Designated Manager) must attend and satisfactorily complete our initial training program before opening the ~~Unit~~ Franchise. Your Designated Manager must also complete the on-the-job training program before opening your ~~Unit~~ Franchise. You must keep us informed of the identity of your current Designated Manager. If you are a corporation or other business entity and the ~~Unit~~ Franchise is under the supervision of a Designated Manager, he or she does not have to be one of your owners or otherwise have an equity interest in the Franchise.

#### Guaranty Agreement

~~We require all of our franchisees to personally guarantee that any and all amounts due and owing to us will be paid in accordance with the terms disclosed in our Franchise Agreement, as we deem necessary for adequate security.~~ If you are not an individual, all principals of your organization (i.e., persons or partners who sign the Franchise Agreement and in the case of a corporation, partnership, or limited liability company, the shareholders, partners, managers or members of that organization and their respective spouses), must sign the Guaranty Agreement presented ~~at the end of as an exhibit to~~ the Franchise Agreement as Exhibit C-6, as we deem necessary for adequate security. This is a personal guarantee of the ~~obligations under the Franchise Agreement.~~ In addition, individuals who sign the Franchise Agreement must also provide a spousal personal guaranty of all obligations under the Franchise Agreement. This Guaranty Agreement gives us the right to collect any amounts due us from you personally. Neither we, nor our affiliates, guarantee any notes, leases or other obligations you may have with a third party each guarantor personally.

#### Personal Covenants

Miscellaneous

As described in ~~ITEM~~Item 14, ~~certain~~ individuals having access to Confidential Information ~~may be~~are required to ~~sign nondisclosure and non-competition agreements~~execute the Personal Covenants contained in the Franchise Agreement as Exhibit C-2, which are substantially the same as ~~or similar to the Nondisclosure and Non-Competition Agreement attached to~~the noncompetition, non-solicitation and confidentiality covenants contained in the Franchise Agreement. ~~We will be a third party beneficiary with the right to enforce the agreements.~~

~~If you are a business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and be personally liable for your breach of the Franchise Agreement by signing the Guaranty Agreement attached to the Franchise Agreement.~~

#### ~~ITEM 16~~

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

###### ~~Unit Franchisees~~

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

You may only use your home office, or another office location selected by you with our approval, and the Vehicles for the operation of your Unit Franchise, and you must not use, or permit the use of, that office or those Vehicles for any other purpose without our written consent. You must operate your Unit Franchise in strict conformity with the methods, standards and specifications in the Operations Manual and as we may require otherwise in writing. You may not deviate from these standards, specifications and procedures without our written consent.

You must offer all ~~of~~ the services and products we specify in strict accordance with our standards and specifications. We have the right, using our reasonable business judgment, to specify the maximum prices at which you must offer some or all ~~of~~ the products and services. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may, in our sole discretion, disapprove in writing at any time. If your franchise is a conversion, you must stop using all products, supplies and equipment that we have not approved or that does not conform to our System.

We may periodically change the required or authorized products or services ~~at all for~~ 360° PAINTING businesses Painting Businesses. There are no limits on our right to do so. If we modify the System, you may be required to add or replace equipment, signs and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

Occasionally, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon factors as we determine, including test marketing, your qualifications, and regional or local differences.

#### ~~ITEM 17~~

##### ~~RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION~~

###### ~~THE FRANCHISE RELATIONSHIP~~

As noted in Item 12, until completion of your second calendar year of owning a franchise, the cost of painting, decorating and wall finishing services cannot exceed \$15,000 per project or \$30,000 in the aggregate without our prior approval. Painting, decorating and wall finishing services are limited to one, two, or three owner-occupied dwellings. Subject to your compliance with the terms of the Certification Programs referenced below and National Accounts described above, and subject to you being in full compliance with the Franchise Agreement, you may perform commercial work in your Protected Territory but you do not have exclusive rights to perform such commercial work in your Protected Territory. If you wish to offer services other than painting,

decorating and wall finishing services, you must obtain our prior written approval, which we may grant at our sole discretion. We may condition our approval on your completion of a Certification Program, if any, and the payment of any licensing fee associated with providing additional services.

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

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

	<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a.	<u>Length of the franchise term</u>	<u>Section 3.1</u>	<u>10 years.</u>
b.	<u>Renewal or extension of the term</u>	<u>Section 3.2</u>	<u>2 additional successive terms of 10 years each, subject to (c) below.</u>
a.c.	<u>Requirements for franchisee to renew or extend</u> <u>Provision</u>	<u>Section 3.2</u> <u>Franchise Agreement</u>	<u>You may renew if you: give timely written notice; have complied with the Franchise Agreement; are not in default; sign the then-current Franchise Agreement which may have terms and conditions materially different from those in your original contract; pay a renewal fee; maintain, update and/or replace the Vehicles; maintain, refurbish, renovate, modernize and remodel the Business; have satisfied your monetary obligations; meet current qualifications and training requirements; and sign a general release.</u> <u>Summary</u>
d.	<u>Termination by franchisee</u>	<u>Section 23.1</u>	<u>You may terminate the Franchise Agreement if we materially breach it and we fail to cure our breach.</u>
e.	<u>Termination by franchisor without cause</u>	<u>Not Applicable</u>	<u>No provision.</u>
f.	<u>Termination by franchisor with cause</u>	<u>Sections 23.2 and 23.3</u>	<u>We can terminate your Franchise Agreement if you are in default.</u>
g.	<u>"Cause" defined – curable defaults</u>	<u>Section 23.3</u>	<u>You will have 10 days to cure: failure to make payments due; failure to operate the Business under the supervision of an approved Manager. You will have 30 days to cure: failure or refusal to submit reports or statements, failure to relocate or a default under any lease, failure to obtain or provide proof of insurance, failure to reopen after casualty, and any other default under a provision of the Franchise Agreement.</u>
b.h.	<u>"Cause" defined – non-curable defaults</u> <u>Length of the franchise term</u>	<u>Section 3.1, 23.2</u>	<u>The initial term is 10 years. Noncurable defaults include: failure to complete initial training; failure to commence operation; abandonment, failure or refusal to actively operate the Business; bankruptcy, insolvency or having a trustee or</u>

	<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
			receiver appointed; dissolution; failure to pay amounts owed; felony, crime of moral turpitude or other crime that may adversely affect our reputation and goodwill; environmental, health or safety hazards; misrepresentation; unauthorized transfer; misuse of any Mark and failure to correct within 10 days of notice; misappropriation of any Mark; acts that may impair the goodwill of any Mark; challenging ownership of the Marks; filing a lawsuit involving the Marks without consent; failure to cooperate with us to defend any Mark; failure to comply with covenants; unauthorized use or disclosure of confidential information or trade secrets; fail to comply with any law; maintaining false books or records or denying our access to books and records; submitting a financial report or other data that underestimates fees; multiple defaults within a twelve month period; or, material default under any other agreement you have with us.
i.	<u>Franchisee's obligations on termination or non-renewal</u>	<u>Section 24: Internet Web Sites and Listings Agreement; Telephone Listing Agreement</u>	<u>You must: return all Confidential Information; stop using the System and the Marks and refrain from doing business under a confusing name or manner; pay all sums owed to us; de-identify the Vehicles and the Business; if requested, assign your business assets to us; cancel or assign to us any assumed names; assign your telephone and facsimile numbers to us; fulfill warranties obligations and either (i) post a bond equal to 0.5% of your gross sales for the last 24 months, or (ii) pay us a fee; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.</u>
j.	<u>Assignment of contract by franchisor</u>	<u>Section 20.1</u>	<u>There are no restrictions on our right to assign our interest in the Franchise Agreement</u>
k.	<u>"Transfer" by franchisee – definition</u>	<u>Section 20.2</u>	<u>"Transfer" includes transfer of ownership or any interest in the Business, the Franchise Agreement, the Vehicle(s), the Franchised Business's assets or the franchisee entity or its owners if an entity.</u>
l.	<u>Franchisor approval of transfer by franchisee</u>	<u>Section 20.2 and Section 20.4</u>	<u>You may not transfer without our prior written consent.</u>
m.	<u>Conditions for franchisor approval of transfer</u>	<u>Section 20.4</u>	<u>You may transfer if you: have paid all monetary obligations; are not in default; sign a general release; pay to us a transfer fee; offer us, and we</u>

	<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
			<u>decline to exercise, a right of first refusal; provide us with copies of all transfer documents and the terms and conditions will not affect adversely the operation of the Business by transferee; subordinate debt; remain liable for all warranties. The transferee must: meet our standards; be bound jointly and severally or execute our then current form of franchise agreement; obtain all necessary consents and approvals; comply with applicable laws; sign a general release; if we request, refurbish the Vehicles or purchase additional Vehicles.</u>
n.	<u>Franchisor's right of first refusal to acquire franchisee's business</u>	<u>Section 21</u>	<u>We may match an offer for your Business or an ownership interest that you propose to sell.</u>
o.	<u>Franchisor's option to purchase franchisee's business</u>	<u>Section 24.2</u>	<u>On termination or cancellation, we have the option to purchase the Business, the Vehicles, and/or any portion of the assets of the Business, excluding any real property.</u>
p.	<u>Death or disability of franchisee</u>	<u>Section 20.3</u>	<u>Upon your death or disability, the Franchise Agreement must be transferred to a party approved by us.</u>
q.	<u>Non-competition covenants during the term of the franchise</u>	<u>Section 22.1</u>	<u>You, your spouse, and your owners and managers, and their spouses may not: have any interest in a Competitive Business; or, perform services for a Competitive Business.</u>
r.	<u>Non-competition covenants after the franchise is terminated or expires</u>	<u>Section 22.1 and 22.2</u>	<u>For 2 years after the termination or expiration, you and the Bound Parties may not: (a) have any interest in a Competitive Business or perform services for a Competitive Business located within the Protected Territory or within a twenty mile radius as the crow flies of the Protected Territory or any other 360 Painting franchised location; or (b) solicit any of our or any of our franchisee's customers or vendors or otherwise interfering with or disrupting these customer or vendor relationships.</u>
s.	<u>Modification of the agreement</u>	<u>Section 7 and 40</u>	<u>The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent to reflect changes in the 360 Painting System and 360 Painting operating requirements.</u>
t.	<u>Integration/merger clause</u>	<u>Section 40</u>	<u>Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. Nothing in</u>

	<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
			<u>the Franchise Agreement or any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to you.</u>
u.	<u>Dispute resolution by arbitration or mediation</u>	<u>N/A</u>	<u>No provision.</u>
v.	<u>Choice of forum</u>	<u>Section 31.2</u>	<u>Any litigation must be pursued in courts located in the county and state in which we maintain our principal place of business (currently Albemarle County, Virginia), unless individual state law directs otherwise.</u>
w.	<u>Choice of law</u>	<u>Section 31.1</u>	<u>Virginia law applies, except disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and unless individual state law directs otherwise.</u>



	Provision	Section—in Franchise Agreement	Summary
b.	Renewal or extension of the term	Section 3.2	You may renew for 2 additional successive terms of 10 years each, subject to (c) below.
c.	Requirements for franchisee to renew or extend	Section 3.2	You may renew the Franchise Agreement if you: have given timely written notice of your intent to renew; have substantially complied with the provisions of the Franchise Agreement; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; sign the then-current Franchise Agreement which may have terms and conditions materially different from those in your original contract; pay a renewal fee in the amount of 10% of the then-current initial Franchise Fee; complete to our satisfaction all maintenance, updating and replacement of the Vehicles and all maintenance, refurbishing, renovation, modernizing and remodeling of the Business; have satisfied all monetary obligations owed to us; comply with current qualifications and training requirements; and sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d.	Termination by franchisee	Section 22.1	You may terminate the Franchise Agreement if you are in compliance with it and we materially breach it and we fail to cure our breach within 90 days (or 150 days as required if curable and commenced within initial 90 days) of receiving your written notice.
e.	Termination by franchisor without cause	Not Applicable	We may not terminate the Franchise Agreement without cause.
f.	Termination by franchisor with cause	Section 22.2 and 22.3	We may terminate the Franchise Agreement either with or without a cure period for the reasons set forth in these Sections.
g.	"Cause" defined—curable defaults	Section 22.3	You can avoid termination of the Franchise Agreement if you cure the following defaults within 10 days of receiving our notice of termination: failure to make payments due us or failure to operate the Business under the supervision of an approved Manager. In addition, we have the right to terminate the Agreement upon 30 days' notice if any other default under the Franchise Agreement remains uncured, but you may be provided an

	Provision	Section—in Franchise Agreement	Summary
			additional thirty days if the default cannot reasonably be cured within the thirty day period.
h.	"Cause" defined—non-curable defaults	Section 22.2	<p>We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to satisfactorily complete initial training; fail to commence operation of the Business within four months after execution of this Agreement; abandon, fail or refuse to actively operate the Business for more than five consecutive days; file for or are forced into bankruptcy, become insolvent or have a trustee or receiver appointed for any part of your property; are dissolved voluntarily or involuntarily (if you are a business entity); fail to pay any amount owed to any creditor, supplier or lessor of the Business or the Vehicles or any taxing authority and fail to correct the failure within 10 calendar days of notice thereof; fail to satisfy the Minimum Royalty requirement; are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect our reputation and goodwill; operate your Business in a manner that presents an environmental, health or safety hazard; make a material misrepresentation to us before or after being granted the franchise; make an unauthorized transfer of this Agreement, the franchise, the business or an ownership interest in the franchise; misuse or make an unauthorized use of any Mark and fail to correct or cease such use within 10 days of notice thereof; misappropriate any Mark; commit any act that could reasonably be expected to materially impair or detrimentally impact the goodwill of any Mark; challenge our ownership of the Marks, file a lawsuit involving the Marks without our consent, or fail to cooperate with us to defend any Mark; fail to comply fully with covenants not to compete; make or permit a third party to make any unauthorized use or disclosure of any of our confidential information or trade secrets; fail to comply with any law or regulation applicable to the operation of the franchise (provided if the failure does not involve tax evasion or result in governmental proceedings, only if not cured within a reasonable period not to exceed 30 days); knowingly</p>

	Provision	Section—in Franchise Agreement	Summary
			maintain false books or records or deny our access to books and records during an audit or inspection; submit a financial report or other data that underestimate by more than 3% the Royalties and/or marketing fund contribution; default under the Agreement three or more times within a twelve month period; or, default under any other agreement you have with us such that we may terminate that other agreement.
i.	Franchisee's obligations on termination or non-renewal	Section 23.1 and 23.2; Internet Web Sites Agreement, page i and ii; Telephone Listing Agreement i and ii	If the Franchise Agreement is terminated or not renewed, you must: stop using all Confidential Information, including customer data, as well as the System and the Marks; return the Manual, Marks and all other Confidential Information; stop operating the Franchised Business and refrain from doing business under any name or in any manner that may give the general public the impression that you are in any way connected with us; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; make reasonable modifications to the Vehicle(s) and any real property used in connection with the Business as necessary to eliminate their identification as being connected with the a 360° Painting Business; if requested, assign your business assets to us; cancel or assign to us any assumed names; assign your telephone and facsimile numbers to us; fulfill all obligations to customers under outstanding warranties and to ensure fulfillment, post a bond equal to 0.5% of your gross sales for the last 24 months or pay us a fee of \$10,000, whichever is greater, with the balance net of any amounts expended to ensure outstanding warranty obligations to be returned on fulfillment; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j.	Assignment of contract by franchisor	Section 19.1	There are no restrictions on our right to assign our interest in the Franchise Agreement
k.	"Transfer" by franchisee—definition	Section 19.2	"Transfer" includes transfer of ownership or any interest in the Franchised Business, the Franchise Agreement, the Vehicle(s), the

	Provision	Section—in Franchise Agreement	Summary
			Franchised Business's assets or the franchisee entity or its owners if an entity.
l.	Franchisor approval of transfer by franchisee	Section 19.2 and Section 19.4	You may not transfer any interest in any of the items listed in (k) above without our prior written consent.
m.	Conditions for franchisor approval of transfer	Section 19.4	We will consent to a transfer if you: have paid all monetary obligations in full; are not in default under the Franchise Agreement or any other agreement with us; sign a general release; pay to us a transfer fee equal to \$10,000; offer us, and we decline to exercise, a right of first refusal; provide us with copies of all contracts and agreements between you and the transferee related to the transfer with terms and conditions not so burdensome as to affect adversely the operation of the Business by transferee; agree to subordinate any debt owed to you by transferee to transferee's obligations to us under the Franchise Agreement; remain liable for all warranties granted during your operation of the Business. The transferee must: satisfy us that it meets our standards and has the ability to conduct the Business; agree to be bound jointly and severally by all provisions of the Franchise Agreement or at our option, execute our then current form of franchise agreement; obtain all necessary consents and approvals required by third parties; comply with or satisfy all applicable laws, rules, ordinances and requirements applicable to the transfer; sign a general release; if we request, refurbish the Vehicles or purchase additional Vehicles meeting the specifications of the Operating Manual.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 20	We may match an offer for your Franchised Business or an ownership interest that you propose to sell.
o.	Franchisor's option to purchase franchisee's business	Section 23.2	Except in the case of a renewal under Section 2, we shall have the option upon termination, expiration or cancellation of the Franchise Agreement to purchase the Business, the Vehicles, and/or any portion of the assets of the Business, excluding any real property.
p.	Death or disability of franchisee	Section 19.3	Upon your death or disability, the Franchise Agreement must be transferred to a party approved by us.

	Provision	Section—in Franchise Agreement	Summary
g.	Non-competition covenants during the term of the franchise	Section 21.1	You, your spouse, and your owners and managers, as applicable, and their spouses (the “Bound Parties”) are prohibited from: having any interest as a disclosed or beneficial owner in a Competitive Business, regardless of location; or, performing services as a director, officer, manager, employee, consultant, representative agent, or otherwise for a Competitive Business, regardless of location.
r.	Non-competition covenants after the franchise is terminated or expires	Section 21.1 and 21.2	For 2 years after the termination or expiration of the Franchise Agreement, you and the Bound Parties are prohibited from: having any interest as a disclosed or beneficial owner in a Competitive Business; performing services for a Competitive Business located within the Protected Territory or within a twenty mile radius as the crow flies of the Protected Territory or any other 360 Painting franchised location; soliciting or attempting to solicit any of our or any of our franchisee’s employees, customers or vendors or otherwise interfering with or disrupting these employment, customer or vendor relationships.
s.	Modification of the agreement	Section 7 and 40	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent to reflect changes in the 360 Painting System and 360 Painting Business operating requirements.
t.	Integration/merger clause	Section 40	Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. Nothing in the Franchise Agreement or any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to you.
u.	Dispute resolution by arbitration or mediation	N/A	N/A
v.	Choice of forum	Section 30.2	Any litigation must be pursued in courts located in the county and state in which we maintain our principal place of business (currently Albemarle County, Virginia), unless individual state law directs otherwise.
w.	Choice of law	Section 30.1	The Franchise Agreement shall be governed by the laws of the Commonwealth of Virginia, except that disputes over the

	Provision	Section in Franchise Agreement	Summary
			Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.), unless individual state law directs otherwise.

**ITEM**

**ITEM 18 PUBLIC FIGURES: PUBLIC FIGURES**

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

## ITEM 19

### FINANCIAL PERFORMANCE REPRESENTATIONS

#### ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

~~Below is certain historical financial information regarding 360 Painting franchisees that operated in the United States and Canada from January 1, 2018 through December 31, 2018. The historical financial information below is based upon information regarding the actual gross sales of 360 Painting franchisees open for business and operating continuously during calendar year 2018. Some franchisees own more than one territory. The primary characteristic of the represented outlets that may differ from those of a new franchisee is that a new franchisee does not have a customer base immediately, and an existing franchisee receives repeat and referral business from its existing customer base.~~

~~Of the one hundred and six (106) 360 Painting franchisees, that were open for business and operating in the United States and Canada as of December 31, 2018, seventy-seven (77), or 73%, had been in business continuously during calendar year 2018. No data has been included for franchisees who were terminated, not renewed, reacquired or which left our system for other reasons during calendar year 2018, or for any franchisor owned locations. Fifteen (15) 360 Painting franchises ceased operations for other reasons during calendar year 2018. Zero (0) of the fifteen (15) 360 Painting franchises which ceased operations during calendar year 2018 had been opened for business for less than twelve (12) months. See Item 20 for more information. We do not operate any franchisor owned locations.~~

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

#### **Average and Median Gross Sales**

~~The average gross sales of the seventy-seven (77) 360 Painting franchisees described above during calendar year 2018 was \$397,783.21. 56% of the seventy-seven (77) 360 Painting franchisees described above (43 franchisees) actually attained or surpassed the average gross sales of \$397,783.21 for calendar year 2018. The median gross sales of the referenced 360 Painting franchisees during calendar year 2018 was \$309,749.49, with the highest gross sales of a 360 Painting franchisee during the relevant period being \$1,094,783.82, and the lowest being \$89,376.12.~~

~~Gross sales is the amount of all sales of all products and services sold by a 360 Painting franchisee in connection with the franchised business, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property or services, without reserve or deduction for inability or failure to collect and includes income of every kind related to the franchised business. Gross sales do not include sales, use, merchants' or other taxes paid to the government or the value of any approved coupons, discounts and refunds to customers.~~

The market in which you operate your franchise may allow you to charge higher prices or force you to charge lower prices for products or services offered by your franchise, which would ultimately affect your average gross sales.

~~The economic conditions and demographic characteristics in the market in which you operate your franchise may differ substantially from those of the markets in which the seventy-seven (77) 360 Painting franchisees referenced in this Item 19 operated during 2019, and if so those differences may substantially affect the number of sales made by your franchise.~~

We strongly recommend that you make your own independent investigation of whether or not the franchise may be “profitable” and confer with your attorney, accountant, or other business advisor before executing any agreement with us.

~~This disclosure does not include any information concerning the identified franchisees’ actual operating expenses. The operating expenses that your franchise incurs will depend on the market conditions for that type of expense in your region. These expenses may include, but are not limited to, painting products, personnel and benefits expenses, utilities, advertising rates, automobile costs, facility leases and insurance and workers compensation. See Paragraph 12 of the CA Addendum for more information.~~

~~The operating software that we license to 360 Painting franchisees estimates the labor costs and the amount of paint and other inventory that will be required for a particular job based on information inputted by the franchisee. The software then establishes a price for the job equal to 2.22 times the projected cost of labor and supplies, which provides for a projected gross margin equal to forty five percent (45%) of the cost of labor and supplies. This is not a disclosure of the actual costs of labor or goods sold by our franchisees; rather, it is merely an explanation of the pricing and cost estimating methodology employed by the operating software we license to you. The estimates generated by the software are based on the experience of our officers in operating and information provided to us by active 360 Painting franchisees. However, the actual costs and profit margins of existing 360 Painting franchisees can be determined only through discussions with and disclosures from those franchisees.~~

In this Item 19, we indicate the historical performance of certain franchisees during calendar year 2019. We have included data only for those franchisees who were open and reported revenues in each month of the year. We have excluded data from any franchisee that opened or closed during the year and did not report revenue for each month. We also have not included data for franchisees who were nominally open for the whole year but did not report any revenue in any month. The data contained in this Item 19 comes from 41 different franchisees who own a total of 51 units (each franchise territory is a unit). As of December 31, 2019, we had 117 units that were open. Franchisees with more than one unit typically report their consolidated revenues. In each of these cases, we have divided the consolidated revenues reported by the franchisees by the number of units owned by that franchisee to arrive at a unit volume.

The following charts present a summary of the revenues achieved by franchisees per unit during the 2019 calendar year overall and sorted by third (by revenue).

2019 Unit Revenues	
Criteria	Value
Franchisees	41
Units	51
Average Revenues by Unit	\$357,137
Median Revenues	\$367,558
Number of Units Above Average Revenues	26 (51%)



<b>2019 Unit Revenues</b>	
Number of Units Below Average Revenues	25 (49%)
Lowest Total Revenues	\$34,261
Highest Total Revenues	\$1,385,492

<b>Unit Revenue by Thirds (Sorted by Revenues)</b>						
	<b>Bottom Third</b>		<b>Middle Third</b>		<b>Top Third</b>	
# of Units	17		17		17	
Range	Low	High	Low	High	Low	High
	\$34,261	\$236,102	\$257,158	\$412,651	\$420,821	\$1,385,492
Average in Range	\$153,098		\$347,373		\$570,940	
Units in Range Above/Below Average	Above: 10 (59%) Below: 7 (41%)		Above: 9 (53%) Below: 8 (47%)		Above: 3 (18%) Below: 14 (82%)	
Median in Range	\$175,984		\$367,558		\$523,602	

The figures contained in this Item were compiled by us based upon reports of gross sales provided to us by our franchisees, for the period between January 1, 2019 and December 31, 2019 in compliance with the requirements of their Franchise Agreements that they supply these figures. We have assumed that the franchisees' information is accurate, complete and contains no material misrepresentations or omissions. We have not audited or verified this information. This information has not been separately audited or verified by an independent certified public accountant, and it may not have been prepared on a basis consistent with generally accepted accounting principles.

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

"Revenues" is the amount of all sales of all products and services sold by a 360 Painting franchisee in connection with the franchised business, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property or services, without reserve or deduction for inability or failure to collect and includes income of every kind related to the franchised business. Revenues do not include sales, use, merchants' or other taxes paid to the government or the value of any approved coupons, discounts and refunds to customers.

The revenue figures presented above do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from revenue or sales figures to obtain your net income or profit. The operating expenses that your franchise incurs will depend on the market conditions for that type of expense in your region. These expenses may include, but are not limited to, painting products, personnel and benefits expenses, utilities, advertising rates, automobile costs, facility leases and insurance and workers compensation. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Exhibits F and G, may be one source of this information. We recommend that you confer with your attorney, accountant, or other business advisor before executing any agreement with us.

The market in which you operate your franchise may allow you to charge higher prices or force you to charge lower prices for products or services offered by your franchise, which would ultimately affect your revenues.

The economic conditions and demographic characteristics in the market in which you operate your franchise may differ substantially from those of the markets in which the forty-one (41) 360 Painting franchisees

referenced in this Item 19 operated their fifty-one (51) units during 2019. Those differences may substantially affect the number and amount of sales made by your franchise.

The operating software that we license to 360 Painting franchisees estimates the labor costs and the amount of paint and other inventory that will be required for a particular job based on information inputted by the franchisee. The software then establishes a price for the job equal to 2.22 times the projected cost of labor and supplies, which provides for a projected gross margin equal to forty-five percent (45%) of the cost of labor and supplies. This is not a disclosure of the actual costs of labor or goods sold by our franchisees; rather, it is merely an explanation of the pricing and cost estimating methodology employed by the operating software we license to you. The estimates generated by the software are based on the experience of our officers in operating and information provided to us by active 360 Painting franchisees. But, the actual costs and profit margins of existing 360 Painting franchisees can be determined only through discussions with and disclosures from those franchisees.

Written substantiation of the financial performance representation in this Item 19 will be made available to you upon reasonable request.

Other than the preceding~~We do not make any representations about a franchisee's future financial performance representation, 360 Painting, LLC does not make any or past financial performance representations of company-owned or franchised outlets.~~ We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Paul Flick, 630 Peter Jefferson Parkway, Suite 200, Charlottesville, VA 22911, (434) 995-5582, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**System-wide Outlet Summary For Years 2016 to 2019**  
**SYSTEMWIDE OUTLET SUMMARY**  
**FOR FISCAL YEARS 2017 TO 2019**

<u>2018</u> Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<u>2017</u> <del>2016</del>	<del>6168</del>	<del>7388</del>	<del>+1220</del>
	<u>2018</u> <del>2017</del>	<del>7388</del>	<del>94101</del>	<del>+2413</del>
	<del>2018</del> <u>2019</u>	<del>94101</del>	<del>103117</del>	<del>+916</del>
Company-Owned	<u>2017</u> <del>2016</del>	0	0	0
	<u>2018</u> <del>2017</del>	0	0	0
	<del>2018</del> <u>2019</u>	0	0	0
Total Outlets	<u>2017</u> <del>2016</del>	<del>6168</del>	<del>7388</del>	<del>+1220</del>
	<u>2018</u> <del>2017</del>	<del>7388</del>	<del>94101</del>	<del>+2413</del>
	<del>2018</del> <u>2019</u>	<del>94101</del>	<del>103117</del>	<del>+916</del>

**Table No.2**

**Transfers of Outlets From Franchisees to New Owners**  
**(other than the Franchisor)–**  
**For years 2016 to 2019**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR FISCAL YEARS 2017 TO 2019**

<u>2018</u> Column 1	Column 2	Column 3
State	Year	Number of State Year Transfers
	<del>2016</del>	0
	<del>2017</del>	1

Inserted Cells

Inserted Cells

Alabama	2018	0
	2016	0
Florida		
Totals	2017	0
	2018	2
	2016	0
	2017	0
Illinois	2018	1
	2016	0
	2017	0
Utah	2018	2
	2016	0
	2017	0
Virginia	2018	1
	2016	0
	2017	2
Texas	2018	0
	20162019	0
Total		
	2017	4
	2018	7

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Table No. 3  
FRANCHISED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2017 TO 2019

Status Of Franchise Outlets For The Years 2016 To 2018								
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets At Operating at Start Of Year	Outlets Opened	Termination Col. 5 Termin- ations	Non- Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets Operating At End Of The Year End
AL	2017	2	10	0	0	0	0	2
	2016							
	2018	2	0	0	0	0	0	2
	2017							

	<del>2018</del> 2019	2	<del>0</del> 1	0	0	0	<del>0</del> 2	<del>2</del> 1
AZ	<del>2017</del> 2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
AR	2019	1	0	0	0	0	0	1
AR	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2016	<del>0</del> 1	0	0	0	0	0	<del>0</del> 1
CA	2019							
CA	2017	0	2	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2016	<del>0</del> 2	<del>1</del> 0	<del>0</del> 2	0	0	0	<del>1</del> 0
CO	2019							
CO	2017	1	2	0	0	0	1	2
	2018	2	3	0	0	0	1	4
	2016	<del>0</del> 4	<del>0</del> 1	0	0	0	0	<del>0</del> 5
CT	2019							
CT	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2016	<del>1</del> 7	<del>0</del> 1	0	0	0	<del>0</del> 1	<del>2</del> 3
FL	2019							
FL	2017	23	3	0	0	0	3	23
	2018	23	0	0	0	0	5	18
	2016	<del>1</del> 8	<del>0</del> 3	0	0	0	<del>0</del> 6	<del>1</del> 5
GA	2019							
GA	2017	1	2	0	0	0	0	3
	2018	3	1	0	0	0	0	4
	2016	<del>0</del> 4	<del>0</del> 2	0	0	0	0	<del>0</del> 6
ID	2019							
ID	2017	0	<del>1</del> 0	0	0	0	0	<del>1</del> 0
	2018	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2019	<del>0</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
IL	2017	<del>0</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2018	1	5	0	0	0	0	6
	2019	<del>6</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>	<del>5</del>
IN	2017	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
	2018	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2019	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>

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<b>IA</b>	2017	<u>±0</u>	0	0	0	0	0	<u>±0</u>
<b>IA</b>	2018	<u>±0</u>	0	0	0	0	0	<u>±0</u>
	2019	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>KS</b>	2017	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2018	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
	2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>KY</b>	2017	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2018	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2019	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<b>LA</b>	2017	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2018	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2019	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
<b>MD</b>	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
<b>MA</b>	2017	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2019	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>MI</b>	2017	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	2018	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>3</u>
	2019	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>
<b>MN</b>	2017	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2018	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	2019	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<b>MO</b>	2017	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2018	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2019	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
<b>NV</b>	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
<b>NH</b>	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2019	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
<b>NI</b>	2017	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	2018	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	2019	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<b>NM</b>	2017	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2018	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2019	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>NY</b>	2017	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	2018	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>
	2019	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>
<b>NC</b>	2017	<u>6</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>5</u>
	2018	<u>5</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9</u>

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	<u>2019</u>	<u>9</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>
<b>OH</b>	<u>2017</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<u>2018</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<u>2019</u>	<u>4</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>4</u>
<b>OK</b>	<u>2017</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2018</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2019</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<b>OR</b>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<b>PA</b>	<u>2017</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2018</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2019</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<b>SC</b>	<u>2017</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2018</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2019</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
<b>SD</b>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2019</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>TN</b>	<u>2017</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2018</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2019</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
<b>TX</b>	<u>2017</u>	<u>9</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13</u>
	<u>2018</u>	<u>13</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>11</u>
	<u>2019</u>	<u>11</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>12</u>
<b>UT</b>	<u>2017</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2018</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
	<u>2019</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<b>VT</b>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2019</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>VA</b>	<u>2017</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2018</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2019</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>
<b>WA</b>	<u>2017</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<b>WI</b>	<u>2017</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2018</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2019</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>
<b>Total (US)</b>	<u>2017</u>	<u>68</u>	<u>30</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>88</u>
	<u>2018</u>	<u>88</u>	<u>26</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13</u>	<u>101</u>
	<u>2019</u>	<u>101</u>	<u>44</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>26</u>	<u>117</u>

**Table No. 4**  
**COMPANY-OWNED OUTLETS STATUS SUMMARY**  
**FOR FISCAL YEARS 2017 TO 2019**

Status Of Franchise Outlets For The Years 2016 To 2018										
Col. 1 State	Col. 2 Year	Col. 3 Outlets-At Operating at Start Of Year	Col. 4 Outlets Opened	Terminations	Non- Renewals	Col. 5 Outlets Reacquired By Franchisor From Franchisee	Ceased Operatio as- Other Reasons Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Theof Year	
KS	2016	1	0			0	0	0	0	1
	Totals 2017	10	0			0	0	0		
	2018	1	0			0	0	0		
	20162019	0	10			0	0	0		
KY										
	2017	0	1			0	0			
	2018	1	0			0	0			
LA	2016	1	0			0	0			
	2017	1	0			0	0			
	2018	1	0			0	0			
MD	2016	2	0			0	0			
	2017	0	0			0	0			
	2018	0	0			0	0			
MA	2016	0	1			0	0			
	2017	1	0			1	0			
	2018	0	1			0	0			
MI	2016	3	2			0	0			
	2017	5	0			0	0			
	2018	5	0			0	0			
MN	2016	1	0			0	0			
	2017	1	0			0	0			
	2018	1	1			0	0			
MO	2016	0	0			0	0			
	2017	0	1			0	0			
	2018	1	0			0	0			
NH	2016	0	0			0	0			
	2017	0	0			0	0			







Status-Of-Franchise-Outlets For The Years-2016 To 2018								
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
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
VA	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
	2018	2	1	0	0	0	0	3
WA	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
WI	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
Total	2016	56	22	0	0	0	10	68
	2017	68	29	2	0	0	8	87
	2018	87	26	0	0	0	14	99
Canada	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	2	3

**Table No. 4**

**Status of Company-Owned Outlets For Years 2016**

Attached as Exhibit F to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets at End of Year
None	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Total	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

**Table No. 5** this Disclosure Document is a  
**Projected Openings as of December 31, 2018**

State	Franchise Agreements Signed but Outlets Not Opened as of Dec. 31, 2018	Projected New Franchised Outlets in 2019	Projected New Company-Owned Outlets in 2019
Arkansas	0	1	0
Colorado	0	3	0
Florida	0	2	0
Georgia	0	2	0
Illinois	1	4	0
Indiana	0	2	0
Kansas	0	2	0
Louisiana	0	2	0
Maryland	0	1	0
Michigan	0	2	0
New Jersey	0	3	0
New York	0	2	0
North Carolina	0	3	0
Ohio	0	3	0
Oregon	0	2	0
Pennsylvania	0	2	0
South Carolina	0	2	0
Tennessee	0	2	0
Texas	0	3	0
Utah	0	2	0
Virginia	0	1	0
Wisconsin	0	2	0
<b>Totals</b>	<b>1</b>	<b>48</b>	<b>0</b>

A list of ~~our unit~~the 360 Painting franchisees as of ~~December 31, 2018~~ is the date of this Disclosure Document and attached as Exhibit G-1. A is a list of the unit360 Painting franchisees who have ~~had their businesses been~~ terminated, cancelled, ~~not renewed~~ or otherwise ~~voluntarily or involuntarily~~ ceased to do business under a the Franchise Agreement during the ~~most recently completed fiscal year~~ year ended December 31, 2019 or who have not communicated with us within 10 weeks of the ~~issuance date~~ ~~for~~of this Disclosure Document, is attached as Exhibit G-2. If you buy this a 360 Painting franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~During the last three fiscal years, we have signed confidentiality clauses with certain current or former franchisees.~~

**Confidentiality Agreements**

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the 360 Painting franchise system. 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.

**Trademark-Specific Franchisee Organizations**

As of the date of this ~~disclosure document~~Disclosure Document, there are no trademark-specific franchisee organizations associated with the 360 Painting system that we have created, sponsored, or endorsed, and there are no independent trademark-specific franchisee organizations that have asked to be included in our ~~disclosure document~~Disclosure Document.

ITEM 21  
FINANCIAL STATEMENTS

**ITEM 21: FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit ~~FE~~ are:

(a) our audited financial statements for the years ending fiscal year ended December 31, 2018, 2017, December 31, 2018, and 2016, December 31, 2019, and

Also attached in Exhibit F are the unaudited financial statements for the quarter ending September 30, 2019. THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM (b) our unaudited balance sheet, profit and loss statement and statement of cash flows for the period between January 1, 2020 and April 30, 2020.

Item

~~Our~~ fiscal year end is December 31 of each year.

**ITEM 22 ~~CONTRACTS:~~ CONTRACTS**

The 360 PAINTING, LLC Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

~~Exhibit C 1 is Miscellaneous Information; Territory Defined Exhibit C 2 is following contract~~**Personal Covenants**

~~Exhibit C 3 is Internet Website and Listings Agreement~~

~~Exhibit C 4 is Telephone Listing Agreement~~

~~Exhibit C 5 is Franchisee Information~~

~~Exhibit C 6 is Guaranty Agreement~~

~~Exhibit C 7 General Release~~

~~The 360 Painting, LLC Nondisclosure Agreement for Confidential Operations Manual~~ is attached to this Disclosure Document ~~as Exhibit E.~~

The 360 PAINTING, LLC Franchisee Disclosure Questionnaire is attached to this Disclosure Document as Exhibit H.

We provide no other contracts or agreements for your signature.



~~ITEM~~Exhibit C \_\_\_\_\_ Franchise Agreement

**ITEM 23: RECEIPTS**

**RECEIPTS**

Our copy and your copy of the ~~Franchise~~ Disclosure Document Receipt are located on the last 2 pages of this Disclosure Document. Please sign, date and return 1 copy of the Receipt to us and keep the other copy for your records.

~~[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]~~



EXHIBITS

**EXHIBIT A**

~~AND B~~ *TO THE*

**360 PAINTING, LLC**  
**® FRANCHISE DISCLOSURE DOCUMENT**

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**LIST OF STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

Exhibits A and B

**LIST OF STATE FRANCHISE ADMINISTRATORS AND AGENTS**  
**FOR SERVICE OF**  
**PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we are not required to appoint an agent for service of process in that state in order to comply with the requirements of franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Our agent for service of process for all states other than those listed below is Paul Flick, 630 Peter Jefferson Parkway, Suite 200, Charlottesville, Virginia 22911.

State	Franchise Administrator (Exhibit A)	Agent for Service of Process (Exhibit B)
California	Commissioner, California Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 866-275-2677  <u>71 Stevenson Street, Suite 2100</u> <u>San Francisco, CA 94105</u> <u>415-972-8577</u>	<del>Commissioner</del> <del>California Department of</del> <del>Business Oversight</del> <del>320 West Fourth Street, Suite</del> <del>750 Los Angeles, CA 90013-</del> <del>2344 866-275-2677</del>
	<del>71 Stevenson Street,</del> <del>Suite 2100 San</del> <del>Francisco, CA 94105</del> <del>415-972-8577</del>	<del>1515 K Street, Suite 200</del> <del>Sacramento, CA 95814</del> <del>866-275-2677</del>
Hawaii	Commissioner of Securities <u>Dept. of Commerce &amp; Consumer Affairs</u> <u>Business Registration Division</u> <u>335 Merchant Street, Room 203</u> <u>Honolulu, HI 96813</u> <u>808-586-2744</u>	<del>Commissioner of Securities</del>
Illinois	<u>Office of the Attorney General, Franchise</u> <u>Bureau</u> <u>500 South Second Street</u>	<del>Dept. of Commerce &amp;</del> <del>Consumer</del>

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State	Franchise Administrator (Exhibit A)	Agent for Service of Process (Exhibit B)
	Springfield, IL 62706 217-782-4465 <del>Dept. of Commerce &amp; Consumer Affairs</del>	
Indiana	<del>Business Registration</del> Secretary of State, Securities Division 302 West Washington, Room E-111 Indianapolis, IN 46204 317-232-6681	Business Registration Division
	<del>335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2744</del>	<del>335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2744</del>
Maryland	Office of the Attorney General, Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360	Attorney General
Michigan	Michigan Department of Attorney General Consumer Protection Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48933 517-373-7117 <del>Bureau</del>	500 South Second Street
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	
New York	500 South Second <del>NYS Department of Law, Investor Protection Bureau</del> 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236	Springfield, IL 62706
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue, State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712 <del>Springfield, IL 62706</del>	217-782-4465
Rhode Island	Department of Department of Business Regulation	

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State	Franchise Administrator <del>(Exhibit A)</del>	Agent for Service of Process <del>(Exhibit B)</del>
	<u>Securities Division</u> <u>1511 Pontiac Avenue, Bldg. 68-2</u> <u>Cranston, RI 02920</u> <u>401-462-9527</u> <del>217-782-4465</del>	
<u>South Dakota</u>	<u>Division of Insurance, Securities Regulation</u> <u>124 S. Euclid, Suite 104</u> <u>Pierre, SD 57501</u> <u>605-773-4823</u>	
<u>Virginia</u> <del>Indiana</del>	<u>Secretary of State, Corporation Commission</u> <u>Division of Securities and Retail</u> <u>Franchising</u> <u>1300 East Main Street, 9th Floor</u> <u>Richmond, VA 23219</u> <u>804-371-9051</u>	<u>Secretary of State</u>
<u>Washington</u>	<u>Department of Financial Institutions</u> <u>Securities Division – 3rd Floor</u> <u>150 Israel Road, S.W.</u> <u>Tumwater, WA 98501</u> <u>360-902-8760</u>	<u>Securities Division</u>
<u>Wisconsin</u>	<u>Office of the Commissioner of</u> <u>Securities</u> <u>Department of Financial Institutions</u> <u>345 West Washington, Room E-111</u> <u>Avenue, 4th Floor</u> <u>Madison, WI 53703</u> <u>608-266-1064</u>	<u>302 West Washington, Room</u> <u>E-111</u>
	<del>Indianapolis, IN 46204</del> <del>217-232-6681</del>	<del>Indianapolis, IN 46204</del> <del>217-232-6681</del>

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**EXHIBIT B**

**TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

<b><u>State</u></b>		<b><u>Agent for Service of Process</u></b>	
<b><u>California</u></b>		<u>Commissioner of Business Oversight</u> <u>320 West Fourth Street, Suite 750</u> <u>Los Angeles, CA 90013-2344</u> <u>866-275-2677</u>  <u>1515 K. Street, Suite 200</u> <u>Sacramento, CA 95814</u> <u>866-275-2677</u>	
<b><u>Hawaii</u></b>		<u>Commissioner of Securities</u> <u>335 Merchant Street, Room 203</u> <u>Honolulu, HI 96813</u> <u>808-586-2744</u>	
<b><u>Illinois</u></b>		<u>Attorney General</u> <u>500 South Second Street</u> <u>Springfield, IL 62706</u> <u>217-782-4465</u>	
<b><u>Indiana</u></b>		<u>Secretary of State</u> <u>302 West Washington, Room E-111</u> <u>Indianapolis, IN 46204</u> <u>317-232-6681</u>	
<b>Maryland</b>	<u>Office of the</u> <u>Attorney</u> <u>General</u> <u>Securities</u> <u>Division</u> <u>200 St. Paul</u> <u>Place</u> <u>Baltimore,</u> <u>MD 21202-</u> <u>2020</u> <u>410-576-6360</u>	<u>Maryland Securities Commissioner</u> <del>Securities Division</del> <u>200 St. Paul Place</u> <u>Baltimore, MD 21202-2020</u> <u>410-576-6360</u>	
<b>Michigan</b>		<u>Michigan Department of</u> <u>Attorney</u> <u>General</u> <u>Commerce</u> <u>Consumer</u> <u>Protection</u> <u>Division, Franchise</u> <u>Section</u> <u>Corporations</u> <u>and</u> <u>Securities Bureau</u>	<del>Paul Flick</del> <del>630 Peter</del> <del>Jefferson</del> <del>Parkway Suite</del> <del>200</del> <del>Charlottesville, Virginia</del> <del>22911</del>

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State		Agent for Service of Process	
		<del>670 Law</del> <del>525 West Ottawa</del> <del>Street</del> <del>G. Mennen Williams</del> <del>Building, 1st Floor</del> <del>Lansing, MI 48933</del> <del>48913</del> <del>517 372 7117</del>	
Minnesota	<del>Minnesota Department</del> <del>of Commerce 85 7th</del> <del>Place East, Suite 280</del> <del>St. Paul, MN 55101</del> <del>651 539 1500</del>	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	
New York	<del>NYS</del> <del>Department</del> <del>of Law</del> <del>Investor</del> <del>Protection</del> <del>Bureau 28</del> <del>Liberty</del> <del>Street, 21<sup>st</sup></del> <del>Floor New</del> <del>York, NY</del> <del>10005</del> <del>212 416</del> <del>8236</del>	Secretary of State <del>State</del> of New York One Commerce Plaza 99 Washington Avenue Albany, NY 12231 518-473-2492	
North Dakota		North Dakota Securities Department 600 <del>East</del> Boulevard Avenue, State Capitol, Fifth Floor Bismarck, ND 58505- 0510 701-328-4712	<del>North Dakota Securities</del> <del>Department 600</del> <del>Boulevard Avenue,</del> <del>State Capitol,</del> <del>Fifth Floor</del> <del>Bismarck, ND</del> <del>58505-0510</del> <del>701 328 4712</del>
Rhode Island		<del>Department</del> <del>Director</del> of Department of Business Regulation, Securities Division 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 401-462-9527	<del>Director of Department</del> <del>of Business Regulation</del> <del>Securities Division</del> <del>1511 Pontiac Avenue,</del> <del>Bldg. 68-2</del> <del>Cranston, RI 02920</del> <del>401 462 9527</del>
South Dakota		Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-4823	<del>Division of</del> <del>Insurance</del> <del>Securities</del> <del>Regulation</del> <del>124 S.</del> <del>Euclid,</del> <del>Suite 104</del> <del>Pierre, SD 57501</del>

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<u>State</u>		<u>Agent for Service of Process</u>	
			<del>605-773-4823</del>
<b>Virginia</b>	<del>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 804-371-9051</del>	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 804-371-9733	
<b>Washington</b>		<del>Department</del> Director of <del>Dept.</del> of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. <u>Tumwater, WA 98501</u> <u>360-902-8760</u>	<del>Director of Dept. of Financial Institutions Securities Division – 3rd Floor</del>
<b><u>Wisconsin</u></b>		Commissioner of Securities <u>345 West Washington Avenue, 4th Floor</u> <u>Madison, WI 53703</u> <u>608-266-1064</u>	

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	<del>Tumwater, WA 98501 360-902-8760</del>	<del>150 Israel Road, S.W. Tumwater, WA 98501 360-902-8760</del>
<del>Wisconsin</del>	<del>Office of the Commissioner of Securities Department of Financial Institutions 345 West Washington Avenue, 4th Floor Madison, WI 53703 608-266-1064</del>	<del>Commissioner of Securities 345 West Washington Avenue, 4th Floor Madison, WI 53703 608-266-1064</del>



**EXHIBIT C**

**TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**360 PAINTING, LLC**

**FRANCHISE AGREEMENT**



**360 PAINTING, LLC**  
**FRANCHISE AGREEMENT**

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

Exhibit C

**360 PAINTING, LLC**  
**FRANCHISE AGREEMENT**

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### 360 PAINTING, LLC ~~FRANCHISE AGREEMENT~~

#### FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into as of the date set forth on **Exhibit C-1** attached hereto (the “**Effective Date**”) (**Exhibit C-1** and all other exhibits hereto are incorporated herein by this reference) by and between **360 PAINTINGPainting, LLC**, a limited liability company organized under the laws of Delaware with its principal place of business at the address set forth on **Exhibit C-1** hereto (“**Franchisor**”), and the person or entity identified on **Exhibit C-1** as the franchisee (“**Franchisee**”).

#### **W I T N E S S E T H:**

**WHEREAS**, Franchisor, through its expenditure of time, effort and money, has established a system of opening, operating and promoting businesses (the “**360 Painting Business**” or the “**Business**”) that provide a full range of painting ~~and~~, decorating ~~and wall finishing~~ services, for both exterior and interior portions of residences and “light commercial” buildings (the “**Authorized Services**”), under the name “360° Painting,” using equipment, tools, materials, methods, procedures, and the quality standards as specified in the 360 Painting ~~Methods of Operation~~~~Operations~~ Manual (as defined below) as amended from time to time (the “**360 Painting System**”);

**WHEREAS**, the ~~360° Painting~~ System is identified by certain trade names, trademarks, service marks, logos, emblems, insignia and signs developed for use, including the service mark “360° ~~PAINTING~~ Painting” and the 360° Painting logo and design as Franchisor now designates and may hereafter designate in connection with the ~~360° Painting~~ System (collectively, the “Marks”);

**WHEREAS**, Franchisee recognizes the value and benefits to be derived from utilizing the ~~360° Painting~~ System and desires to own and operate a 360° Painting franchise in a manner that is consistent with, and will promote, ~~360° Painting’s Franchisor’s~~ standards of quality and goodwill, and ~~360° Painting Franchisor~~, in reliance on the representations made by Franchisee, is willing to provide certain training, materials, equipment and ongoing assistance relating to the ~~360° Painting~~ System and to grant Franchisee the right to operate an 360° Painting ~~Business~~ under the terms and conditions hereinafter set forth, which terms are acceptable to Franchisee and are acknowledged by the parties to be material and reasonable.

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisor and Franchisee hereby agree as follows:

1. **GRANT OF FRANCHISE.** During the term of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right and license, and Franchisee undertakes the obligation, to develop and operate a 360° Painting ~~Business~~ and to use solely in connection therewith, the Marks and the ~~360° Painting~~ System in accordance with the terms and conditions of this Agreement only within the Protected Territory (as defined below). Franchisee agrees to use the Marks and ~~360° Painting~~ System, as they are changed, improved and further developed by Franchisor from time to time. Unless otherwise agreed to in writing by Franchisor, Franchisee has three months from the Effective Date to complete the initial training as required by Section ~~14~~15.1 and to commence operation of the Business. Franchisee must obtain Franchisor’s written approval prior to commencing operation of the Business.

## 2. TERRITORY

2.1. **Protected Territory.** Franchisee shall only have the right to use the Marks and the ~~360° Painting~~ System in the residential geographic area described on **Exhibit C-1** attached hereto (the “**Protected Territory**”). The Protected Territory shall include not less than two hundred thousand (200,000) people as of the date of this Agreement. ~~The Protected Territory may be further defined or delineated in a writing, map or drawing attached to this Agreement and signed by Franchisee and Franchisor. The Protected Territory shall be defined as an area encompassing the ZIP Codes listed on Exhibit C-1. In the event that the United States Postal Service modifies any of the ZIP Codes encompassed by the Protected Territory or which represent the area included the Protected Territory, Franchisor may modify the Protected Territory to account for such ZIP Code modification(s). The modified Protected Territory may result in fewer people being included in or a smaller geographic area being represented by the Protected Territory.~~ Franchisee shall not promote the Business outside of the Protected Territory, except in cooperation with other franchisees of Franchisor as specified in **Section 11.4** herein, nor may Franchisee provide any 360° Painting services at any location outside the Protected Territory, except with the written permission of Franchisor. ~~(and if such permission is granted, such permission shall not be deemed to grant Franchisee general, ongoing, or permanent rights to service that customer or other customers outside of the Protected Territory).~~ Franchisee agrees to open only one (1) Business within the Protected Territory, and further agrees not to relocate the Business within the Protected

Territory without prior written consent from Franchisor. The location of the Business shall either be Franchisee's home office or an office location selected by Franchisee and approved by Franchisor.

**2.2. Territorial Protection.** Subject to **Sections 2.3** and **2.4**, during the term of this Agreement, Franchisor shall not, nor shall Franchisor license any person other than Franchisee to, establish and operate a Business providing System services to residential or "light commercial" customers within the Protected Territory using the Marks or the ~~360° Painting~~ System. Moreover, Franchisor agrees that, except with regard to actual or prospective customers designated as National Accounts (as defined and governed by **Section 2.4** herein), Franchisor will refer to Franchisee all requests for ~~360° Painting~~ System services to be provided at physical locations within the Protected Territory. The term "light commercial" means buildings and facilities that are similar in size and scope to single family residences. Except as provided herein, Franchisee has no exclusive territorial rights, protected territory or other right to exclude, control or impose conditions on Franchisor's activities or on the location, development or operation of other or future franchises under the Marks.

**2.3. Reservation of Rights.** Franchisor retains the right, in its sole discretion, to:

(i) own and operate, and license to others the right to own and operate 360 Painting Businesses outside of ~~your~~the Protected Territory using the Marks or any other marks ~~we~~Franchisor may designate;

(ii) own and operate and license to others the right to own and operate similar businesses ~~under different names~~ inside or outside of the Protected Territory under different marks;

(iii) use the Marks and System in connection with conducting marketing and promotional activities within or outside of the Protected Territory, including marketing and promotional activities related to the solicitation of National Accounts (as defined in Section 2.4, below);

~~(iii)~~(iv) use the Marks and System to offer services and products, ~~promotional and marketing efforts,~~ or related items, ~~or~~ in alternative channels of distribution, including the sale of goods or services through wholesale and retail stores, via the Internet, through mail order catalog, and via direct marketing through telephone, television, or radio within or outside of ~~your~~the Protected Territory;

~~(iv)~~(v) develop or become associated with other concepts (including dual branding relationships and/or operation of other franchise systems), whether or not using the ~~360 Painting~~ System and/or the Marks, and award franchises under other concepts for locations anywhere;

~~(v)~~(vi) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere ~~(these transactions, and in the event that such transaction involves the operation or license of a business in the Protected Territory,~~ may include ~~360 Painting Franchise Disclosure Document arrangements involving competing outlets and brand conversions~~the conversion such a business to or from one operated under the 360 Painting Marks and the System); and

~~(vi)~~(vii) engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement.

## 2.4. National Accounts.

(i) ~~The term "National Account" means any customer.~~ Franchisor may designate any customer (or prospective customer) as a National Account and to negotiate and enter into agreements to provide 360 Painting products and/or services to National Accounts, including locations within the Protected Territory. The term "National Account" means any customer (or prospective customer) which, on its own behalf or through agents, franchisees or other third parties, owns, manages, or controls buildings or dwellings in more than one (1) location, at least one of which is not situated within any one particular franchisee's Protected Territory. (In other words, if a customer (or prospective customer) controls two buildings, and one is in Franchisee's Protected Territory while the other is not, the customer qualifies as a National Account.) Any dispute as to whether a particular customer is a National Account shall be determined by Franchisor in its sole and absolute discretion.

~~(i) Franchisor shall have the right, on behalf of itself, its affiliates, Franchisee, and/or other franchisees utilizing the Marks, to designate any client as a "National Account Customer" and to negotiate and enter into agreements to provide 360° Painting products and/or services to multiple locations of such National Account Customers, including locations within the Protected Territory.~~

(ii) Following the execution of a contract with or the acceptance of a bid by a National Account ~~Customer~~ that contemplates the provision of 360° Painting services to one or more ~~National Account Customer~~ location(s) within the Protected Territory, Franchisor will, if Franchisee is in substantial compliance with the terms of this Agreement and any addendum, provide Franchisee with a copy of such contract or bid to Franchisee and offer Franchisee the option to perform such services pursuant to the terms and conditions of same, provided that Franchisee must accept such option within ten (10) days of its receipt of such notice.

(iii) If Franchisee elects not to provide services to a National Account ~~Customer~~ in conformity with the terms of the National Account contract, or fails to make an election within the time specified by Franchisor, Franchisor shall have the right, exercisable in its sole discretion, to (a) provide, directly, through its affiliates or any other franchisee utilizing the Marks, 360° Painting products and/or services to the National Account ~~Customer~~ location(s) within the Protected Territory on the terms and conditions contained in the bid or contract between Franchisor and the National Account ~~Customer~~; and/or (b) contract with another party to provide such 360° Painting products and/or services to the National Account ~~Customer~~ location(s) within the Protected Territory on the terms and conditions contained in the bid or contract between Franchisor and the National Account ~~Customer~~, utilizing the Marks or any other proprietary marks.

(iv) If any National Account informs Franchisor that Franchisee's services do not meet such National Account's standards or selection criteria, Franchisor may, in its sole discretion, offer the opportunity to service such National Account to any other franchisee on the terms and conditions contained in the bid or contract between Franchisor and the National Account.

~~(iv)~~ (v) Neither the direct provision by Franchisor (or a franchisee or agent of Franchisor) of 360° Painting products and/or services to National Account ~~Customers~~ as authorized in ~~Section~~ Sections 2.4(iii)(a) or 2.4(iv)(a) above, nor Franchisor's contracting with another party to provide such services as authorized in

**Section 2.4**(~~iv~~iii)(b) or 2.4(iv) above, shall constitute a violation by Franchisor of **Section 2.2** above, even if such services are delivered within the Protected Territory.

### 3. TERM AND RENEWAL

**3.1. Initial Term.** Unless terminated earlier in accordance with the terms and conditions set forth herein, this Agreement and the franchise granted hereunder shall have an initial term of ten (10) years commencing on the Effective Date (the "**Initial Term**").

**3.2. Renewal.** Upon the expiration of the Initial Term, Franchisee shall have the right to renew the franchise granted hereunder for up to two (2) successive ten (10) - year periods, provided that all of the following conditions are met:

(i) Franchisee gives Franchisor written notice of its election to renew the franchise not less than six months ~~nor more than nine months~~ prior to the expiration of the Initial Term;

(ii) Franchisee is not, when notice is given, and does not become prior to the expiration of the Initial Term, in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates or with any other creditor or supplier of the Business, lessor of the Vehicles, or lessor or sublessor of any real property that Franchisee may lease in connection with the Business, and Franchisee ~~shall have faithfully performed its obligations under~~must have consistently complied with all the terms and conditions of this Agreement and all such other agreements throughout their terms;

(iii) Franchisee shall execute, at Franchisor's option, Franchisor's then-current form of Franchise Agreement, which Franchise Agreement shall supersede in all respects ~~the terms and conditions of this Agreement~~ and may contain terms and conditions substantially different from those set forth herein, including, without limitation: ~~(a) additional fees and/or~~ an increase in Royalties, Call Center Fees, Technology Fees or Marketing Fund Contributions (as such terms are hereinafter defined) ~~and/or~~, ~~(b) a change in the size or composition of the Protected Territory; however,~~ (b) a change in the size or composition of the Protected Territory; ~~(c) the renewal Franchise Agreement shall only provide for the number of additional renewal terms called for by this Agreement, and shall contain~~ (d) mandatory minimum annual royalties/periodic royalty requirements that reflect, in Franchisor's determination, take into account the then-current market, the maturity of the Business and its record of Gross Sales during the ~~prior~~ term;

(iv) Franchisee shall pay a renewal fee equal to ~~ten~~twenty-five percent (~~10~~25%) of the then-current Franchise Fee (as such term is hereinafter defined) ~~if a~~ or Fifteen Thousand (\$15,000), whichever is greater; provided, however, that Franchisee shall not also be required to pay an initial franchise fee under such renewal fee is charged by FranchisorFranchise Agreement;

(v) Franchisee shall complete, at its own expense and to Franchisor's satisfaction, all maintenance, updating, refurbishing and replacement of the Vehicles and all maintenance, refurbishing, renovation, modernizing and remodeling of the Business as Franchisor shall reasonably require (including, but not limited to, purchasing additional Vehicles and installation of new equipment or systems) so as to reflect the current image and standards of the 360<sup>o</sup> Painting ~~Business~~ and the Vehicles;



(vi) Franchisee shall be current in the payment of all obligations to Franchisor and to any of its affiliates and subsidiaries as well as lessors, vendors and suppliers of the Business, and must have timely met those obligations throughout the term of this Agreement;

(vii) Prior to renewal, Franchisee and/or Franchisee's supervisory and operational manager(s) shall at Franchisee's expense, attend and successfully complete to Franchisor's reasonable satisfaction any retraining program Franchisor may require; ~~and~~

(viii) Franchisee must meet Franchisor's then-current qualification requirement; and

(viii)(ix) Franchisee and its owners shall execute a general release, in a form ~~satisfactory to~~prescribed by Franchisor, of any and all claims it may have against Franchisor, including any affiliates or subsidiaries, and its and their officers, directors, shareholders, managers, members, partners, employees and agents.

#### 4. FEES

4.1. **Franchise Fee.** Upon signing the Franchise Agreement, Franchisee shall pay to Franchisor by wire transfer a franchise fee ~~of \$60,000, as identified on Exhibit C-1.~~ (the "**Franchise Fee**") ~~for the License.~~). The Franchise Fee shall be fully earned by Franchisor and shall be nonrefundable, when paid, and is made in consideration of (i) the administrative and other expenses incurred by Franchisor in entering into this Agreement, (ii) Franchisor's lost or deferred opportunity to enter into this Agreement with others, and (iii) Franchisor's execution of this Agreement ~~and shall be nonrefundable.~~

4.2. **Royalties.** During the term of this Agreement, Franchisee shall pay to Franchisor a non-refundable royalty (the "**Royalty**," "**Royalty Fee**" or "**Royalties**") ~~out of the Gross Sales (as herein defined) arising from or in connection with the operation of the Business,~~ equal to the greater of six percent (6%) of Gross Sales or a minimum royalty fee as set forth in the table below:

<del>Year of Operation</del> <del>of Franchise</del>	<del>Monthly</del> <u>Weekly</u> Minimum Royalty Fee
Year 1	<del>\$600.00</del> <u>140</u>
Year 2	<del>\$800.00</del> <u>185</u>
Year 3	<del>\$1,000.00</del> <u>230</u>
Year 4	<del>\$1,500.00</del> <u>345</u>
Years 5 <del>to</del> <u>and after</u>	<del>\$2,000.00</del> <u>460</u>

(i) Royalties are due and payable weekly throughout the entire term of this Agreement, commencing on the earlier of Franchisee's commencement of operations or a date 3 months after the ~~Franchisee begins presales~~ Effective Date, even if the Business has no revenue. Franchisor has the right to

change the payment due date or change the frequency of payment so long as Franchisor provides Franchisee at least sixty (60) days advance notice of such changes.

~~Royalties shall be due and payable weekly, as provided in Section 5.1 below.~~ (ii) If, at any time, a state or other governmental authority ~~shall impose~~ imposes a tax on the Gross Sales or any other service receipts of Franchisor (but excluding any tax based on Franchisor's net income), the ~~Royalties rate~~ Royalty Fee shall be increased so that the net Royalties payable to Franchisor, after payment of such tax, shall equal to the applicable rate charged of Franchisee's Gross Sales. ~~Moreover, if~~

(iii) If Franchisee breaches the Agreement and does not cure the breach within the time set forth in Franchisor's Notice of Default, Franchisee shall pay Franchisor ~~royalties~~ Royalties at the rate of Ten Percent (10%) of Gross Sales until such time as the default at issue is cured or Franchisor, at its sole discretion, chooses to terminate this Agreement. (The Royalties paid or owing to Franchisor with respect to the period in which Franchisee is in breach are referred to as "**Breaching Royalties**.")

(iv) Franchisor and Franchisee agree that the Royalties described herein shall be in consideration of Franchisee's use, pursuant to this Agreement, of such business processes, trade secrets, know-how, trade names, trademarks, service marks, logos, emblems, trade dress and the intellectual property identified from time to time by Franchisor as comprising the System. Franchisee acknowledges and agrees that its obligation to pay the Royalties described herein shall not be predicated or conditioned upon the validity of any trademark or copyright claimed by Franchisor and used in the System. Franchisee acknowledges and agrees that no portion of the Royalties shall be attributable to any specific item of intellectual property, such as a copyright or trademark, as distinct from the System. In the event that a court of competent jurisdiction determines that an apportionment of the Royalties is necessary or appropriate, any copyright license granted to Franchisee hereunder shall be deemed to be royalty free and made in consideration of the goodwill generated by Franchisee's proper use of the Marks and System.

**4.3. Marketing Fund Contribution.** ~~Marketing Fund Contribution.~~ Franchisee shall pay weekly to the marketing, advertising and promotion fund for the System ("**Marketing Fund**") an advertising fee in an amount specified by Franchisor ("**Marketing Fund Contribution**"), which shall not exceed two percent (2%) of the preceding week's Gross Sales. The Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in **Section 11.2**, and Marketing Fund Contributions shall be due and payable weekly, as provided in **Section 5.1** below.

**4.4. Definition of Gross Sales.** As used in this Agreement, "**Gross Sales**" means the total of all monies and receipts derived by Franchisee ~~from sale of products or services~~ in connection with the Business, and from all other business using the Marks, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property, or services, including (without limitation) all proceeds received from any business interruption insurance policy. Moreover, Gross Sales shall include all commissions, finder's fees, referral fees, construction management fees or other compensation received by Franchisee arising in any way from the operations of the Business. (For purposes of this paragraph, the term "**Franchisee**" includes its owners and officers as well as any business entity through which the Business is operated.) Gross Sales does not include (i) promotional allowances or rebates paid to Franchisee in connection with its purchase of products or supplies; (ii) sales, use, merchants' or other taxes measured on the basis of the gross revenues of the Business imposed by governmental authorities directly on sales or use and collected from customers, provided that the taxes are

added to the selling price of Franchisee's goods and services and are in fact paid by Franchisee to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by Franchisor, or any bona fide discounts or customer refunds approved by Franchisor. For purposes of reporting Gross Sales, all revenues must be recorded upon receipt and any approved refunds to customers shall be deducted from revenues when the refund is tendered.

**4.5. Estimated Gross Sales If Franchisee Does Not Report.** If Franchisee fails to submit to Franchisor, by 12:00 p.m. Eastern Time on Tuesday of each week, a ~~Statement~~statement of Gross Sales for the prior week ending on Saturday (the "**Business Week**") as required by **Section 6.23(i)**, then Franchisee will be assessed a \$100 late charge per ~~delinquent operating~~ statement, per week, or part thereof, until each delinquent ~~operating~~ statement has been ~~delivered~~submitted. In addition, if ~~Franchisee fails to timely submit a statement of Gross Sales for any period. Franchisor may, for the delinquent operating statement is not delivered by 12:00 p.m. Eastern Time on the Wednesday of the applicable week then purposes of calculating and collecting any payments due under Sections 4 and 5 hereof, estimate the amount to be paid pursuant to Section 5.1, and drawn against of Franchisee's bank account, pursuant to Section 5.2, for the Royalties, Call Center Fee, Technology Fee and Marketing Fund Contributions with respect to the prior Business Week will be the Gross Sales for such period based on any information in its possession that it believes allows it to approximate the actual amount drawn the previous week plus 2%, as an estimate of the prior Business Week's Royalties, Call Center Fee, Technology Fee and Marketing Fund Contributions. These provisions may not be enforced if the delay in providing the operating report was caused by Franchisor, and of Gross Sales achieved by Franchisee for such period.~~ Franchisor will not ~~unreasonably withhold~~ its consent for reasonable extensions in submitting the Statement of time to submit a statement of Gross Sales ~~as long as all Royalty Fees and other continuing fees are paid by their Due Date.~~

**4.6. Call Center Fee.** Franchisee shall pay Franchisor a ~~\$125~~\$140 per week or 1% of Gross Sales per week (whichever is greater) call center fee (the "**Call Center Fee**"). ~~The Call Center Fee will be collected weekly. As of the date of this Agreement, the Call Center Fee is limited to a maximum of \$290 per week. In addition, Franchisee shall pay \$5 per call received by the call center relating to appointments missed by Franchisee or service complaints. Franchisor reserves the right to modify or increase the minimum or maximum amounts, calculation or timing of the Call Center Fee periodically during the term of this Agreement, upon written notice to Franchisee.~~

**4.7. Technology Fee/Fees.** Franchisee shall pay Franchisor an initial ~~Technology Fee~~technology fee of \$2,500.~~00~~ upon signing this Agreement, ~~and for technology solutions to be used in the operation of the Franchised Business. During the term of the Agreement, Franchisee shall also pay Franchisor a weekly technology fee of \$75.00 (the "(the "Technology Fee"). As of the date of this Agreement, the Technology Fee is \$125. Franchisor reserves the right to modify or increase the amount, calculation or timing of the Technology Fee).~~ periodically during the term of this Agreement, upon written notice to Franchisee.

**4.8. Job Proposal/Estimating Software Fee.** Franchisee shall pay to the approved supplier designated by Franchisor the fee charged by the supplier for ~~the~~ software that ~~will assist~~assists in estimating the cost of potential jobs, currently \$35.~~00~~ per month. The amount and timing of these fees are determined by the approved supplier and may vary during the Term.

## 5. PAYMENTS OF FEES; LATE PAYMENT

**5.1. Payment of Fees.** Franchisee shall pay to Franchisor, by 12:00 p.m. Eastern Time on Tuesday of each week, the Royalties, Call Center Fee, Technology Fee and Marketing Fund Contributions due to the Franchisor under this Agreement with respect to the prior week. Royalties, Call Center Fees, Technology Fees and Marketing Fund Contributions ~~shall be~~are nonrefundable. If the date for any payment hereunder falls on a day on which commercial banks are authorized or required by law to close in the state where Franchisor maintains its principal place of business, such payment shall be made on the next day during which such commercial banks are open for business. Franchisor has the right to change the payment due date or change the frequency of payment so long as Franchisor provides Franchisee at least sixty (60) days advance notice of such changes.

**5.2. Automated Bank Draft.** Franchisee understands and agrees ~~that Franchisor reserves the right and may require, in its sole discretion,~~ that all Royalties, Call Center Fees, Technology Fees, Marketing Fund Contributions, Advertising Cooperative (as defined below) contributions and other fees or contributions required to be paid to Franchisor or any Advertising Cooperative hereunder must be paid by automated bank draft or other reasonable means necessary to ensure payment of such fees are received by Franchisor or the appropriate Advertising Cooperative, as Franchisor determines appropriate from time to time. Franchisee must execute the "ACH Authorization" which is attached to this Agreement as Exhibit C-8. Franchisee agrees to comply with Franchisor's payment instructions and to execute such other documents as Franchisor may request from time to time to provide Franchisee's unconditional and irrevocable authority and direction to its bank authorizing and directing Franchisee's bank to pay and deposit directly to the account designated by Franchisor all Royalties, Call Center Fees, Technology Fees, Marketing Fund Contribution, Advertising Cooperative contributions and other fees or contributions due hereunder. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor for the preceding week just ended. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the automated bank draft system. Once such a system is established, Franchisee shall not close the account from which automated bank drafts are being withdrawn without Franchisor's written consent.

**5.3. Late Payments and Insufficient Funds.** All overdue payments for Royalties, Call Center Fees, Technology Fees, Marketing Fund Contributions and other fees required to be paid hereunder shall bear interest from the date due at the rate of 1.5% per month, or the highest rate permitted by law, whichever is less. Interest shall accrue on all late payments regardless of whether Franchisor exercises its right to terminate this Agreement as provided for herein. In addition to its right to charge interest as provided herein, Franchisor may charge Franchisee a ~~\$100.00~~ late payment fee, or the maximum amount permitted by applicable law, for all such overdue payments and a ~~\$100.00~~ insufficient funds fee for each check, automated bank draft payment, or other payment method that is not honored by Franchisee's financial institution. Franchisee acknowledges that Franchisor has the right to set-off amounts Franchisee owes Franchisor against any amounts Franchisor may owe Franchisee.

**5.4. Application of Payments.** Notwithstanding any designation by Franchisee to the contrary, all payments made by Franchisee hereunder will be applied by Franchisor at its discretion to any of Franchisee's past due indebtedness.

## 6. RECORDS, REPORTS AND AUDITS

**6.1. ~~Bookkeeping and Accounting Records.~~** Franchisee shall establish and maintain bookkeeping, accounting ~~and~~, financial and/or operations records for the Business conforming to such requirements as are prescribed by Franchisor in the Operations Manual (as defined below) from time to time (the “**Accounting Records**”). In the event that Franchisor establishes (or modifies) a computerized bookkeeping ~~or~~, accounting and/or operations system for its franchisees, Franchisee agrees to utilize such systems, pay all reasonable fees charged by ~~Franchisors~~Franchisor or others for the use of such systems, purchase or lease all computer hardware and software required for such systems, and permit Franchisor to access such records by computer from a remote location. Franchisee acknowledges and agrees that if Franchisor is required or permitted by statute, rule, regulation or any other legal requirement to disclose any information regarding Franchisee or the operation of the Business, including, without limitation, earnings or other financial information, Franchisor shall be entitled to disclose such information. In addition, Franchisee hereby expressly permits Franchisor to disclose any such information to potential purchasers (and their employees, agents, and representatives) of Franchisor or the Business in connection with the sale or transfer of any equity interests or assets of Franchisor, Franchisee or the Business, or any merger, reorganization or similar restructuring of Franchisor.

**6.2. Business Records.** Franchisee agrees to establish and maintain a record-keeping system for the Business conforming to such requirements as are prescribed by Franchisor in its Operations Manual from time to time (the “**Business Records**”). Among other things, such record-keeping system shall include a complete record of all work performed in connection with the Business (including copies of all estimates, proposals and contracts) and a complete listing of all work performed by any sub-contractors engaged by Franchisee (including copies of all contracts, invoices or statements).

**6.3. Financial and Operations Reports.** Franchisee must provide Franchisor with ~~those~~such periodic financial and operations reports in the form and manner required by Franchisor from time to time (the “**Financial Reports**”). Franchisee’s current reporting obligations include the following:

(i) A statement of Gross Sales for the prior Business Week, in the form required by Franchisor to be delivered with each payment of the Royalties, Call Center Fee, Technology Fee and Marketing Fund Contribution, by no later than by 12:00 p.m. Eastern Time on Tuesday of each week;

(ii) A monthly unaudited balance sheet and profit and loss statement in a form satisfactory to Franchisor covering Franchisee’s business for the prior month and fiscal year to date, all of which shall be certified by Franchisee as true and correct and delivered to Franchisor no later than the 21st day of each month;

(iii) Annual financial statements compiled or reviewed by an independent certified public accountant in a form satisfactory to Franchisor no later than January 15th of the year after the most recently completed fiscal year, which shall include a statement of income and retained earnings, a statement of cash flows, and a balance sheet of Franchisee, all for the fiscal year then ended. Franchisor shall have the right at any time to require audited annual statements to be provided to it; provided that Franchisor shall reimburse Franchisee for its increased accounting fees attributable to Franchisor’s imposition of this requirement;

(iv) An annual copy of Franchisee's signed 1120 or 1120S tax form and/or a Schedule C federal tax filing concerning the Business as filed with the Internal Revenue Service (or any forms which take the place of those forms), and all other federal, state and local sales, use and income tax reports Franchisee is required to file relating to the Business, all to be delivered within 30 days after filing; and

(v) A monthly statement of local advertising expenditures made pursuant to **Section 11.3** below ~~for each calendar quarter and fiscal year to date~~, in a form satisfactory to Franchisor, to be delivered ~~within thirty (30) days after to Franchisor no later than the end~~ 21st day of each ~~calendar quarter~~ month; and

(vi) All reports or other information required to be submitted under this **Section 6.3** shall be submitted to the attention of Franchisor's ~~franchise accounting~~ department. If any of the reports or other information required to be given to Franchisor in accordance with this Section are not received by Franchisor by the required deadline, Franchisor may charge Franchisee a late submission fee equal to ~~\$50.00-100 per report, per week~~.

**6.4. Inspection and Audit.** Franchisor, through its employees and any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee, enter and inspect the assets used in connection with the Business and examine the Accounting Records, Business Records, all Financial Reports that Franchisee is required to submit under **Section 6.3** (including, but not limited, to all tax returns concerning the Business), as well as all documents relating thereto, and any other information, records or properties relating to the ownership, management or operation of the Business, to determine whether Franchisee has complied with the terms of this Agreement. Franchisor shall also have the right to videotape, photograph or otherwise record the operation of the Business as part of any such inspection. Franchisee shall cooperate with Franchisor in any such inspection and shall make Franchisee's personnel and assets available to Franchisor as may be necessary to carry out such inspection.

Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with any provision of this Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation the cost of travel, meals and lodging for, and compensation of, Franchisor's employees and agents.

Without limiting the foregoing, Franchisor may audit or cause to be audited any statement Franchisee is required to submit pursuant to **Section 6.3**, and Franchisor may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by Franchisee in connection with the Business. If any such audit or review discloses an understatement of the Gross Sales for any period or periods, Franchisee shall pay to Franchisor, within 14 days after demand for payment is made, all additional Royalties, Call Center Fees, Technology Fees, Marketing Fund Contributions or other amounts required to be paid based upon the results of such audit or review, plus interest from the date such amount was due until paid at the rate of 1.5% per month or the maximum rate permitted by law, whichever is less.

In addition, if such understatement for any period or periods is three percent (3%) or more of the Gross Sales for such period or periods, Franchisee shall reimburse Franchisor for the cost of such audit or review, including without limitation the charges of any independent accountant and the cost of travel, meals and lodging for, and compensation of, such accountant and employees or other agents of Franchisor. Moreover, in addition to any other rights it may have, Franchisor may conduct such further periodic audits and/or examinations of

Franchisee's books and records as Franchisor reasonably deems necessary for up to two years thereafter and the costs for such further audits and/or examination (as described herein) shall be at Franchisee's sole expense.

In order to verify the information supplied by the Franchisee, Franchisor may reconstruct Franchisee's sales through any reasonable method of analyzing and reconstructing sales. Franchisee agrees to accept any such reconstruction of sales unless Franchisee, within 14 days from the date of the notice of understatement or variance, provides evidence of Franchisee's sales during the relevant period in a form satisfactory to Franchisor.

The foregoing remedies shall be in addition to any other remedies Franchisor may have, and this **Section 6.4** shall survive the expiration or any earlier termination of this Agreement.

**6.5. Credit and Trade References.** Franchisee hereby authorizes Franchisor to make inquiries of Franchisee's bankers, suppliers and other trade creditors as to their dealings with Franchisee in relation to the Business, to discuss the affairs, finances and accounts of the Business and to obtain information and copies of invoices relating to sales or other dealings with all such persons and Franchisee in any way relating to the Business. By its execution hereof, Franchisee authorizes and directs such bankers, suppliers and other trade creditors to discuss with Franchisor the affairs, finances and accounts of the Business. Moreover, Franchisee agrees, upon the request of Franchisor, to execute and deliver such documents as are required to permit such bankers, suppliers or other trade creditors to release or disclose any such information and/or documents to Franchisor.

## **7. OPERATIONS MANUAL**

During the term of this Agreement, Franchisor will loan to Franchisee one copy of, or provide Franchisee with electronic access to, Franchisor's confidential operations manual (the "**Operations Manual**"), which may consist of printed manuals, computerized documents or software, information provided on the internet or an extranet, audiotapes, videotapes, or any other medium Franchisor adopts periodically for use with the ~~360° Painting~~ System and designates as part of the Operations Manual. The Operations Manual will contain information and specifications concerning the mandatory standards and specifications for the development and operation of the Business and any other information and advice Franchisor may periodically provide to its franchisees. Franchisor may update and change the Operations Manual periodically to reflect changes in the ~~360° Painting~~ System and the operating requirements applicable to 360° Painting Businesses, and Franchisee expressly agrees to comply with each requirement within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the requirement. The cost of implementing changes, updates or modifications to the System as called for in the Operations Manual shall be borne exclusively by Franchisee. Franchisee shall at all times ensure that its copy of the Operations Manual and any other confidential materials supplied by Franchisor to Franchisee are kept current and up to date. Franchisee must keep any printed Operations Manual in a secure location at the Business, and must restrict employee access to the Operations Manual on a need to know basis, and take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Operations Manual. If Franchisor and Franchisee have any disagreement about the most current contents of the Operations Manual, Franchisor's master copy of the Operations Manual will control. Upon the expiration or termination of this Agreement for any reason, Franchisee must return all copies of the Operations Manual to Franchisor, and upon Franchisor's request, certify to Franchisor that Franchisee has not kept any copies in any medium. The Operations Manual is confidential, copyrighted and Franchisor's exclusive property.

## **8. MODIFICATIONS OR IMPROVEMENTS TO THE ~~360° PAINTING~~ SYSTEM**



**8.1. Modification by Franchisor.** Franchisee recognizes and agrees that from time to time hereafter, Franchisor shall change, modify or improve aspects of the ~~360° Painting~~ System, including, without limitation, modifications to the Operations Manual, the required Vehicle(s), equipment, tools, software, processes and systems to support the business, the products and services offered for sale, the signage, the presentation and usage of the Marks, and the adoption and use of new, modified or substituted Marks or other proprietary materials. Franchisee agrees to accept, use and/or display for the purposes of this Agreement any such changes, modifications or improvements to the ~~360° Painting~~ System, including, without limitation the adoption of new, modified or substituted Marks, as if they were part of the ~~360° Painting~~ System as of the Effective Date, and Franchisee agrees to make such expenditures as such changes, modifications or improvements to the ~~360° Painting~~ System may require. For purposes of this Agreement, all references to the ~~360° Painting~~ System shall include such future changes, modifications and improvements. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in this Agreement. However, Franchisor will not require Franchisee to replace any previously approved Vehicle for three (3) years after Franchisee places it into service unless Franchisee fails to properly maintain the Vehicle or there is a substantial safety or mechanical defect in the Vehicle.

**8.2. Modification by Franchisee.** If Franchisee develops any new modification, concept, process, improvement or slogan in the operation or promotion of the Business or to the ~~360° Painting~~ System, the same shall be deemed a work made for hire, and Franchisee shall promptly notify Franchisor of, and provide Franchisor with all necessary information, regarding such modification, concept, process, improvement or slogan. Franchisee acknowledges that any such modification, concept, process, improvement or slogan shall become Franchisor's sole and exclusive property and that Franchisor may use or allow other franchisees to use the same in connection with the ~~360° Painting~~ System or the operation of 360° Painting Businesses; ~~provided, however, that Franchisor will provide Franchisee with reasonable, without providing any compensation if Franchisor decides to incorporate into the 360° Painting System a substantial modification, concept, process, or improvement, or any slogan or derivative service mark, developed by Franchisee.~~

## **9. OBLIGATIONS OF FRANCHISEE**

Franchisee recognizes the mutual benefit to Franchisee, Franchisor and other franchisees of the ~~360° Painting~~ System of the uniformity of the appearance, services, products and advertising of the ~~360° Painting~~ System and acknowledges and agrees that such uniformities are necessary for the successful operation of 360° Painting Businesses. To this end, Franchisee covenants and warrants with respect to the operation of the Business that Franchisee and its employees and agents will comply with all of the requirements of the ~~360° Painting~~ System and the Operations Manual and will throughout the term of this Agreement:

**9.1. Standards & Specifications.** Operate the Business and sell and offer all products and services sold or offered ~~thereby~~ hereby in accordance with the specifications, standards, business practices and policies of Franchisor now in effect or hereafter promulgated, and comply with all requirements of Franchisor, the ~~360° Painting~~ System and the Operations Manual as they are now or hereafter established, including, without limitation, any customer service, marketing, environmental, safety, and cleanliness standards and specifications. Franchisor and its duly authorized representatives shall have the right, if they so elect, at all reasonable times, to inspect the Business to ensure that Franchisee is complying with such specifications, standards, business practices and procedures, policies and requirements and to test and inspect any and all equipment, tools, systems and products used in connection with the operation of the Business, including,



without limitation, the vehicle(s) used by Franchisee and its agents in operating the business ("**Vehicles**"). If Franchisee in any way shall fail to maintain the standards of quality for the products and services as established by Franchisor from time to time, Franchisor shall notify Franchisee in writing of the failure and give Franchisee 10 days in which to cure such failure. If Franchisee fails to cure such failure within such 10-day period, Franchisor shall, in addition to any other remedy available to it, have the right to assign to the Business such persons as it deems necessary for the training of Franchisee's employees to ensure that the standards of quality for the products and services are maintained. Franchisee shall reimburse Franchisor for all costs associated with providing such personnel, including costs of transportation, meals, lodging, salaries, wages and other compensation (including fringe benefits).

~~1.2 Offer and sell all products and services at the prices Franchisor may specify from time to time in its reasonable business judgment.~~

**9.2. Pricing.** Franchisor may, from time to time, suggest pricing policies. Franchisee has the sole and exclusive right to set the minimum prices Franchisee charges for the products and services offered by Franchisee. Suggested pricing policies are not mandatory. Franchisor retains the right to establish maximum prices to be charged by Franchisee for sales promotions, to the extent permitted by law.

**9.2.9.3. Maintenance & Appearance.** Maintain at all times, at its expense, the Business and the Vehicles, machinery, equipment and tools, and if Franchisee leases or owns any real property in connection with the Business, any fixtures, furnishings, furniture, décor, premises, parking areas, landscape areas, and interior and exterior signs, in an excellent, clean, attractive and safe condition in conformity with the Operations Manual and Franchisor's high standards and public image. Franchisee shall promptly make all repairs and replacements thereto as may be required to keep the Business and the Vehicles in the highest degree of safety, repair and condition and to maintain maximum efficiency and productivity, and to remain in compliance with Franchisor's standards. If Franchisor changes its image or standards of operation with respect to the Business or the Vehicles, Franchisee expressly agrees to comply at its expense with each change within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the change. The cost of replacing the Vehicles, machinery, equipment and tools shall be borne exclusively by Franchisee.

**9.3.9.4. Compliance with Laws.** Comply with all applicable laws, rules, ordinances and regulations that affect or otherwise concern the Business or the Vehicles, including, without limitation, vehicle registration, zoning, disability access, signage, fire and safety, security, fictitious name registrations, sales tax registration, environmental regulations, warranty contract requirements, and health and sanitation. Franchisee will be solely responsible for obtaining any and all licenses and permits required to operate the Business and the Vehicles (including, but not limited to, home improvement contractor licenses) and maintaining records demonstrating such compliance. Franchisor will not provide legal advice to Franchisee or otherwise be responsible to Franchisee for determining the applicability of or compliance with applicable law and Franchisee acknowledges and agrees that any communication between Franchisor and Franchisee relating to compliance with any of these laws shall be conclusively presumed to be only general educational information and that Franchisee's failure to obtain specific, professional third-party advice on such issues shall be unreasonable. Franchisee must ~~immediately~~ forward to Franchisor any inspection reports or correspondence stating that Franchisee is not in compliance with any such laws, rules, ordinances and regulations to Franchisor within 24 hours of Franchisee's receipt of such report or correspondence.

**9.4.9.5. Legal Proceedings.** Franchisee will notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceedings and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, against Franchisee or any of Franchisee's properties, or of which Franchisee becomes aware, which may adversely affect the Franchisee's financial condition or ability to meet its obligations hereunder.

**9.5.9.6. Capacity & Efficiency.** Maintain sufficient inventories and employ sufficient qualified employees to operate the Business at its maximum capacity and efficiency at such hours or days as Franchisor shall designate or approve in the Operations Manual or otherwise, and operate the Business for such hours or days so designated or approved by Franchisor. Franchisee acknowledges that it is solely responsible for all aspects of hiring, compensating and (when necessary) firing its employees.

**9.6.9.7. Uniforms.** Require all employees of the Business to wear apparel conforming to the specifications, design, and standards Franchisor may from time to time designate in the Operations Manual or otherwise.

**9.7.9.8. Employee Conduct & Appearance.** Require all employees of the Business to conduct themselves at all times in a competent and courteous manner and use best efforts to ensure that its employees maintain a neat and clean appearance and render competent, sober and courteous service to customers of the Business. Franchisor shall have no control over Franchisee's employees, including, without limitation, work hours, wages, hiring or firing.

**9.8.9.9. Customer Service.** Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee ~~shall endeavor to~~ **must** maintain high standards of quality and service in the operation of the Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Business. ~~and Franchisor may periodically adopt or modify standards relating to any aspect of customer service and Franchisee agrees to comply with any such standards.~~ The Business shall in all dealings with its customers, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle ~~or resolve (in a manner that meets Franchisor's standards)~~ a customer complaint, Franchisor has the right to intervene and ~~satisfy the address such~~ customer ~~complaint (as Franchisor may deem appropriate).~~ Franchisor has the right to terminate this Agreement for repeated ~~violation~~ **violations** of this **Section 9.9**. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in providing or arranging service for a customer of the Business pursuant to this **Section 9.9**.

**9.9.9.10. Approved Suppliers and Rebates.** Use only those products, supplies, Vehicles, equipment and tools that conform to the standards and specifications designated by Franchisor in the Operations Manual or otherwise. From time to time, Franchisor may designate approved suppliers, including itself or its affiliates, whose enumerated products or services shall be deemed to satisfy Franchisor's standards. Unless otherwise required by Franchisor, or if Franchisor designates an exclusive designated supplier, Franchisee may purchase any and all products, supplies, Vehicles, equipment and tools from any available source, so long as such products, supplies, Vehicles, equipment and tools conform to the standards and specifications established by Franchisor. If Franchisor designates itself as a supplier, Franchisor has the right to earn a profit on any items it supplies. Franchisor and its affiliates may receive payments, discounts or other consideration from suppliers in consideration of such suppliers' dealings with Franchisee and/or the system of 360<sup>2</sup> Painting franchisees, and may use all amounts received by it without restriction. Franchisor is not required to give Franchisee an accounting of supplier payments or to share the benefit of supplier payments with Franchisee or other 360<sup>2</sup> Painting franchisees. Moreover, Franchisee acknowledges and agrees that 360<sup>2</sup> Painting will not be liable for any losses (financial or otherwise) or damages including consequential or special damages, resulting from any delay in delivery or availability of any of the products or services designated by 360<sup>2</sup> Painting. ~~Painting. Franchisee is responsible for verifying and ensuring the any products or services it uses in the operation of the Business comply with applicable law. In the event that Franchisee determines that any product of an approved or designated supplier does not comply with applicable law, Franchisee may propose an alternate product or supplier in writing and Franchisor shall approve or disapprove such alternate product or supplier within 10 business days.~~

**9.10.9.11. Trade Dress.** Prominently display on the Vehicles or on any real property owned or leased by Franchisee in connection with the Business the name “360<sup>o</sup>-PAINTING Painting” using signs, decals or paint patterns, of such nature, form, color, number, location and size, and containing such material as Franchisor may from time to time reasonably direct or approve in writing; and not display on the Vehicles or in the Business or elsewhere any sign, decal or advertising media of any kind to which Franchisor reasonably objects. Franchisor or its authorized representatives may at any time during normal business hours inspect the Vehicles or enter the Business and remove any objectionable signs, decals or advertising media.

**9.11.9.12. Vehicles Exclusively for Use in Business.** Use Franchisee’s best and continuing efforts to fully promote and develop the Business and use the Vehicles only for the purposes designated in this Agreement and avoid any activities that would conflict or interfere with or be detrimental to such purposes.

**9.12.9.13. Products & Services Offered.** Sell or offer only those products and services from the Vehicles or the Business specified by Franchisor from time to time in the Operations Manual or otherwise.

**9.13.9.14. Full-Time & Best Efforts.** Ensure that an individual who has completed the initial training program described in **Section 4.15.1** below (the “Manager”) devotes his or her full-time efforts to the management of the day-to-day operation of the Business. “Full-time” means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Manager.

**9.14.9.15. Participation in Promotions.** Participate in all national, regional or local advertising and promotional activities Franchisor requires. Franchisee understands that Franchisor implements promotions such as discount coupons and other activities intended to enhance customer awareness for 360<sup>o</sup> Painting Businesses on a national, regional or local level. Franchisee understands that its participation in these programs is essential to its success and that its participation may entail some cost to Franchisee. Franchisee agrees that Franchisor has no obligation to reimburse Franchisee for any costs it incurs due to its mandatory participation in these special promotional programs.

**9.15.9.16. Paying Vendors.** Franchisee will pay on a timely basis for all supplies, materials and expenses incurred in the operation of the Business. Franchisee is aware that it is responsible for all operating, selling and general and administrative expenses of the Business, and that failure to make prompt payments to its suppliers, vendors, contractors or employees may cause irreparable harm to the reputation and credit of Franchisor and other franchisees.

**9.16.9.17. Required Warranty.** The Franchisee will offer and honor a two-year warranty (or longer if based on and commensurate with manufacturer warranty) on all materials and workmanship performed by Franchisee for each of its customers, at its own cost, including all costs regarding Franchisee’s obligations upon termination of this Agreement, as the terms of such warranty may be established by Franchisor from time to time and subject to whatever requirements may apply under applicable law. Franchisee shall cooperate with 360<sup>o</sup> Painting in all warranty claims and shall make no statements or admissions as to liability. Franchisee shall promptly report all warranty claims to 360<sup>o</sup> Painting and shall undertake all warranty workmanship under the Marks. In the event that Franchisee fails to honor, rejects or otherwise respond to a customer warranty claim for which Franchisor, in the exercise of its business judgment, determines that coverage is required or

appropriate in order to protect or preserve the goodwill in the Marks or the reputation of Franchisor, Franchisee or the System, Franchisor shall have the right to resolve such claim and Franchisee shall reimburse Franchisor any cost related to resolving such claim immediately on demand (which may be initiated by Franchisor, as provided in Section 5.2, above). In addition, any rejection or failure to honor or otherwise respond to a customer warranty claim for which Franchisor, in the exercise of its business judgment, determines that coverage is required or appropriate in order to protect or preserve the goodwill in the Marks or the reputation of Franchisor, Franchisee or the System shall be deemed a default under this Agreement and Franchisee's reimbursement of Franchisor's costs shall be in addition to any other rights Franchisor may have under this Agreement, including its right to terminate this Agreement under Section 23.2(xxii).

**9.17.9.18. Vehicles.** Purchase or lease a sufficient number of the Vehicles to service the Protected Territory and meet actual customer demand. Each Vehicle must comply with Franchisor's requirements as to make and model, as set forth in the Operations Manual or in other directives from Franchisor, and shall be painted in accordance with, and equipped with inventory, tools and supplies complying with, Franchisor's specifications, all at Franchisee's sole cost and expense. Franchisee shall, at its own cost and expense, make the Vehicles available for inspection by Franchisor at any place within the Protected Territory as the parties may reasonably agree. Franchisee shall not permit the Vehicles to be operated at any time other than in connection with performing 360<sup>2</sup> Painting services.

**9.18.9.19. Customers Outside of Protected Territory.** If a potential client outside the Protected Territory requests the services of Franchisee, Franchisee shall promptly refer such potential client to Franchisor or the 360<sup>2</sup> Painting franchisee that operates in the territory where such potential client's principal place of business is geographically located. If no 360<sup>2</sup> Painting franchisee operates in such territory, Franchisee must promptly refer such potential client to Franchisor. Following such referral, if Franchisor determines that no 360<sup>2</sup> Painting franchisee operates in the geographic area where such client's principal place of business is geographically located, Franchisor may (but is not obligated to) by written notice to Franchisee allow Franchisee to perform the requested services for such potential client. Franchisor's permission, if granted, for Franchisee to provide service to any potential client outside of the Protected Territory shall not be deemed to grant Franchisee any rights to provide service such potential client, or any other clients located outside of the Protected Territory, on an on-going basis. Franchisee specifically acknowledges that Franchisor (without providing any compensation to Franchisee) may grant one or more franchises the right to service clients located outside of the Protected Territory, regardless of whether Franchisee has previously provided services to such clients.

**9.19.9.20. Responsibility for Contractors.** Franchisee agrees to cause any third party sub-contractors engaged by Franchisee to perform work on behalf of Franchisee in respect of the Business to comply with all applicable requirements of this **Section 9**, including but not limited to the quality and performance standards required of Franchisee, as well as the insurance requirements set forth in **Section 4819.2** herein.

**9.21. Call Center.** Franchisor maintains a call center for the purpose of providing centralized customer service and scheduling for all businesses operating under the System and the Marks. Franchisee must utilize this call center exclusively, comply with any rules and regulations adopted by Franchisor (in the Operations Manual or otherwise) governing the call center and pay the fees described in Section 4.6, above.

## 10. POINT OF SALE SYSTEM AND INFORMATION TECHNOLOGY

**10.1. Hardware and Software Programs.** Franchisor may establish and maintain, and require Franchisee to use, such computer hardware and software programs and databases (including, but not limited to, email accounts and platforms) as it deems advisable from time to time, which may include software programs to assist in accounting, customer service, marketing, operations or management functions of the Business, in the form and configuration determined by Franchisor in its sole discretion (collectively, “**Computer Programs**”). Franchisee acknowledges and agrees that any Computer Program may allow Franchisor to have, and may require Franchisee to provide, continuous remote access, at Franchisee’s expense, to any of the information stored in or compiled by any Computer Program. Franchisee acknowledges that any and all information relating to the Business must be provided by Franchisee in the form and manner as Franchisor may require from time to time. Any Computer Program may require that Franchisee enter into a software license agreement and/or pay a fee to the software provider or to Franchisor, which may vary throughout the term of this Agreement. Any fees Franchisee must pay to Franchisor for such Computer Program will be intended to reimburse Franchisor for its costs of providing the Computer Program. Franchisee, at its expense, must purchase and use an estimating, computerized cash collection, and data processing system (the “**POS System**”) that meets the standards and specifications provided by Franchisor from time to time in the Operations Manual or otherwise. Franchisee must enter all sales and other information Franchisor requires in the POS System. Franchisor may periodically require Franchisee, at its expense, to upgrade ~~or~~, update or replace the POS System to remain in compliance with the standards and specifications required by Franchisor. Franchisee, at its expense, must maintain the POS System in good working order and connected to any telephone system or computer network that Franchisor requires. Franchisor may require Franchisee, at its expense, to configure and connect the POS System to Franchisor’s systems to provide Franchisor with continuous real-time access to all information and data stored on the POS System. Franchisor may require Franchisee to pay Franchisor or its designated third parties reasonable fees to support and upgrade the POS System and a reasonable fee to Franchisor or its designated third party for polling or collecting data from the POS System. In addition to the POS System, Franchisee, at its expense, must equip the Business with the computer hardware and software that Franchisor specifies periodically and maintain access to the Internet or other computer network(s) that Franchisor specifies. Franchisee shall purchase a laptop computer ~~(not a Mac)~~ that is approved by Franchisor and converts into a tablet. In addition, Franchisee, at its expense, must also apply for and maintain other credit card, debit card or other non-cash payment systems that Franchisor periodically requires.

**10.2. Access to Data.** Franchisee acknowledges that Franchisor will have independent access to certain financial and other information of Franchisee that is stored electronically. During the term of this Agreement and any subsequent franchise agreement between Franchisor and Franchisee, Franchisor will not disclose to any third party any specific financial or other information directly associated with Franchisee or the Business unless authorized by Franchisee. Franchisor may, however, disclose such information to its employees, attorneys, accountants, consultants, agents and others retained or employed by it who have a need to know such information in order to facilitate the administration of the relationship between Franchisee and Franchisor, or to comply with applicable law, court orders or accounting rules. During the term of this Agreement, Franchisee agrees that Franchisor may collect and disclose to other franchisees operating in the System data relating to Franchisee’s operation of the Business for the purpose of benchmarking or performance recognition. Franchisee acknowledges that after the termination of this Agreement or any subsequent franchise agreement between Franchisor and Franchisee, Franchisor may release such information to other franchisees

and prospective franchisees. Franchisor's obligations pursuant to this Section 10.2 will in no way restrict its right to compile aggregate data for research and other purposes and to use or disclose such aggregate data. Franchisee acknowledges that Franchisor may require Franchisee to enter into a software license agreement whereby Franchisee will record and store data on a server hosted by a third party, and that such third-party may also have access to such data as may be necessary to perform such third party's obligations under the software license agreement.

## 11. ADVERTISING

**11.1. Grand Opening.** Franchisee, at its sole expense, must develop and implement a grand opening promotion approved by Franchisor to introduce ~~or (if Franchisee is purchasing an existing Business) to re-introduce~~ the Business to the public ~~during the period that is beginning~~ 30 days prior ~~and to opening and continuing until~~ 60 days after the opening of the Business ~~or (the "Grand Opening Period"). If you are converting an existing business to a 360 Painting, the Grand Opening Period shall begin 30 days prior to and continue for 60 days after the transfer of your commencement of the Business (if operations as a 360 Painting, Franchisee is purchasing an existing Business). Franchisee is required to must~~ spend ~~a minimum of \$10~~ at least \$15,000 for the grand opening promotion ~~within the first three months of operation during the Grand Opening Period.~~ To the extent Franchisor has developed or approved marketing or advertising programs and materials for the Business's grand opening, Franchisee must use such programs and materials. Franchisor will ~~provide~~ consult with Franchisee ~~with assistance~~ in planning the Grand Opening promotional campaign.

**11.2. Marketing Fund.** ~~If a Marketing Fund is established during the term hereof,~~ Franchisee must pay to Franchisor, or such other entity designated by Franchisor, the Marketing Fund Contribution established under **Section 4.3** herein, which amount shall be used by the Marketing Fund ~~(as such term is hereinafter defined). The Marketing Fund Contribution shall be the same for all 360° Painting franchisees defined below).~~

The Marketing Fund Contribution will be expended for the benefit of Franchisor, Franchisee and all other franchisees or users of the ~~360° Painting~~ System in the United States and Canada for the production or purchase of such radio, television, print and/or other advertising materials or services as Franchisor deems necessary or appropriate, in its sole discretion, on a national, regional or local basis (the "**Marketing Fund**"). The expenditure of such funds for advertising is to be under the control of, and in the discretion of, Franchisor at all times, or such other entities designated by Franchisor. Franchisee understands and acknowledges that the Marketing Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of 360° Painting Businesses for the benefit of all 360° Painting Businesses and that Franchisor undertakes no obligation to ensure that the Marketing Fund benefits each 360° Painting ~~Business~~ in proportion to its respective contributions. Franchisor agrees that all funds contributed to the Marketing Fund may be used to meet any and all costs (including, without limitation, reasonable salaries and overhead incurred by Franchisor) of developing, maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper, direct response literature, direct mailings, brochures, collateral advertising material, designing and implementing websites for Franchisor and/or its franchises, surveys of advertising effectiveness and other media programs and activities, employing advertising agencies to assist therewith and providing

~~promotional brochures, decals and other marketing materials. promotional brochures, decals and other marketing materials. Franchisee further acknowledges that the Marketing Fund may be used to develop, maintain, administer, direct and prepare materials, programs and public relations activities which promote the System in conjunction with one or more franchise systems which may be owned by Franchisor or Franchisor's affiliates; provided that a substantial focus of such materials, programs or activities includes the promotion of the System.~~ Notwithstanding the foregoing, Franchisor agrees that the Marketing Fund's assets shall not be used to create, design or disseminate advertising or promotional materials that are primarily intended, or whose principal effect is, to recruit new franchisees and develop new franchised businesses operating under the Marks.

The Marketing Fund ~~shall be established as a separate banking account and monies received~~ shall be accounted for separately from Franchisor's other funds and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and its programs (including, without limitation, conducting market research, preparing advertising and promotional materials, collecting and accounting for contributions to the Marketing Fund, paying for the preparation and distribution of financial statements, legal and accounting fees and expenses, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its authorized representatives in connection with programs funded by the Marketing Fund). The Marketing Fund will not be Franchisor's asset. ~~A financial~~ An unaudited statement of the operations of the Marketing Fund shall be prepared annually, and shall be made available to Franchisee upon request. Franchisor may spend in any fiscal year more or less than the aggregate contribution of all 360<sup>2</sup> Painting Businesses to the Marketing Fund in that year, and the Marketing Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. Any lender loaning money to the Marketing Fund shall receive interest at a reasonable rate. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended. Franchisor may cause the Marketing Fund to be incorporated or operated through a separate entity at such time as Franchisor may deem appropriate, and such successor entity, if established, will have all rights and duties specified in this **Section 11.2**. Franchisor will not be liable for any act or omission with respect to the Marketing Fund that is consistent with this Agreement and done in good faith. Except as expressly provided in this **Section 11.2**, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund. Franchisee acknowledges and agrees that Franchisor is not operating or acting as a trustee or fiduciary with respect to the Marketing Fund Contributions collected. Franchisee agrees to participate in any promotion, marketing or advertising campaigns created by the Marketing Fund. Franchisor may reduce contributions of franchises to the Marketing Fund and upon notice to Franchisee, reduce the Marketing Fund's operation or terminate the Marketing Fund and distribute unspent monies to those contributing franchisees in proportion to their contributions in the past.

~~As~~ Franchisor may form, at its sole discretion, an advisory board ~~has been formed by consisting of~~ franchisees of the System (the "**Council**") to provide advice and counsel regarding Franchisor's use of Marketing Fund Contributions. Such Council shall function in an advisory capacity only and shall not exercise any authority over the Marketing Fund or over Franchisor. Franchisee must participate in ~~council~~ Council-related activities and meetings, pay any dues assessed for the administration of that program, and pay Franchisee's own expenses associated with participating in Council activities. Franchisor will pay its proportionate share of Council dues based on the number of 360<sup>2</sup> Painting Businesses it or its affiliates operate.

**11.3. Local Advertising.** Franchisee acknowledges and agrees that to effectively compete within the Protected Territory, Franchisee must undertake and execute an extensive marketing and advertising program



designed to promote the Business within the Protected Territory. Therefore, in addition to making contributions to the Marketing Fund, Franchisee shall, at Franchisee's cost and expense, market, advertise and promote the Business in the Protected Territory and shall:

(i) market, advertise and promote the Business in the Protected Territory only in a manner that will reflect favorably on Franchisor, Franchisee, the services and products offered by Franchisee, and the good name, goodwill and reputation of Franchisor and the Business; and

(ii) not use any advertising or other marketing or promotional materials furnished by Franchisor or any other materials containing therein, thereon or therewith any of the Marks, for any purpose other than to market and promote the Business. Franchisee shall furthermore not copy or otherwise duplicate any advertising or promotional materials prepared by or for, or furnished by, Franchisor without Franchisor's prior written consent.

In addition to contributions to the Marketing Fund, ~~commencing upon the conclusion of the Grand Opening Period, Franchisee shall spend during the term of this Agreement a minimum of \$ten percent (10,000.00%) of its Gross Sales per quartermonth on local advertising in the Protected Territory (either by way of direct promotion or participation in a local advertising cooperative with other 360<sup>2</sup> Painting franchisees) for the term of this Agreement.~~

~~Such advertising shall be restricted to the Protected Territory or, in case of advertising cooperatives, Franchisee shall assure that such advertising shall directly benefit the Protected Territory, an Advertising Cooperative, as described in Section 11.4, below). Franchisee shall provide Franchisor with evidence that such monies have been expended in reports as required under Section 6.3 herein. Franchisor retains the right to require that Franchisee's minimum local advertising expenditure be allocated (as directed by Franchisor) to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign.~~

~~Franchisee further acknowledges that Franchisor may require that any local marketing or advertising include reference (in a form determined by Franchisor) to one or more franchise systems which may be owned by Franchisor or Franchisor's affiliates; provided that a substantial focus of such materials, programs or activities includes the promotion of the Business.~~

The ~~total~~ amount of advertising funds expended by Franchisee for individual local market advertising shall be determined by Franchisee, subject to the foregoing minimum ~~requirement~~requirements. Local advertising expenditures shall not include incentive programs, including, without limitation, costs of honoring coupons or costs of honoring sales promotions, nor shall it include salaries, contributions, donations, press parties, or in-store fixtures or equipment, and exterior or interior signage. If Franchisee fails to make advertising expenditures in accordance with this Section, Franchisor shall have the right to spend an amount not to exceed the minimum amount stated above on local advertising on behalf of Franchisee, and Franchisee must reimburse Franchisor for such expenses.

**11.4. Advertising Cooperatives.** In connection with the Business and any and all other 360<sup>2</sup> Painting Businesses owned or operated by Franchisee, Franchisee shall participate, if required by Franchisor, in any local, regional or national cooperative advertising group, consisting of other ~~franchisees of 360<sup>2</sup> Painting Businesses~~businesses, when and if any such groups are created (each, an "Advertising Cooperative"). The particular Advertising Cooperative(s) in which Franchisee may be required to participate shall be designated by Franchisor in its sole discretion (which designations may be based upon, without limitation, the particular

Designated Market Area or the Area of Dominant Influence, as those terms are used in the advertising industry, where the 360° Painting Businesses operated by Franchisee are located). Franchisee's payments to any Advertising Cooperative shall be determined by Franchisee and those other franchisees of the ~~360° Painting~~ System and/or Franchisor, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than the greater of \$10,000.00 or 2% of Gross Sales per annum in connection with any Advertising Cooperative. Amounts paid to an Advertising Cooperative shall be credited against payments Franchisee is otherwise required to make for local advertising as required by **Section 11.3** above. Any payments to an Advertising Cooperative shall be in addition to the amounts required to be paid or spent under **Sections 11.1** and **11.2** hereof. Franchisee further acknowledges that Franchisor may require that any Advertising Cooperative participate in marketing or advertising programs which may include one or more franchise systems which may be owned by Franchisor or Franchisor's affiliates; provided that a substantial focus of such programs includes the promotion of the System. Franchisee shall enter into such formal agreements with such other franchisees of the ~~360° Painting~~ System and/or Franchisor, as the case may be, as shall be necessary or appropriate to accomplish the foregoing. If Franchisee becomes delinquent in its dues or other payments to the Advertising Cooperative, such delinquency shall be deemed a failure to participate in the Advertising Cooperative and a material breach of this Agreement. Franchisor may upon 30 days' written notice to Franchisee suspend or terminate an Advertising Cooperative's program or operations, or require an Advertising Cooperative to be changed or merged with other Advertising Cooperatives.

**11.5. ~~Approval of Advertising.~~ Approval of Advertising.** All of Franchisee's advertising must be in such media, and of such type, format and other particulars as Franchisor may approve, must be conducted in a dignified manner, and must conform to such standards and requirements as Franchisor may specify. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by Franchisor shall be submitted to Franchisor at least 14 days prior to any publication or run date for approval, which may be arbitrarily withheld. Franchisor may grant or withhold its approval, in its sole discretion. Franchisor will provide Franchisee with written notification of its approval or disapproval within a reasonable time. In the event Franchisor does not notify Franchisee of its approval or disapproval within 10 days of Franchisor's receipt of the materials, the materials shall be deemed approved. Franchisee must discontinue the use of any approved advertising within five days of Franchisee's receipt of Franchisor's request to do so. No advertising or promotion by Franchisee shall be conducted on or through the Internet/world wide web or other electronic transmission via computer without express prior written approval by Franchisor. All advertising and promotion by Franchisee must be factually accurate and shall not detrimentally affect the Marks or the ~~360° Painting~~ System, as determined in Franchisor's sole discretion. Franchisee shall use the telephone number provided by Franchisor in connection with all marketing initiatives.

**11.6. Ownership of Advertising Materials.** Franchisee acknowledges and agrees that Franchisor is the sole and exclusive owner of all copyrights in any and all marketing, advertising or promotional materials made available to Franchisee which have been prepared by or on behalf of Franchisor or contain any of the Marks and that such materials shall at all times remain the exclusive property of Franchisor. Franchisee shall

not at any time transfer such materials to any third party, other than a licensee authorized to sell the products depicted in such materials, without Franchisor's prior written consent.

## **12. COUNSELING AND ADVISORY SERVICES AND ONSITE ASSISTANCE**

During the term of this Agreement, Franchisor will, upon the request of Franchisee, furnish a reasonable level of counseling and advisory services to Franchisee with respect to the opening and operation of the Business, including consultation and advice regarding the following: (i) the Vehicles; (ii) equipment selection and layout; (iii) selection and use of tools; (iv) employee selection and training; (v) advertising and promotion; (vi) bookkeeping and accounting; (vii) purchasing and inventory control; (viii) operational problems and procedures; (ix) periodic inspections; ~~(x) licensing and (x) permitting, and~~ (xi) new developments and improvements to the 360° Painting System. These counseling and advisory services shall occur at Franchisor's offices or via telephone, online video conference, or e-mail. Franchisor shall provide such assistance at no expense to Franchisee; provided, however, Franchisor reserves the right, in its sole discretion, to charge Franchisee a reasonable fee for unusual, extensive or extraordinary assistance requested by Franchisee and/or require Franchisee to reimburse Franchisor for expenses incurred by it in connection with providing such counseling and advisory services. In addition, if requested by Franchisee and Franchisor's personnel are available, Franchisor may provide onsite assistance and training at the Business; however, Franchisor reserves the right to charge a reasonable fee for this onsite assistance plus expenses and costs incurred by Franchisor in rendering such assistance. Franchisor shall only be liable to Franchisee for acts of gross negligence or willful misconduct in connection with providing or failing to provide such services.

## **13. POST-OPENING ASSISTANCE**

In the event Franchisee needs and requests additional opening assistance from Franchisor's personnel, and Franchisor approves such request, Franchisee will pay all out of pocket expenses of such personnel, such as transportation, meals, and lodging, for as long as any such additional personnel assist at the Business, as well as a consulting fee at Franchisor's then-current daily rate as published in the Operations Manual, which is currently \$250.00 per day. The costs and expenses associated with this assistance include, but are not limited to, wages, salary, transportation, meals, lodging and fringe benefits. All personnel provided under this Section shall be selected by Franchisor and is subject to change or removal by Franchisor in its sole discretion.

## **14. PERFORMANCE STANDARDS**

Franchisee recognizes that its active development of the Protected Territory is important to the effective development of the System and that Franchisor has entered into this Agreement in reliance upon Franchisee's express obligation to actively implement the System in the Protected Territory. Therefore, Franchisee acknowledges and agrees that, commencing after 18 months after the Effective Date and after notice to Franchisee, Franchisor will have the right to identify and implement quantitative operational performance standards (for example, Gross Sales) upon which Franchisee's development of the Protected Territory and active implementation of the System will be evaluated. If Franchisee's performance under such standards fails to meet or exceed the performance of the lowest 25% of all franchised units operating for at least 18 months under the System and the Marks, as Franchisor determines, in any 8 months of any year, Franchisor may elect to: (a) require Franchisee and such other of Franchisee's employees, as Franchisor determines, to attend and complete to our satisfaction such additional training programs that Franchisor deems necessary; or (b) provide such on-site assistance and consultation as Franchisor deems necessary. In the event Franchisor provides any additional training, assistance or consultation, as described herein, Franchisee shall be responsible for all costs

and expenses for such training assistance or consultation, which may include a fee payable to Franchisor. If Franchisee fails to improve its performance under such standards by at least 10%, and fails to meet or exceed the performance of the lowest 25% of all franchised units operating for at least 18 months under the System and the Marks in any 2 of the subsequent 12 months Franchisor may, in addition to any other rights it may have under this Agreement and in its absolute discretion, eliminate the territorial protection granted in Section 2.1 or exercise its rights under Section 23.2(xxiii).

#### **14.15. TRAINING**

**14.1.15.1. Initial Training.** Franchisee (or its principal owner) and its Manager must attend and successfully complete, to the satisfaction of Franchisor, an initial training program specified by Franchisor before the Business may open for business. Franchisee must complete the initial training program no later than three months after the Effective Date. No fee will be charged by Franchisor for the participation of up to two individuals in the initial training program; however, the Franchisee shall be responsible for the costs and expenses (such as transportation, lodging, meals, incidentals and compensation) of each person who attends the training. The Business must at all times be operated by a person who has successfully completed the initial training program. Franchisor reserves the right to waive all or a portion of the initial training program in its sole discretion.

**14.2.15.2. Failure to Complete Initial Training Program.** If Franchisor determines, in its business judgment, that the Franchisee (or its principal owner) or its Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a business entity and the principal owner fails to complete the initial training program to Franchisor's reasonable satisfaction, or if the Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion, Franchisee may be permitted to select a substitute owner or Manager, as appropriate, and such substitute owner or Manager must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training, if any, for providing the initial training program to a substitute manager.

**14.3.15.3. Training of Employees.** Franchisee shall implement a training program approved by Franchisor for employees of the Business and shall be responsible for the proper training of its employees. Franchisee agrees not to employ any person who fails or refuses to complete Franchisee's training program or is unqualified to perform his or her duties at the Business in accordance with the requirements established for the operation of an 360° Painting Business.

**14.4.15.4. Additional Training.** Franchisee may, upon payment of Franchisor's then-current initial training fee, have additional representatives attend Franchisor's initial training program, provided that reasonable notice is provided to Franchisor and that all travel, living, and related expenses incurred by Franchisee's representative during such training shall be at Franchisee's sole cost and expense. In addition, Franchisee and its Managers and employees shall attend and conduct such additional training programs as Franchisor may from time to time reasonably require relating to the operation of the Business and the 360° Painting System. Franchisee also may be required to purchase training videos or other instructional materials as specified by Franchisor from time to time in the Operations Manual or otherwise.

**14.5.15.5. Annual Convention and Conferences.** Franchisor shall require Franchisee and/or one or more of the operating managers of the Business to attend an annual convention and conferences which may be offered by Franchisor from time to time. Franchisee will be responsible for the travel and living expenses of such persons, and Franchisor may charge a reasonable fee sufficient to cover the costs and expenses of such convention and conferences. Attendance at the annual convention shall be mandatory and the annual convention fee shall apply whether or not Franchisee attends the conference. The annual convention fee shall be the amount stated in the annual convention notice from Franchisor, or if Franchisee does not attend the conference, \$1,000.~~00.~~

## **15.16. MARKS**

**15.1.16.1. Ownership of the Marks.** Franchisee acknowledges and agrees that Franchisor is the owner of the Marks and that nothing herein contained shall give Franchisee any right, title or interest in and to the Marks, except the non-exclusive right to use the Marks in connection with the operation of the Business under the ~~360° Painting~~ System in accordance with the terms of this Agreement. Franchisee also acknowledges and agrees that the Marks and all goodwill now or in the future pertaining to the Marks are the sole and exclusive property of Franchisor and that it shall not raise or cause to be raised any questions concerning, or objections to, the validity or ownership of such Marks on any grounds whatsoever. Franchisee will not seek to register, reregister or assert claim to or ownership of, or otherwise appropriate to itself, any of the Marks or any marks or names confusingly similar to the Marks, or the goodwill symbolized by the Marks except insofar as such action inures to the benefit of and has the prior written approval of Franchisor. Upon the expiration, termination or cancellation of this Agreement, whether by lapse of time, default or otherwise, Franchisee agrees immediately to discontinue all use of the Marks and to remove all copies, replicas, reproductions or simulations thereof from the Business and the Vehicles and to take all necessary steps to assign, transfer or surrender to Franchisor, as appropriate, or otherwise place in Franchisor or its designees title to all such names or marks (other than the Marks) which Franchisee may have used during the term of this Agreement in connection with the operation of the Business. Franchisee hereby acknowledges that Franchisor owns and controls the ~~360° Painting~~ System and all of its components.

**15.2.16.2. Use of the Marks.** In order to protect the Marks, the ~~360° Painting~~ System, and the goodwill associated therewith, Franchisee shall, unless Franchisor otherwise consents in writing:

(i) Only use the Marks designated by Franchisor, and only in the manner authorized and permitted by Franchisor. Franchisee shall not make any changes or substitutions whatsoever in or to the use of the Marks unless directed by Franchisor in writing. Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and only for the sale of services and products expressly authorized by Franchisor, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights and a breach of this Agreement;

~~(i) Only use the Marks for the operation of the Business or in advertising for the Business. Franchisee may not use any of the Marks in any part of any domain name or electronic address;~~

(ii) Only use the Marks for the operation of the Business or in advertising for the Business. Franchisee must not register, attempt to register, obtain any ownership in, or otherwise utilize any website, domain name, URL, social media account, Internet presence or other electronic communications portal relating to the Business that has not been previously approved by the Franchisor. If Franchisee registers, attempts to register, obtains any ownership in, or otherwise utilizes any website, domain name, URL, social media account, Internet presence or other electronic communications portal in violation of this Section 16.2(ii), in addition to any rights Franchisor may have under Section 23.2(xv) hereof, Franchisee acknowledges and agrees that any such website, domain name, URL, social media account, Internet presence or other electronic communications portal, including any copyrights therein, are Franchisor's property. If a court of competent jurisdiction determines that any ownership rights to any website, domain name, URL, social media account, Internet presence or other electronic communications portal are not automatically transferred to Franchisor pursuant to this Section 16.2(ii), Franchisee agrees to execute any documents Franchisor deems necessary to give effect to this Section 16.2(ii).

(iii)(iii) Operate and advertise the Business only under the name "360° ~~PAINTING~~ Painting" or such other Marks as Franchisor may designate from time to time, without prefix or suffix, except to describe the location of the Business;

(iii)(iv) If Franchisee is a corporation, limited liability company, partnership or other type of entity, not use any of the Marks, including, without limitation, the name "360° ~~PAINTING~~ Painting" in its corporate or other legal name without the prior express written consent of Franchisor;

(iv)(v) Follow applicable state or local laws or ordinances if such state or local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise file a report or other certificate indicating that "360° ~~PAINTING~~ Painting" or any similar name is being used as a fictitious or assumed name, include in such filing or application therefor an indication that the filing is made as a franchisee of "360° Painting, LLC, a Delaware limited liability company with its principal office address in Charlottesville, Virginia," and provide a copy of such filing to Franchisor;

(v)(vi) Have the symbol TM, SM or R enclosed in a circle or such other symbols or words as Franchisor may designate to protect the Marks on all surfaces where the Marks appear; and

(vi)(vii) Franchisee shall be required to use the Marks on all materials representing the Business, including without limitation business cards, stationary, e-mail correspondence, apparel, checks, proposals, contracts, signage, Vehicle advertising and marketing and promotional materials, provided Franchisee (1) accurately depicts the Marks on the materials, (2) includes a statement on the materials indicating that the business is independently owned and operated by Franchisee, (3) does not use the Marks in connection with any other trademarks, trade names or service marks unless specifically approved by Franchisor in writing prior to such use, and (4) makes available to Franchisor, upon its request, a copy of any materials depicting the Marks.

**15.3.16.3. Internet and Website Use.** Franchisee will not establish a website, social media account, listing or any other form of presence on the Internet using any domain name or containing any of the Marks or anything similar to "360° ~~PAINTING~~ Painting" without Franchisor's prior written consent. Franchisor retains

the right to pre-approve Franchisee's use of linking and framing between Franchisee's web pages and all other web sites.

**15.4.16.4. Infringement.** Franchisee shall promptly inform Franchisor in writing of any infringement or imitations of any Marks, the ~~360° Painting System~~, or any act of unfair competition against Franchisor or Franchisee as to which Franchisee has knowledge. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement or unfair competition without first obtaining Franchisor's written consent. Franchisor shall have the exclusive right to institute, negotiate, compromise, settle, dismiss, appeal or otherwise handle any such action and take such steps as it may deem advisable to prevent any such action and to join Franchisee and any other franchisees as a party to any such action to which Franchisor may be a party and to which Franchisee is or would be a necessary or proper party, but nothing herein shall be construed to obligate Franchisor to seek recovery of costs or damages of any kind in any such litigation, the assertion or waiver of such claims being within the sole discretion of Franchisor. The costs of any such action shall be paid by Franchisor, and any recovery obtained from such infringers shall be paid to Franchisor.

Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks. Provided Franchisee complies with the provisions of this **Section 15.16.4**, Franchisor will reimburse Franchisee for all expenses reasonably incurred in any legal proceeding disputing Franchisee's authorized use of any Mark(s). Such reimbursement does not include Franchisee's expenses for removing signage or discontinuing use of any Mark(s). Franchisor will not reimburse Franchisee in any disputes where Franchisor challenges Franchisee's use of a Mark.

**15.5.16.5. Substitute Marks.** If Franchisor decides to change, add or discontinue use of any Mark, or Franchisor's license to use the same, or to introduce additional or substitute Marks, Franchisee, upon a reasonable period of time after receipt of written notice, shall take such action, at its sole expense, as is necessary to comply with such changes, alteration, discontinuation, addition or substitution. Franchisor shall not have any liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.

## **16.17. RELATIONSHIP OF THE PARTIES**

**16.1.17.1. Independent Contractor.** Under this Agreement, Franchisee is an independent contractor with entire control and direction of the Business, subject only to the terms of this Agreement. Any subcontractors retained by Franchisee are independent contractors of Franchisee alone. This Agreement is not intended to, and does not create, a fiduciary or other special relationship between the parties, or make any party a principal, agent, legal representative, parent, affiliate, subsidiary, joint venturer, partner, employer, joint employer, employee or servant of any other party for any purpose. In that regard:

(i) With the exception of Franchisor's step-in rights in the event of a default under **Section 22.3.4** below, Franchisor has no right or duty to operate the Business, and disclaims any liability under this Agreement from any damages arising out of the operation of the Business.

(ii) Franchisee is solely responsible for recruiting, interviewing, hiring, timekeeping, scheduling, payroll processing, supervising, disciplining and firing of its personnel, and Franchisee's personnel are not employees, independent contractors or agents of Franchisor. Franchisor has no right or duty to supervise, or to exercise control over, personnel of Franchisee in the operation of the Business, and disclaims any rights or responsibilities as to personnel of Franchisee. Franchisee is solely responsible for consulting with Franchisee's own third-party human resources service provider and/or legal counsel concerning compliance with applicable personnel laws and regulations, and for complying with those laws and regulations.

(iii) Except as provided in this Agreement, Franchisee is solely responsible for training Franchisee's personnel. To the extent that Franchisor provides Franchisee with guidelines, recommendations, materials and other resources related to training Franchisee's management and non-management personnel, Franchisee may use those training resources, or may choose to use alternate training resources, so long as Franchisee's management and non-management personnel are trained to operate the Business in a safe manner compliant with the terms of this Agreement and all applicable legal requirements.

(iv) Franchisee is solely responsible for establishing and enforcing Franchisee's own policies related to personnel practices and labor relations policies. To the extent that Franchisor provides Franchisee with guidelines, recommendations, materials and other resources related to personnel practices and labor relations, Franchisee may use those resources, or may choose to use alternate resources. Franchisee is solely responsible for consulting with Franchisee's own third-party human resources service provider and/or legal counsel concerning compliance with applicable personnel and labor relations laws and regulations, and for complying with those laws and regulations.

**16-2.17.2. Public Notices.** During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public, public officials, its suppliers, its independent contractors, its employees, and others, as an independent contractor operating the Business pursuant to a franchise from Franchisor, but not jointly with Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous manner at the Business and on all websites, customer contracts, forms, business cards, electronic communications, advertisements, stationery or other materials, the form and content of which Franchisor has the right to specify and change.

**16-3.17.3. Employee Statements and Acknowledgments.** During the term of this Agreement, Franchisee shall hold itself out to prospective employees, and to current employees, as an independent contractor operating the Business pursuant to a franchise from Franchisor, but not jointly with Franchisor. Franchisee shall take any reasonable action that Franchisor considers necessary to that end, ~~including~~ As of the date of this Agreement, Franchisor considers the following actions, without limitation, are necessary: (i) stating conspicuously on each employment application that the prospective employee is applying to be an employee of Franchisee and not an employee of Franchisor; (ii) stating Franchisee's entire business name, rather than just using Franchisor's brand name and/or logo, on payroll checks and/or payroll-related communications to employees; and (iii) requiring employees to sign acknowledgements that they are not employees of Franchisor, even though they are selling services and/or products identified by Franchisor's brand name and/or logo, are receiving payroll checks and other communications that contain Franchisor's brand name and/or logo, may have applied for jobs through Franchisor's website, or may communicate with or receive non-mandatory feedback, coaching or recommendations from representatives of Franchisor in emails or other electronic or



written communications, or during telephone calls, meetings or inspections. Franchisor reserves the right to specify and change the content and form of these statements and acknowledgements.

**16.4.17.4. Contracts and Representations.** Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, Franchisor or in any way to bind Franchisor, or to make any representation to any third party tending to indicate a business relationship with Franchisor beyond that created under this Agreement. Franchisor disclaims any liability for, and shall not be held liable under this Agreement, for any claim or judgment arising as a result of, any such action. Franchisee further agrees not to incur or contract for any debt or obligation on behalf of the Franchisor, represent or imply to third parties that Franchisee is an agent of Franchisor, or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor, or be detrimental to the good name and reputation of Franchisor or any other franchisees of Franchisor.

#### **17.18. MAINTENANCE OF CREDIT STANDING**

The failure or repeated delay in making prompt payments in accordance with the terms of invoices and statements rendered to Franchisee for purchases or leases of the Vehicles, supplies, equipment and tools (including) and other items, whether purchased or leased from Franchisor or others, or defaults in making payments due hereunder or under any other agreement entered into in connection with the operation of the Business, will result in a loss of credit rating and standing which will be detrimental to Franchisor and other franchisees of the ~~360° Painting~~-System. Franchisee agrees to pay when due all amounts which it owes to anyone for the Vehicles, supplies, equipment and tools (including) and other items used in connection with the Business and all payments owed hereunder or under any other agreement entered into in connection with the operation of the Business. Franchisee must notify Franchisor immediately when and if Franchisee becomes more than 90 days delinquent in the payment of any of the obligations mentioned above.

#### **18.19. INDEMNIFICATION, INSURANCE AND TAXES**

**18.1.19.1. Indemnification.** Franchisee agrees to indemnify, defend and hold harmless Franchisor and its affiliates, shareholders, directors, officers, employees, agents, successors and assignees (the “**Indemnified Parties**”) against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any taxes described in **Section 18.19.3** below and any Claims incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee’s (a) ownership or operation of the Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or any of its Affiliates); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Business, including any negligent or intentional acts; (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information; or (g) any “joint employer,” “agency” or “ostensible agency” or similar claims based on the establishment or operation of the Business. For purposes of this indemnification provision:

(i) The term “**Claims**” includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including reasonable accountants’, arbitrators’, attorneys’ and expert witness fees, costs of investigations and proof of

facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses.

(ii) Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by any of the Indemnified Parties. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding.

(iii) In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred.

(iv) If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

(v) This indemnity will continue in effect after the expiration or termination of this Agreement.

**18.2.19.2. Insurance.** Franchisee agrees to secure and maintain during the term of this Agreement, at its own cost, an insurance policy or policies protecting Franchisee and Franchisor and its affiliates against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Business or the Vehicles, including, but not limited to, comprehensive general liability insurance, automobile liability insurance, property and casualty insurance, statutory workers' compensation insurance, and umbrella liability insurance. In connection with this obligation, Franchisee agrees that:

(i) Such policy or policies shall reflect industry standards, shall be written by a responsible carrier or carriers acceptable to Franchisor, shall name Franchisor and its affiliates as additional insureds (with the exception of any employer's liability or workers' compensation insurance), and shall provide at least the types and minimum amounts of coverage as are specified in the Operations Manual as modified by Franchisor from time to time. Franchisee understands and acknowledges that the amounts of coverage required by Franchisor are minimum amounts and do not represent a recommendation by Franchisor as to the amount of insurance coverage Franchisee should maintain for the Business. Franchisee further understands and acknowledges that it is Franchisee's sole responsibility to determine the proper insurance coverage that is appropriate to protect Franchisee's interests and that Franchisee should seek the consultation and advice of an independent insurance broker to assist Franchisee in making an informed determination.

(ii) Prior to the opening of the Business and, thereafter, at least 30 days prior to the expiration of any such policy or policies, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder, and all such certificates shall expressly

contain endorsements requiring the insurance company to give Franchisor at least 30 days written notice in the event of material alteration to termination, non-renewal, or cancellation of, the coverages evidenced by such certificates and notice of any claim filed under such policy within 30 days after the filing of such claim.

(iii) If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of Franchisee, and Franchisee shall pay to Franchisor on demand all costs incurred by Franchisor in connection with the placement of such insurance.

(iv) Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in **Section 1819.1** hereof. Notwithstanding the existence of such insurance, Franchisee, as agreed above, is and shall be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Business and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

(v) Franchisee shall not permit any third party sub-contractor to perform any work or offer any services on behalf of Franchisee in respect of the Business unless such sub-contractor maintains insurance coverage in such amounts and types as Franchisee is required to maintain under the provisions of this Section, and such insurance names Franchisor as an additional insured. Franchisee shall maintain evidence of such insurance by its subcontractors and provide such proof of insurance as Franchisor may require in its sole discretion from time to time.

**18.19.3. Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement including, but not limited to, if applicable, state employment tax, state sales tax (including any sales or use tax on equipment purchased or leased) and all other taxes and expenses of operating the Business. In no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant to occur against the Business, the Vehicles or any tangible personal property used in connection with the operation of the Business. ~~However, Franchisee shall not be obligated to reimburse Franchisor for its income tax liability resulting from Franchisor's receipt of royalties or franchise fees paid by Franchisee.~~

## **19.20. ASSIGNMENT**

**19.1.20.1. Assignment by Franchisor.** This Agreement may be unilaterally assigned by the Franchisor and shall inure to the benefit of its successors and assigns. Franchisee agrees and affirms that Franchisor may sell itself, its assets, the Marks and/or the ~~360° Painting~~ System to a third-party; may go public, may engage in private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee further agrees and affirms that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities;

however, following any such purchase, merger, acquisition or affiliation, neither Franchisor nor its successors or assigns under this Agreement shall license any third party to operate within the Protected Territory using the Marks. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the ~~360° Painting~~ System and/or the loss of association with or identification of Franchisor under this Agreement. If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the 360° Painting ~~business~~ or to offer or sell any products or services to Franchisee. In the event of a sale, transfer or assignment by Franchisor of this Agreement or any interest therein, to the extent that the purchaser, transferee or assignee shall assume the covenants and obligations of Franchisor under this Agreement, Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations. The consent of Franchisee to such sale, transfer or assignment shall not be required and, notwithstanding any such sale, transfer or assignment, Franchisee shall continue to be fully bound by its obligations under this Agreement.

**19.2-20.2. Assignment by Franchisee.** Franchisee shall not subfranchise, sell, assign, transfer, merge, convey or encumber, in whole or in part (each, a "**Transfer**"), the Business, the Vehicles, this Agreement or any of its rights or obligations hereunder, or suffer or permit any such Transfer of the Business, the Vehicles, this Agreement or its rights or obligations hereunder to occur by operation of law or otherwise without the prior express written consent of Franchisor. In addition, if Franchisee is a corporation, limited liability company, partnership, business trust, or similar association or entity, the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, may not Transfer their equity interests in such corporation, limited liability company, partnership, business trust, or similar association or entity, without the prior written consent of Franchisor. Furthermore, in the event that any shareholder, member, partner, investor or other equity holder of Franchisee (the "**Equity Holder**") is a corporation, limited liability company, partnership, business trust, or similar association or entity, the interests of the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, in such Equity Holder, may not be Transferred, without the prior written consent of Franchisor. Any Transfer in violation of this Section shall be void and of no force and effect. In the event Franchisee or an Equity Holder is a corporation, limited liability company, partnership, business trust, or similar association or entity with certificated equity interests, all stock or equity certificates of Franchisee or Equity Holder, as the case may be, shall have conspicuously endorsed upon them a legend in substantially the following form:

"A transfer of this stock is subject to the terms and conditions of a 360°

~~PAIN~~TING, ~~Painting~~, LLC FRANCHISE AGREEMENT dated the ~~\_\_\_\_\_~~  
~~\_\_\_\_\_, \_\_\_\_\_~~.

\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Franchisor's consent to a Transfer of any interest in this Agreement, or of any ownership interest in the Franchisee, an Equity Holder or any owner thereof, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

**19.3.20.3. Death or Disability of Franchisee.** Upon Franchisee's death or Disability (as such term is hereinafter defined), this Agreement or the ownership interest of any deceased or disabled shareholder, partner, member or other equity holder of the Franchisee or an Equity Holder must be transferred to a party approved by Franchisor. Any Transfer, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for Transfers set forth in **Section 19.20.4**. Franchisor shall not unreasonably withhold its consent to the Transfer of this Agreement or any ownership interest to the deceased or disabled Franchisee's or Equity Holder's spouse, heirs or members of his or her immediate family, provided all requirements of **Section 19.20.4** have been complied with (except payment of the transfer fee, which shall not apply to such Transfers). A "Disability" shall have occurred with respect to Franchisee if Franchisee, or, if Franchisee is a corporation, partnership or limited liability company, its controlling shareholder, partner, member or other equity holder, is unable to actively participate in its activities as Franchisee hereunder for any reason for a continuous period of three months. As used in this **Section 19.20.3**, "Franchisee" may include a disabled or deceased controlling shareholder, partner or member where the context so requires.

**19.4.20.4. Approval of Assignment.** Franchisor agrees not to unreasonably withhold its consent to a transfer of any interest of Franchisee in this license; provided however, that prior to the time of transfer, Franchisee fulfills the terms of the transfer policy of Franchisor which is then in effect. Franchisor may, as part of such policy and in its sole discretion require that:

- (i) all monetary obligations (whether hereunder or not) of Franchisee to Franchisor or Franchisor's affiliates or subsidiaries, or other creditors of the business, being paid in full;
- (ii) Franchisee not being in default hereunder or any other agreement between Franchisee and Franchisor;
- (iii) Franchisee and its owners executing a general release, the same or similar to Franchisor's standard form of General Release, attached as Schedule 1, of any and all claims against Franchisor and its affiliates, subsidiaries, members, managers, officers, directors, employees and agents; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;
- (iv) Franchisee paying to Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000-00);
- (v) ~~(ii)~~ Franchisee first offering to sell such interest to Franchisor pursuant to **Section 20** ~~21~~ of this Agreement and the same having been declined in the manner therein set forth;
- (vi) the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities,

including business reputation and credit rating, as Franchisor may reasonably require, to demonstrate ability to conduct the Business;

(vii) Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise, and the Franchisor determines that the terms and conditions of the proposed transfer (including, without limitation, the purchase price) are not so burdensome as to affect adversely operation of the Business by the transferee;

(viii) the transferee, or all holders of a legal or beneficial interest of greater than five percent (5%) in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term;

(ix) If Franchisee receives a Promissory Note from the transferee or otherwise agrees to defer receipt of part of the sales price, then any such Promissory Note, Security Agreement and/or other document concerning that debt shall expressly provide that Franchisee's right to payment is subordinate to transferee's ongoing obligations to Franchisor under this Agreement;

(x) the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the approved location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

(xi) the transferee has executed a general release, the same as or similar to Franchisor's standard form General Release, attached as ~~Schedule 4~~ **Exhibit C-7**, of any and all claims against Franchisor, including its officers, directors, shareholders and employees, in their corporate and individual capacities including, without limitation, claims with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee; provided, however, that if a general release is prohibited, transferee shall give the maximum release allowed by law;

(xii) Franchisee agrees that it shall remain liable for all warranties granted by Franchisee during the operation of the Business and that it shall perform all such remedial work as may be necessary to comply with the terms of such warranties, or in the event that Franchisee is unable or otherwise fails to perform such warranty work, Franchisee agrees to pay to Franchisor the cost to perform such warranty work plus a fifteen percent (15%) administration charge;

(xiii) at Franchisor's request, the proposed transferee or assignee refurbishes the Vehicles or purchases additional Vehicles in accordance with the specifications provided in the Operations Manual; and

(xiv) at Franchisor's option and request, Franchisee executes Franchisor's then-current form of Franchise Agreement, which Franchise Agreement shall supersede in all respects the terms and conditions of this Agreement and may contain terms and conditions substantially different from those set forth herein, including, without limitation, **additional fees and/or** an increase in Royalties, Call Center Fees, Technology Fees or Marketing Fund Contributions (as such terms are hereinafter defined and/or a change in the size or composition of the Protected Territory; however, the transfer Franchise Agreement shall only provide for the

number of additional renewal terms called for by this Agreement and shall contain mandatory minimum annual royalties requirements that reflect the maturity of the Business and its record of Gross Sales during the prior term.

**19.5-20.5. Removal of General Partner.** If Franchisee is a limited partnership, Franchisee may not remove or appoint, or permit the limited partners to remove or appoint, a new or successor general partner without the prior written consent of Franchisor (even if such appointment is due to the resignation, death or disability of the general partner).

**19.6-20.6. Franchisor's Disclosure to Transferee.** Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchise by an intended transferee identified by Franchisee.

**19.7-20.7. For Sale Advertising.** Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Business, or in any communication media, any form of advertising relating to the sale of the Business or the rights granted hereunder.

**19.8-20.8. Transfer to a Controlled Entity.** If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company which shall be entirely owned by Franchisee ("**Controlled Entity**"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer must be obtained in writing and shall be conditioned upon the satisfaction of the following requirements:

(i) the Controlled Entity is newly-organized and its charter provides that its activities are confined exclusively to the operation of the Business;

(ii) Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(iii) all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the transferee shall be required to pay a transfer fee, as required, pursuant to **Section 1920.4.(iv)**;

(iv) the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(v) all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;



(vi) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof of a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

(vii) copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption;

(viii) Franchisee has paid to Franchisor all reasonable legal expenses and other fees and charges incurred by Franchisor in connection with such assignment and the preparation, execution and filing of any of the documents referred to in this **Section 1920.8**; and

(ix) Franchisee has satisfied all accrued monetary obligations of Franchisee to Franchisor and any governmental authority, prior to assignment or transfer.

The term of the transferred franchise shall be the unexpired term of this Agreement, including all rights to successor franchises, subject to any and all conditions applicable to Franchisee's right to operate successor franchises.

#### **20.21. RIGHT OF FIRST REFUSAL**

If during the term of this Agreement, Franchisee shall receive a bona fide offer from a prospective purchaser for any interest in Franchisee or the Business (whether by sale of assets, sale of equity interest, merger, consolidation or otherwise), it shall offer the same to Franchisor in writing at the same price and on the same terms or the monetary equivalent; which offer Franchisor may accept at any time within 30 days after receipt thereof. If the parties cannot agree on a reasonable monetary equivalent, an independent appraiser designated and paid by Franchisor shall determine the monetary equivalent and the appraiser's determination will be final. If Franchisor declines, or does not within such 30 day period accept such offer, then Franchisee may make such Transfer to such purchaser (provided Franchisor approves of such purchaser in accordance with **Section 1920.2** and subject to compliance with **Section 1920.4**), but not at a lower price nor on more favorable terms than have been offered to Franchisor. If Franchisee fails to complete such Transfer within 90 days following the refusal or failure to act by Franchisor, or if there is any material change in the terms of the offer, then this right of first refusal by Franchisor shall again be applicable as in the case of an initial offer.

#### **21.22. RESTRICTIVE COVENANTS AND CONFIDENTIALITY**

##### **21.1-22.1. Covenants Not to Compete.**

(i) ~~21.1 (i)~~ *Non-Competition during Term.* In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and Franchisee's spouse, and, if Franchisee is not an individual, its shareholders, members, partners and managers, as applicable, and their spouses (each, a "**Bound Party**"), agree that they will not, during the term of this Agreement, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, during the term of this Agreement, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), regardless of

location or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business, regardless of location.

(ii) ~~21.1(ii)~~ *Post-Term Non-Competition*. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and the Bound Parties agree that they will not, for two (2) years following the effective date of termination or expiration of this Agreement for any reason, or following the date of a Transfer by Franchisee, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business which, in either case, is (i) located or operating within the Protected Territory or within a radius of twenty (20) miles as the crow flies of the Territory or (ii) located in or operating within twenty (20) miles of any other 360° Painting Franchised location or 360° Painting Franchise location in development that has been assigned a territory.

(iii) ~~21.1(iii)~~ *Competitive Business*. For purposes of this Agreement, the term “**Competitive Business**” means any business operating, or granting franchises or licenses to others to operate, in any business which offers or sells ~~the products or painting, decorating and wall finishing services of the type offered under the 360° Painting System~~ (other than another 360° Painting Business operated by Franchisee under license from Franchisor). Neither Franchisee nor the other Bound Parties will be prohibited from owning securities in a Competitive Business if they are listed on a stock exchange or traded on the over-the-counter market and represent 3% or less of the number of shares of that class of securities which are issued and outstanding. ~~Moreover, a Competitive Business shall not include a general handyman services business, provided that Franchisee and the Bound Parties shall only offer residential or commercial painting and/or decorating services through the Business, both during the term of this Agreement and for two (2) years after its termination or expiration.~~

(iv) ~~21.1(iv)~~ *General*. The parties acknowledge that the covenants contained in ~~this Section 22~~ are based on the reason and understanding that Franchisee and the Bound Parties will possess knowledge of Franchisor's business and operating methods and confidential information, disclosure and use of which would prejudice the interest of Franchisor and its franchisees. Franchisee further understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants, and agrees that, in the event of the actual or threatened breach of this **Section 21.122** by Franchisee or any of its partners or shareholders or any member of the immediate family of Franchisee or any of its partners or shareholders, Franchisor shall be entitled to an injunction, without bond, restraining such person from any such actual or threatened breach, in addition to any other relief to which Franchisor may be entitled in law or equity. If any part of this restriction is found to be unreasonable in time or distance, such time or distance may be reduced by appropriate order of the court to that deemed reasonable. Franchisee further acknowledges and agrees that the provisions of this **Section 21.22.1** shall be tolled during any default under this **Section 21.22.1**, and that the restriction shall be applicable for the greater of two years from termination or two years from a ~~Court~~court issuing an order restraining the Bound Party from violating this **Section 21.22.1**.

**21.2.22.2. Non-Solicitation.** Franchisee and the Bound Parties agree that while this Agreement is in effect and for two (2) years after expiration or termination of this Agreement for any reason, or following the date of a Transfer by Franchisee, they will not, directly or indirectly, solicit or attempt to solicit, or otherwise interfere with or disrupt the ~~employment~~, customer or vendor relationship between Franchisor and any of their respective ~~employees~~, customers and vendors or between any other 360° Painting franchisee and its ~~employees~~, customers and vendors.

**21.3.22.3. Trade Secrets and Confidential Information.**

Franchisee acknowledges and agrees that in connection with the operation of 360° Painting Businesses and the ~~360° Painting~~ System, Franchisor has developed competitively sensitive proprietary and confidential information which are not commonly known by or available to the public. This proprietary and confidential information does not include any information that (a) is commonly known by or available to the public; (b) has been voluntarily disclosed to the public by Franchisor; (c) been independently developed or lawfully obtained by Franchisee; or (d) has otherwise entered the public domain through lawful means. All information which comprises the ~~360° Painting~~ System including the information and data in the Operations Manual will be presumed to be confidential information of Franchisor, along with the identity and contact information of any customers of the Business.

Franchisee and each Bound Party agree that while this Agreement remains in effect such party will not, directly or indirectly, disclose or publish to any party, or copy or use for such party's own benefit, or for the benefit of any other party, any of Franchisor's proprietary or confidential information, except as required to carry out Franchisee's obligations under this Agreement or as Franchisor has otherwise expressly approved in writing. All proprietary and confidential information of Franchisor is the sole and exclusive property of Franchisor. Franchisee and each Bound Party agree that the restriction contained in the preceding sentence will remain in effect with respect to the confidential information for five years following termination or expiration of this Agreement for any reason; provided, however, if the confidential information rises to the level of a trade secret, then such restriction shall remain in effect until such time as the information does not constitute a trade secret. Franchisee also agrees that it and all of its employees and agents will take appropriate steps to protect Franchisor's confidential information from any unauthorized disclosure, copying or use. At any time upon Franchisor's request, and in any event upon termination or expiration of this Agreement, Franchisee will immediately return any copies of documents where there are materials containing confidential information and will take appropriate steps to permanently delete and render unusable any confidential information stored electronically.

**21.4.22.4. Personal Covenants of Certain Bound Parties.** As a condition to the effectiveness of this Agreement, and at the time Franchisee delivers this signed Agreement to Franchisor, each Bound Party of Franchisee must sign and deliver to Franchisor the Personal Covenants attached hereto as **Exhibit C-2** (the "**Personal Covenants**"), agreeing to be bound personally by all the provisions of **Sections 2022.1, 2022.2** and **2022.3** hereof. If there are any changes in the identity of any such Bound Party while this Agreement is in effect, Franchisee must notify Franchisor promptly and ~~make sure ensure~~ the new Bound Party signs and delivers to Franchisor the Personal Covenants.

**21.5.22.5. Agreements by Other Third Parties.** ~~As a condition to Franchisor's. Upon~~ execution of this Agreement ~~and throughout the Initial Term and any succeeding terms~~, Franchisee, ~~if requested by Franchisor,~~ shall cause each of its management and supervisory employees, ~~Principal Owners, and any individual who will~~

have access to Franchisor's confidential information (including the Operations Manual) to execute a noncompetition, nonsolicitation and/or nondisclosure agreement substantially in the form(s) prescribed provided by Franchisor from time to time; however, Franchisee shall be responsible for determining the enforceability of such agreements and making such modifications as may be necessary to ensure such agreements comply with applicable law

**22.6. Franchisee Claims No Defense.** Franchisee expressly agrees that 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 Section 22.

**22.7. Freedom to Contract.** Franchisee represents and warrants that neither Franchisee nor any of its principals are, at the time of signing this Agreement, subject to any non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement which would restrict or limit Franchisee's or such principal's ability to participate in the ownership or operation of the Business. Franchisee further represents and warrants that neither Franchisee nor any of its principals will be in breach of any such non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement as a result of entering into this Agreement or participating in the ownership or operation of the Business.

## **22.23. TERMINATION**

**22.23.1. Termination by Franchisee.** Franchisee may terminate this Agreement if:

(i) Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such material breach within 90 days after written notice thereof is delivered to Franchisor. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured with such 90-day period and Franchisor has commenced and is continuing to make good faith efforts to cure such breach, Franchisor shall be given an additional 60-day period to cure the same, and this Agreement shall not terminate.

(ii) If Franchisee terminates this Agreement pursuant to this Section, all post-termination obligations of Franchisee described herein shall not be waived but shall be strictly adhered to by Franchisee, and Franchisee shall remain obligated to honor all other obligations set forth in this Agreement that, by their terms, apply subsequent to termination of the franchise relationship, including the payment of all outstanding Royalties and other fees due hereunder and compliance with the post-termination covenant not to compete.

**22.23.2. Termination by Franchisor without a Cure Period.** Franchisor may immediately terminate this Agreement upon written notice to Franchisee, without opportunity to cure and without any prejudice to the enforcement of any other legal right or remedy, if:

(i) Franchisee fails to satisfactorily complete initial training pursuant to **Section 4415.2**;

(ii) Franchisee fails to commence operation of the Business within the Protected Territory within four months after execution of this Agreement, except for any delay that is agreed to in writing by the Franchisor, in its sole discretion;

(iii) Franchisee abandons, fails or refuses to actively operate the Business for five (5) or more consecutive days (unless the Business has not been operational for a purpose approved by Franchisor);

(iv) Franchisee files a petition under any bankruptcy or reorganization law, becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property;

(v) Franchisee is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

(vi) Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction; it being understood that in no event shall this Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding;

(vii) Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within 60 days thereafter;

(viii) Franchisee makes a general assignment for the benefit of its creditors;

(ix) If Franchisee is a business entity of any type, if Franchisee is dissolved either voluntarily or involuntarily;

(x) Franchisee fails to pay when due any amount owed to any creditor, supplier or lessor of the Business or the Vehicles or any taxing authority for federal, state or local taxes (other than amounts being bona fide disputed through appropriate proceedings) and Franchisee does not correct such failure within ten (10) calendar days after written notice is delivered thereof to Franchisee;

~~(iii) Franchisee fails to satisfy the Minimum Royalty requirement as defined in Section 4.2 in any year for which such requirements are defined;~~

(xi) Franchisee or any of Franchisee's owners are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the ~~360° Painting~~ System and the goodwill associated with the Marks;

(xii) Franchisee operates the Business or any phase of the Business in a manner that presents a substantial environmental, health or safety hazard to Franchisee's customers, employees or the public;

(xiii) ~~(xvi)~~ Franchisee makes a material misrepresentation to Franchisor before or after being granted the franchise;

(xiv) Franchisee makes an unauthorized Transfer of this Agreement, the franchise, the Business, or an ownership interest in Franchisee;

(xv) Franchisee (a) misuses or makes an unauthorized use of any Mark and fails to cure this default within ten (10) days of receiving notice of it, (b) misappropriates any Mark or challenges Franchisor's or a licensor's ownership of the Marks, (c) files a lawsuit involving the Marks without Franchisor's consent, or (d) fails to cooperate with Franchisor in the defense of any Mark;

(xvi) Franchisee commits any act which can be reasonably expected to materially impair or detrimentally impact the goodwill associated with any Mark;

~~(xv)~~ Franchisee or any Bound Party breaches or fails to comply fully with **Section**  
(xvii) ~~24.22~~ above;

(xviii) Franchisee makes or permits a third party to make any unauthorized use or disclosure of any confidential information or trade secret of Franchisor;

(xix) Franchisee fails to comply with any federal, state or local law or regulation applicable to the operation of the franchise, provided that if the failure to comply does not involve tax evasion or result in governmental proceedings then Franchisee will be given a reasonable period (not to exceed 30 days) to come into compliance with the law or regulation;

(xx) Franchisee knowingly maintains false books or records or denies Franchisor's authorized representatives immediate access to Franchisee's books and records during an audit or inspection;

(xxi) Franchisee submits to Franchisor a financial report or other data, information or supporting records which understate by more than three percent (3%) the Royalties and/or Marketing Fund Contributions due for any reporting period and is unable to demonstrate that such understatements resulted from an inadvertent error;

(xxii) Franchisee has defaulted under the Agreement three (3) or more times within a 12-month period, even if such defaults were subject to a right to cure or is cured after notice is delivered to Franchisee; ~~or~~

~~(xxiii)~~ Franchisee fails to meet the performance criteria established by Franchisor from time to time, as provided in **Section 14**; or

~~(xxiii)~~(xxiv) Franchisee defaults under any other agreement between Franchisor and Franchisee, such that Franchisor has the right to terminate such agreement or such agreement automatically terminates.

### ~~22.3.23.3.~~ Termination by Franchisor with a Cure Period.

(i) Franchisor shall have the right to terminate this Agreement upon 10 days written notice if defaults remain uncured in Franchisor's sole discretion for the following reasons:

(a) Franchisee fails to pay when due any amount owed to Franchisor or its affiliates or subsidiaries, whether under this Agreement or not; or

(b) Franchisee fails to operate the Business under supervision of an approved Manager.

(ii) Franchisor shall have the right to terminate this Agreement upon 30 days written notice if any default under this Agreement remains uncured, in Franchisor's sole discretion and judgment. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured within such 30 day period and Franchisee has commenced and is continuing to make good faith efforts to cure such breach, Franchisee shall be given an additional 30 day period to cure the same, and this Agreement shall not terminate. By way of example only, the following are some of the contract breaches for which Franchisee will be provided with notice and an opportunity to cure under this provision:

(a) Franchisee fails or refuses to submit financial statements, reports or other operating data, information or supporting records when due;

(b) Franchisee fails to relocate or commits a default (other than a monetary default which shall be subject to **Section 2223.3(i)(a)** above) under the lease, sublease, purchase contract or other contract for the Business, the Vehicles or any equipment, tools or supplies utilized in the operation thereof;

(c) Franchisee fails to provide or maintain required insurance coverage;

(d) Franchisee fails to restore the Business to full operation within a reasonable period of time (not to exceed 90 days) after the Business is rendered inoperable by any casualty; or

(e) Franchisee fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by Franchisor.

**22.4-23.4. Management of Business by Franchisor.** In addition to Franchisor's right to terminate this Agreement, and not in lieu thereof, Franchisor may exercise complete authority with respect to the management of the Business until such time as Franchisor shall determine that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. This option includes, but is not limited to, situations in which the Business is not under the supervision of an approved Manager. Franchisee specifically agrees that a designated representative of Franchisor may take control and manage the Business in the event of any such default. If Franchisor assumes the management of the Business, Franchisee must pay Franchisor (in lieu of the Royalties) a management fee equal to ten percent (10%) of the Business's Gross Sales (the "**Management Fee**") plus reimburse Franchisor for the full compensation paid to such representative, including the cost of all fringe benefits plus any and all expenses reasonably incurred by such representative so long as such representative shall be necessary and in any event until the default has been cured and Franchisee is complying with the terms of this Agreement. Franchisee acknowledges that the Management Fee shall be in addition to the Marketing Fund Contribution and any other fees (except the

Royalties) required under this Agreement and shall be paid in accordance with the methods of payment set forth in **Section 5**. If Franchisor assumes the Business's management, Franchisee acknowledges that Franchisor will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the Business incurs, or to any of Franchisee's creditors for any supplies or services the Business purchases, while Franchisor manages it.

#### **23.24. EFFECT OF AND OBLIGATIONS UPON TERMINATION**

**23.1.24.1. Obligations upon Termination or Expiration.** Upon the expiration or termination of this Agreement, whether by reason of lapse of time, default in performance or other cause or contingency, Franchisee shall:

(i) forthwith return to Franchisor all material furnished by Franchisor containing confidential information, operating instructions, business practices, or methods or procedures, including, without limitation, the Operations Manual;

(ii) immediately cease to operate within the Protected Territory, and cease all use of the Marks, and the use of any and all signs, slogans, symbols, logos, advertising materials, forms, products and other items bearing the Marks, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(iii) pay all sums owing to Franchisor which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, and any other amounts due to Franchisor;

(iv) pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(v) if Franchisee retains possession of the Vehicles, at Franchisee's expense, make such reasonable modifications to the exterior and interior of the Vehicles as Franchisor requires to eliminate its identification as a Mobile Unit operated in connection with an 360<sup>2</sup> Painting ~~Business~~ and to avoid violation of the non-compete provision;

(vi) upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the approved location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

(vii) if Franchisee retains possession of any real property used in connection with the Business, and Franchisor does not take assignment of it under **Section 23.24.2(vi)** herein, at Franchisee's expense make such reasonable modifications to the exterior and interior décor of the real property as Franchisor requires to eliminate its identification as an 360<sup>2</sup> Painting ~~Business~~ and to avoid violation of the non-compete provision;



(viii) refrain from operating or doing business under any name or in any manner that may give the general public the impression that this Agreement is still in force or that Franchisee is connected in any way with Franchisor or that Franchisee has the right to use the ~~360° Painting~~ System or the Marks;

(ix) refrain from making use of or availing itself to any of the Confidential Information, Operations Manual or other information received from Franchisor or disclosing or revealing any of the same in violation of **Section 2122.3** hereof, including (but not limited to) all data and information concerning any customers of the ~~360° Painting~~ Business;

(x) take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "360° ~~PAINTING~~ Painting" or any of the Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(xi) assign to Franchisor or its designee all of Franchisee's rights, title, and interest in the telephone numbers, telephone directory listings and advertisements, website URLs, e-mail addresses, store leases and governmental licenses or permits used for the operation of the Business. Simultaneously with Franchisee's execution of this Agreement, Franchisee will execute the Internet Web Sites and Listings Agreement attached hereto as **Exhibit C-3** and the Telephone Listing Agreement attached hereto as **Exhibit C-4**; ~~and~~

(xii) fulfill all of Franchisee's obligations to customers under all outstanding contracts and any warranties provided for in this Agreement notwithstanding the expiration or termination of the same. In order to ensure that Franchisee honors these obligations, within fourteen (14) days after the effective date of expiration or termination, Franchisee shall post a bond in an amount equal to one half of one percent (0.5%) of Franchisee's gross sales for the last twenty-four (24) months or pay Franchisor a fee of ten thousand dollars (\$10,000), whichever is greater. ~~Franchisor shall return such monies, less any amount expended to satisfy Franchisee's outstanding obligations, upon; and~~

~~Franchisor's satisfaction that Franchisee has satisfied all of its obligations pursuant to this subsection.~~

(xiii) strictly comply with the terms and conditions of **Section 2122** above.

**23.2-24.2. Sale upon Expiration or Termination.**

Except in the case of a renewal under **Section 3.2**, if this Agreement expires or is terminated or canceled for any reason, Franchisor shall have the option to purchase the Business, the Vehicles, and/or a portion of the assets of the Business (including fixtures, furniture, vehicles, equipment, tools and improvements), and which may include at Franchisor's option, all of Franchisee's leasehold interest in and to any real estate upon which the Business is located, but not including real property (collectively, the "**Assets**"). If Franchisor desires to purchase any or all of the Assets but the parties are unable to agree as to a purchase price and terms of such sale, the fair market value of such Assets (to be determined without goodwill or going concern value) shall be determined by three appraisers. Franchisee and Franchisor shall each select one appraiser, and the two appraisers so chosen shall select the third appraiser. The three appraisals shall be averaged to determine the purchase price. Franchisor shall have the right, at any time within 15 days after being advised in writing of the decision of the appraisers as aforesaid, to purchase the Assets at the purchase price as determined above. Each party shall be responsible for the costs and expenses of the appraiser it selected and the cost of the third appraiser shall be shared equally by the parties. Nothing contained in this Section shall be deemed to be a waiver by Franchisor of any default by Franchisee under this Agreement nor shall the exercise of the option to purchase the Assets contained in this Section affect any other rights or remedies granted to Franchisor hereunder or otherwise available to it.

Notwithstanding the provisions set forth directly above, if, within forty-five (45) days following the expiration of this Agreement, Franchisee shall receive a bona fide offer for the purchase of the Assets, Franchisee shall offer the same in writing to Franchisor at the same price and on the same terms or the monetary equivalent; which offer Franchisor may accept at any time within fifteen (15) days after receipt thereof. If Franchisor declines, or does not within such 15-day period accept, such offer, then Franchisee may sell the Assets to such purchaser, but not at a lower price nor on more favorable terms than have been offered to Franchisor.

Any sale of the Assets hereunder shall close no later than sixty (60) days after delivery of written notice of Franchisor's exercise of its option is given to Franchisee. Franchisor has the right to assign its option hereunder and Franchisee must sign all documents of transfer reasonably necessary for the purchase of the Assets. All Assets transferred shall be free and clear of all liens and encumbrances, with all sales and transfer taxes paid by the Franchisee.

**23.3-24.3. Effect of Expiration or Termination.** Upon the expiration or termination of this Agreement for any reason, any and all rights granted to Franchisee hereunder shall be extinguished immediately, and Franchisee shall not be relieved of any of its obligations, debts or liabilities hereunder. The expiration or termination of this Agreement for any reason will be without prejudice to the rights of Franchisor against Franchisee and will not destroy or diminish the binding force and effect of any of the provisions of this Agreement that expressly, or by reasonable implication, come into or continue in effect on or after the expiration or termination hereof.

**24.4. Liquidated Damages.** Upon termination of this Agreement by Franchisor under Section 23, or by Franchisee (except as provided in **Section 23.1**), Franchisee agrees to pay to Franchisor within fourteen

(14) days after the effective date of this Agreement's termination, in addition to any other amounts owed hereunder, liquidated damages calculated by multiplying the combined average monthly Royalty Fees and Marketing Fund Contributions (without regard to any fee waivers, abeyances, forbearances, or other reductions, whether granted unilaterally by Franchisor or agreed to by the parties hereto) owed by Franchisee to Franchisor during the twelve (12) months preceding the effective date of this Agreement's termination, multiplied by the lesser of: (i) thirty-six (36), or (ii) the number of full months remaining in the term of this Agreement, except that the liquidated damages due under this Section 24.4 will not, under any circumstances, be less than \$30,000. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty Fees and Marketing Fund Contributions due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees and Marketing Fund Contributions would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees and Marketing Fund Contributions. It does not address any other damages, including damages to Franchisor's goodwill or reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee and Marketing Fund sections. Franchisee and each of Franchisee's owners agree that this liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the Royalty Fee and Marketing Fund provisions.

#### **24.25. OTHER BUSINESS**

Franchisee agrees not to carry on or conduct or permit others to carry on or conduct any other business, activity or operation ~~at the approved location~~ (other than the operation of the Business in conformity with this Agreement and the Operations Manual) at any location at which the Business operates without first obtaining the written consent of Franchisor.

#### **25.26. OWNERSHIP OF FRANCHISEE**

Attached hereto as **Exhibit C-5** is a description of the legal organization of Franchisee (whether a corporation, limited, liability company, partnership or otherwise), the names and addresses of each person or entity owning a 10% or greater interest in Franchisee (the "**Principal Owners**") and the percentage of such interest owned by such person or entity. Franchisee agrees to notify Franchisor in writing whenever there is any change in the organizational structure or ownership interest of Franchisee as set forth on **Exhibit C-5**. Franchisor shall require each Principal Owner and such Principal Owner's spouse, if any, to execute the Guaranty Agreement attached hereto as **Exhibit C-6**.

#### **26.27. SUCCESSORS AND THIRD-PARTY BENEFICIARIES**

This Agreement and the covenants, restrictions and limitations contained herein shall be binding upon and shall inure to the benefit of Franchisor and its successors and assigns and shall be binding upon and shall inure to the benefit of Franchisee and its permitted heirs, successors and assigns. Except as contemplated by **Section 1820.1**, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. This Agreement is, however, intended to bind the Bound Parties to the extent set forth in this Agreement.

## **27.28. CONSTRUCTION**

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, and any other gender, as the context or sense of this Agreement or any provision hereof may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named. Except where this Agreement expressly obligates Franchisor not to unreasonably withhold its approval of any of Franchisee's actions or requests, Franchisor has the absolute right, in its sole and arbitrary discretion, to refuse any request Franchisee makes or to withhold its approval of any of Franchisee's proposed or effected actions that require Franchisor's approval. Whenever Franchisor reserves discretion in a particular area or where it agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment in making its decision or exercising its rights. Franchisor's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if its decision or action is intended, in whole or significant part, to promote or benefit the System generally, even if the decision or action also promotes its financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product or service quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System

## **28.29. INTERPRETATION AND HEADINGS**

The parties agree that this Agreement should be interpreted according to its fair meaning. Franchisee waives to the fullest extent possible the application of any rule which would construe ambiguous language against Franchisor as the drafter of this Agreement. The words "include," "includes" and "including" when used in this Agreement will be interpreted as if they were followed by the words "without limitation". References to section numbers and headings will refer to sections of this Agreement unless the context indicates otherwise. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

## **29.30. NOTICES**

All notices or other communications required or permitted to be given under the terms of this Agreement, shall be given in writing, and be delivered personally, email, by certified, express or registered mail, or by an overnight delivery service (e.g., UPS or Fed Ex.), postage prepaid, addressed to the party to be notified at the respective address set forth on **Exhibit C-1**, or at such other address or addresses as the parties may from time to time designate in writing in accordance with this Section. Any notice shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission via email (as long as receipt is confirmed); (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by registered mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on **Exhibit C-1** of this Agreement, or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

360<sup>2</sup>-~~PAINTING~~ Painting, LLC

Attention: Paul Flick  
630 Peter Jefferson Parkway, Suite 200  
Charlottesville, Virginia 22911

### **30.31. DISPUTE RESOLUTION**

**31.1. Choice of Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

~~**20.1.1.1.** References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.~~

**31.2. Consent to Jurisdiction and Venue for Disputes.** Any action brought by either party shall be brought in the appropriate state or federal court located in or serving county and state in which Franchisor maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Any action brought by either party shall be brought in the appropriate state or federal court located in or serving county and state in which Franchisor maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered and return receipt requested, or by any other manner provided by law. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

**31.3. Cumulative Rights and Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

**31.4. Limitation of Damages and Disclaimer.** FRANCHISEE AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, UNDER ANY THEORY OF LIABILITY, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EXCEPT AS PROVIDED IN SECTION 24.1(XII) AND SECTION 24.4, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT, INCLUDING REASONABLE ACCOUNTING AND LEGAL FEES.

**31.5. WAIVER OF JURY TRIAL.** FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

~~**30.2.1.1.** This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.~~

~~**30.3.1.1. Cumulative Rights and Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.~~

~~**1.3** *[Intentionally Deleted]*.~~

~~1.4 — Limitation of Damages and Disclaimer. Franchisee and Franchisor each waive, to the fullest extent permitted by law, under any theory of liability, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees.~~

~~30.4.1.1. — WAIVER OF JURY TRIAL. FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.~~

~~31.6. No Class Actions. FRANCHISOR AND FRANCHISEE AGREE THAT ANY AND ALL LITIGATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS.~~

~~30.5.31.7. Service of Process.~~ The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Franchisee and/or the Principals by serving a person of suitable age and discretion (such as the person in charge of the office) at the notice address of Franchisee specified in **Exhibit C-1** to this Agreement and as to Franchisor, by serving the Franchisor at the notice address specified in **Section 2930** above or by serving Franchisor's registered agent.

### 32. COSTS AND ATTORNEYS' FEES

~~31.1—If either party incurs any expenses in connection with the other party's failure to pay any amounts it owes when due, submit any requested reports when due or otherwise comply with this Agreement, the breaching party shall reimburse the non-breaching party for any of the costs and expenses which the non-breaching party incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.~~ **COSTS AND ATTORNEYS' FEES**

~~If either party incurs any expenses in connection with the other party's failure to pay any amounts it owes when due, submit any requested reports when due or otherwise comply with this Agreement, the breaching party shall reimburse the non-breaching party for any of the costs and expenses which the non-breaching party incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.~~ The duty to pay such costs and fees shall survive termination or expiration of this Agreement.

### 33. WAIVER

~~No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default. In addition, subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.~~

### 34. SEVERABILITY

#### ~~32.1. WAIVER~~

~~No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to~~

~~any subsequent default of the same or a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default. In addition, subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.~~

### **33.1. SEVERABILITY**

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under of this Agreement.

Notwithstanding the above, each of the covenants contained in **Section 24.22** shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

### **34.35. FORCE MAJEURE**

**34.1.35.1. Acts of God.** Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God (including tornadoes, tropical storms, hurricanes, and storm surges), war, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

**34.2.35.2. Losses.** Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if Franchisor's or Franchisee's breach is due to strikes, lockouts, casualties, acts of God, war or other causes beyond the reasonable control of the parties.

### **35.36. TIMING**

Time is of the essence; except as set forth in **Section 34.(i).35.1**, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

### **36.37. DELEGATION BY FRANCHISOR**

Franchisor shall have the right to delegate (to one or more affiliates and/or third-parties) performance of any or all of its obligations and duties hereunder. Franchisee ~~hereby~~ agrees to such delegation. Franchisee further



agree that: (i) the term “Franchisor” as used in this Agreement will refer only to 360 Painting, LLC and not our parent or affiliates; (ii) Franchisor is not authorized to contract for or on behalf of its parent or any of its affiliates; and (iii) this Agreement will not be deemed to bind or otherwise restrict our parent or any of Franchisor’s affiliates.

#### **37.38. WITHHOLDING PAYMENTS**

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its ~~Affiliates~~affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor’s right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee’s past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

#### **38.39. CUMULATIVE RIGHTS**

The rights granted hereunder are cumulative, and no exercise or enforcement by either party of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy to which either Franchisor or Franchisee are entitled, either by this Agreement or by law.

~~2. FURTHER ASSURANCES~~

~~Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.~~

**39.40. ENTIRE AGREEMENT**

This Agreement and any addendum, schedule or exhibit attached hereto contains the entire agreement between the parties hereto relating to the operation of the Business and no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, have been made or relied upon by the parties other than those set forth herein or in Franchisor's Disclosure Document provided to Franchisee. No agreement altering, changing, waiving or modifying any of the terms and conditions of this Agreement shall be binding upon either party unless and until the same is made in writing and executed by all interested parties. Nothing in this Agreement or any related agreement, however, is intended to disclaim the representations ~~we~~Franchisor made in the Franchise Disclosure Document that the Franchisor furnished to the Franchisee.

**40.41. COUNTERPARTS**

This Agreement may be signed in multiple counterpart copies, each of which will be deemed an original.

~~3. THIRD PARTY BENEFICIARIES~~

~~Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or benefits upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns.~~

**41.42. REVIEW OF AGREEMENT AND FRANCHISEE'S ACKNOWLEDGEMENTS**

**41.1.42.1. Receipt of this Agreement and the Franchise Disclosure Document.** Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has had a copy of the Franchisor's disclosure document for not less than fourteen (14) calendar days and this Agreement in final complete form in its possession for not less than seven (7) business days.

**41.2.42.2. Consultation by Franchisee.** Franchisee represents and acknowledges that it has had the opportunity to have this Agreement and the business offered hereunder reviewed by professionals of Franchisee's choosing prior to executing this

Agreement, and has either consulted with such professionals or has deliberately declined to do so.

**42.3. Anti-Terrorism Provision.** Franchisee and each of Franchisee's owners represents and warrants to Franchisor that: (i) neither Franchisee nor any owner is named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals," "Blocked Persons" or other sanctions lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control currently located at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>; (ii) Franchisee and each owner will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the U.S. Patriot Act (currently located at <https://www.justice.gov/archive/ll/highlights.htm>), U.S. Executive Order 13224 (currently located at <https://www.treasury.gov/resource-center/sanctions/Documents/13224.pdf>) or any similar laws; and (iii) Franchisee and each Owner shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

**41.3.42.4. Acknowledgements.** Franchisee assumes sole responsibility for the operation of the Business and acknowledges that, while Franchisor may furnish advice and assistance to Franchisee from time to time during the term of this Agreement, Franchisor has no legal or other obligation to do so except as specifically set forth herein. In addition, Franchisee acknowledges that Franchisor does not guarantee the success or profitability of the business franchised hereunder in any manner whatsoever and shall not be liable therefor; in particular, Franchisee understands and acknowledges that the success and profitability of the business franchised hereunder depend on many factors outside the control of either Franchisor or Franchisee (such as interest rates, unemployment rates, demographic trends and the general economic climate) and there are significant risks in any business venture, but principally depend on Franchisee's efforts in the operation of the business and the primary factor in Franchisee's success or failure in the business franchised hereunder will be Franchisee's own efforts. Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a 360<sup>2</sup> ~~PAINTING business store~~ **Painting** involves business risks and that the success of the venture is dependent in part upon the business abilities and efforts of Franchisee. IN ADDITION, FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR AND ITS REPRESENTATIVES HAVE MADE NO REPRESENTATIONS OR WARRANTIES TO FRANCHISEE THAT ARE INCONSISTENT WITH THE MATTERS SET FORTH IN THIS AGREEMENT, AND THAT FRANCHISEE HAS UNDERTAKEN THIS VENTURE SOLELY IN RELIANCE UPON THE MATTERS SET FORTH HEREIN, THE CONTENTS OF FRANCHISOR'S DISCLOSURE DOCUMENT, AND FRANCHISEE'S OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Franchise Agreement under seal as of the Effective Date.

**FRANCHISEE:**

~~If a corporation or limited liability company:~~

\_\_\_\_\_

~~If NOT an Individual:~~

\_\_\_\_\_

\_\_\_\_\_ [Name of Entity]

\_\_\_\_\_

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

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

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

~~If a partnership:~~

\_\_\_\_\_

~~[NAME OF PARTNERSHIP]~~

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

~~\_\_\_\_\_(SEAL)~~

~~General Partner~~

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

~~\_\_\_\_\_(SEAL)~~

~~General Partner~~

*If an individual:*

\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
[SIGNATURE]

\_\_\_\_\_  
NAME OF INDIVIDUAL: \_\_\_\_\_

**FRANCHISOR:**  
**360<sup>®</sup> PAINTING, LLC**

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

\_\_\_\_\_  
Name: Paul Flick

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

\_\_\_\_\_  
Date of Acceptance: \_\_\_\_\_

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

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

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

**EXHIBIT C-1**

**TO FRANCHISE AGREEMENT**

**MISCELLANEOUS INFORMATION; TERRITORY DEFINED**

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

Franchisee's Name: \_\_\_\_\_

Initial Franchise Fee: \$60,000

Address of Franchisor:

360 Painting, LLC  
630 Peter Jefferson Parkway, Suite 200  
Charlottesville, Virginia 22911  
Attn: Paul Flick

Address of Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Protected Territory: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Note: Franchisor may provide a map as a graphic representation of the Protected Territory. In the event of any conflict, discrepancy or confusion, the zip codes listed on this **Exhibit C-1** shall control.

\_\_\_\_\_  
**INITIALS:** \_\_\_\_\_

**INITIALS:** \_\_\_\_\_



~~C-4~~

## **EXHIBIT C-2**

### **TO FRANCHISE AGREEMENT-~~PERSONAL COVENANTS~~**

#### **PERSONAL COVENANTS**

Each of the undersigned (“you”) agrees that:

1. ~~Section 1~~ — All capitalized terms used but not defined in this Personal Covenants shall have the meaning set forth in that certain 360° ~~PAINTING, Painting~~, LLC FRANCHISE AGREEMENT, dated as of ~~the day of, 20~~ \_\_\_\_\_ (the “Franchise Agreement”), by and between 360° ~~PAINTING, Painting~~, LLC (“Franchisor”), and \_\_\_\_\_ (“Franchisee”).

2. ~~Section 2~~ — You are a Bound Party.

~~Section 3~~ — As an inducement to Franchisor to enter into the Franchise Agreement, and in consideration of the direct and personal benefits you will derive from the Franchise Agreement, you agree that: (i) you have read and understand all the provisions of Sections ~~2122.1, 2122.2, 2122.3, 22.7~~ and ~~30.31.1 – 30.31.7~~ of the Franchise Agreement; (ii) you will be personally bound by all of the obligations and covenants of Franchisee contained in Sections ~~2122.1, 2122.2, 2122.3, 22.7~~ and ~~30.31.1 – 30.31.7~~ as if such obligations and covenants were made and given personally by you directly to Franchisor; and (iii) such obligations and covenants are fair and reasonable and will not deprive you of your livelihood.

4. ~~Section 4~~ — If any sentence, clause, paragraph, or combination of any of them in Sections ~~2122.1, 2122.2, 2122.3, 22.7~~ and ~~30.31.1 – 30.7 of 31.7 of~~ the Franchise Agreement is held by a court of competent jurisdiction to be unenforceable as applied to you, then such unenforceable sentence, clause, paragraph, or combination may be modified by such court to the extent necessary to render it enforceable, and if it cannot be so modified, it shall be severed and the remainder of Sections ~~2122.1, 2122.2, 2122.3, 22.7~~ and ~~30.31.1 – 31.7 shall remain in full force and effect.~~

~~30.7 shall remain in full force and effect.~~

~~Section 5~~ — These personal covenants shall be governed by the internal laws of the Commonwealth of Virginia, unless the law of your jurisdiction applies as provided for in Section 30.1 of the Franchise Agreement.

5. ~~Section 6~~ — Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that ~~we~~Franchisor furnished to ~~you~~Franchisee.

The undersigned hereby execute and deliver this instrument effective as of the Effective Date of the Franchise Agreement.

~~The undersigned hereby execute and deliver this instrument effective as of the Effective Date of the Franchise Agreement.~~

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

Date: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_\_\_

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

Date: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

Date: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_\_\_

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

Date: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

Date: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_\_\_

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

Date: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_\_\_



~~Signature~~ ~~Signature~~

~~Print Name~~ ~~Print Name~~

~~Date: \_\_\_\_\_, 20\_\_~~ ~~Date: \_\_\_\_\_, 20\_\_~~

<hr/>	
Signature	Signature
<hr/>	<hr/>
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____
<hr/>	
Signature	Signature
<hr/>	<hr/>
Print Name	Print Name
Date: _____, 20____	Date: _____, 20____

**EXHIBIT C-3**

**TO FRANCHISE AGREEMENT** ~~INTERNET WEB SITES AND LISTINGS AGREEMENT~~

**INTERNET WEB SITES AND LISTINGS AGREEMENT**

**INTERNET WEB SITES AND LISTINGS AGREEMENT**

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the “**Internet Listing Agreement**”) is made and entered into as of ~~the \_\_\_\_ day of \_\_\_, 20\_\_~~ (the “**Effective Date**”), by and between **360° PAINTING, Painting, LLC**, a Delaware limited liability company (the “**Franchisor**”), and \_\_\_\_\_ (the “**Franchisee**”).

**WITNESSETH:**

\_\_\_\_\_  
(the “**Franchisee**”).

**WITNESSETH:**

**WHEREAS**, Franchisee desires to enter into a 360° Painting, LLC Franchise Agreement (the “**Franchise Agreement**”) to operate a 360° Painting ~~residential and light commercial~~ painting, decorating and wall finishing services business (the “**Business**”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. “**Termination**” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

**2.1. Interest in Internet Web Sites and Listings.** Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the “**Internet Web Sites and Listings**”) related to the Business or the Marks (all of which right, title, and interest is referred to herein as “**Franchisee’s Interest**”).

**2.2. Transfer.** On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the “**Internet Companies**”) with which Franchisee has Internet

Web Sites and Listings: (i) to transfer all of Franchisee's Interest in such Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

**2.3. Appointment: Power of Attorney.** Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

- (i) Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor;
- (ii) Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and
- (iii) Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

3. ~~Certification of Termination~~**CERTIFICATION OF TERMINATION.** Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has Terminated.

4. ~~Cessation of Obligations~~**CESSATION OF OBLIGATIONS.** After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

**5. MISCELLANEOUS**



~~1. MISCELLANEOUS~~

**4.1.5.1. Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

**4.2.5.2. Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agree that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Internet Listing Agreement.

**4.3.5.3. No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

**4.4.5.4. Further Assurances.** Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

**4.5.5.5. Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

**4.6.5.6. Effect on Other Agreements.** Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein. Nothing in this or in any related agreement, however, is intended to disclaim the representations ~~we~~Franchisor made in the franchise disclosure document that ~~we~~Franchisor furnished to ~~you~~Franchisee.

**4.7.5.7. Survival.** This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

**4.8.5.8. Joint and Several Obligations.** All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Internet Web Sites and Listings Agreement as of the Effective Date.

**FRANCHISOR:**

**360<sup>o</sup> PAINTING, LLC**

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

Name: Paul Flick

Title: CEO

**FRANCHISEE:**

*If NOT an Individual:*

\_\_\_\_\_  
[Name of Entity]

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

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

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

*If an Individual:*

Signature: \_\_\_\_\_

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

If other than an Individual:

[INSERT ENTITY NAME]

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

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

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

**EXHIBIT C-4**

**TO FRANCHISE AGREEMENT**

~~TELEPHONE LISTING AGREEMENT~~ **TELEPHONE LISTING AGREEMENT**

THIS TELEPHONE LISTING AGREEMENT (the “**Telephone Listing Agreement**”) is made and entered into as of the \_\_\_\_ day of \_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between 360 ~~PAINTING~~Painting, LLC, a Delaware limited liability company (hereinafter the “**Franchisor**”), and \_\_\_, \_\_\_\_\_ (the “**Franchisee**”).

W I T N E S S E T H:

~~W I T N E S S E T H:~~

**WHEREAS**, Franchisee desires to enter into a 360° Painting, LLC Franchise Agreement (the “**Franchise Agreement**”) to operate a 360° Painting ~~residential and light-commercial painting, decorating and wall finishing services~~ business (the “**Business**”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. “**Termination**” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

**2.1. Interest in Telephone Numbers and Listings.** Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) related to the Business or the Marks (all of which right, title, and interest is referred to herein as Franchisee’s “**Interest**”).

**2.2. Transfer.** On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “**Telephone Companies**”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and

Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

**2.3. Appointment; Power of Attorney.** Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

- (i) Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;
- (ii) Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and
- (iii) Execute the Telephone Companies' standard assignment forms or other documents in order to effect such transfer or termination of Franchisee's Interest.

3. ~~Certification of Termination.~~**CERTIFICATION OF TERMINATION.** Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has Terminated.

4. ~~Cessation of Obligations.~~**CESSATION OF OBLIGATIONS.** After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

#### ~~5.1. MISCELLANEOUS~~

#### **5. MISCELLANEOUS**

**5.1. Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights,

demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

**5.2. Indemnification.** Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

**5.3. No Duty.** The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

**5.4. Further Assurances.** Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

**5.5. Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

**5.6. Effect on Other Agreements.** Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein. Nothing in this or in any related agreement, however, is intended to disclaim the representations ~~we~~Franchisor made in the franchise disclosure document that ~~we~~Franchisor furnished to ~~you~~Franchisee.

**5.7. Survival.** This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

**5.8. Joint and Several Obligations.** All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

{Signatures Appear on Following Page}

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

**FRANCHISOR:**

**360<sup>o</sup> PAINTING, LLC**

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

Name: Paul Flick

Title: CEO

**FRANCHISEE:**

*If NOT an Individual:*

\_\_\_\_\_  
[Name of Entity]

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

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

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

*If an Individual:*

Signature: \_\_\_\_\_

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

\_\_\_\_\_

~~If other than an Individual:~~

~~[INSERT ENTITY NAME]~~

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

~~Name: \_\_\_\_\_~~

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



**EXHIBIT C-5**  
**TO FRANCHISE AGREEMENT**  
**FRANCHISEE INFORMATION**

**1.** Franchisee's legal organization (~~circle~~mark one): ~~(a)~~

☐ sole proprietorship; ~~(b)~~

☐ partnership;

~~(c)~~ ☐ corporation; ~~(d)~~

☐ limited liability company; or ~~(e) other.~~

☐ other.

**6.2.** *If Franchisee is not a sole proprietor*, list of all ~~its~~ partners, members or shareholders or others (including other entities) holding any ownership interest in Franchisee:

Name and address	% interest	Active in Operation of Business? (yes/no)
------------------	------------	---

(a) _____	_____	_____
_____		
_____		

(b) _____	_____	_____
_____		
_____		

(c) _____	_____	_____
_____		
_____		

(d)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

	<u>Name and address</u>	<u>% interest</u>	<u>Active in Operation of Business?</u> <u>(yes/no)</u>
(a)			
(b)			
(c)			
(d)			

7.3. If Franchisee is not a sole proprietor, list of Franchisee’s officers, directors, managers and/or general partners:

Name	Title
(a)	
(b)	
(c)	
(d)	

~~[Signature]~~ Appears on Following Page

The undersigned certifies that all information contained in this **Exhibit C-5** is accurate and complete, and agrees to notify Franchisor promptly (and in any case within 15 days) upon any change in the information required to be disclosed in this **Exhibit C-5**.

**FRANCHISEE:**

*If NOT an Individual:*

\_\_\_\_\_  
[Name of Entity]

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

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

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

\_\_\_\_\_  
*If an Individual:*

\_\_\_\_\_  
Signature:\_\_\_\_\_

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

If other than an Individual:

[INSERT ENTITY NAME]

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

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

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

## **EXHIBIT C-6**

### **TO FRANCHISE AGREEMENT**

#### **GUARANTY AGREEMENT** ~~GUARANTY AGREEMENT~~

In consideration of, and as an inducement to, the execution by 360<sup>2</sup> Painting, LLC ("Franchisor") of that certain 360<sup>2</sup> Painting, LLC Franchise Agreement, dated \_\_\_\_\_, ~~20~~ \_\_\_\_\_ (as the same from time to time may be amended, modified, extended or renewed, the "Franchise Agreement"), by and between \_\_\_\_\_ ("Franchisee") and Franchisor, the undersigned, ~~(Guarantor)~~, for the term of the Franchise Agreement and any extension or renewal thereof, and thereafter until all obligations of Franchisee to Franchisor have been satisfied, jointly and severally, do hereby personally, absolutely, and unconditionally guarantee that Franchisee shall punctually pay and perform each and every undertaking, condition, and covenant set forth in the Franchise Agreement.

~~Each of the undersigned Guarantor~~ further waives acceptance and notice of acceptance of the foregoing obligations of Franchisee, and any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition to the liability of ~~the undersigned Guarantor~~.

This Guaranty is a guarantee of payment and performance not merely one of collection. ~~Each of the undersigned Guarantor~~ further consents and agrees that its liability under this Guaranty shall be direct and immediate and joint and several; that ~~the undersigned Guarantor~~ shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; that such liability shall not be contingent or conditioned upon the pursuit of any remedies against Franchisee or any other person; and that such liability shall not be diminished, relieved or otherwise affected by the extension of time, credit or any other indulgence which Franchisor, its affiliates, successors or assigns may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, or the release of any one or more ~~of the undersigned Guarantors~~ hereunder, or the consent to assignment of any interest in Franchisee, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until all obligations of Franchisee to Franchisor have been satisfied.

Until all obligations of Franchisee to Franchisor have been satisfied, the obligations of ~~the undersigned Guarantor~~ under this Guaranty shall remain in full force and effect without regard to, and shall not be released, discharged or in any way modified or affected by, any circumstance or condition (whether or not the undersigned shall have any knowledge or notice thereof), including, without limitation, any bankruptcy, insolvency, reorganization, composition, liquidation or similar proceeding, with respect to Franchisee or its properties or creditors, or any action taken by any trustee or receiver or by any court in any such

proceeding. ~~Your Guarantor's~~ liability will not be contingent or conditioned on ~~our Franchisor's~~ pursuit of any remedies against Franchisee or any other person. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Franchise Agreement or by law or in equity.

~~The undersigned Guarantor~~ hereby ~~agree~~agrees that without the consent of or notice to any ~~of the undersigned Guarantor~~ and without affecting any of the obligations of ~~the undersigned Guarantor~~ hereunder, any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and the Franchisee and ~~the undersigned do guarantee~~Guarantor guarantees and ~~promise~~promises to perform all of the obligations of the Franchisee under the Franchise Agreement as so amended, compromised, released or altered.

Upon notice from Franchisor that Franchisee has failed to pay monies due and owing to Franchisor under the Franchise Agreement, any and each ~~of the undersigned agree~~Guarantor agrees to cure the monetary default within five business days from such notice.

Any and all notices required or permitted under this Guaranty shall be personally delivered, sent by certified mail, or sent by any other means (including, without limitation, overnight courier service such as UPS, FedEx or a similar service) which affords the sender evidence of delivery or attempted delivery. The address(es) for Notices to Guarantor(s) is(are) indicated below, unless and until a different address has been designated by written notice to Franchisor. The address for Notices to Franchisor shall be as designated in the Franchise Agreement.

Upon the death of ~~an undersigned~~a Guarantor, the estate of such ~~undersigned~~Guarantor shall be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death. The obligations of the surviving ~~undersigned~~Guarantors shall continue in full force and effect.

~~The undersigned Guarantor~~ expressly ~~acknowledge~~acknowledges that the obligations hereunder survive the termination or expiration of the Franchise Agreement.

Franchisor's failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future.

No delay or failure of Franchisor in the exercise of any right, power, or remedy shall operate as a waiver thereof, and no partial exercise by Franchisor shall preclude any further exercise thereof or the exercise of any other right, power or remedy.

This Guaranty shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia, without recourse that state's (or any other's) choice of law or conflicts of law principles. If, however, any provision of this Guaranty would not be enforceable under the laws of ~~that state~~the Commonwealth of Virginia, and if the business franchised under the Franchise Agreement is located outside of ~~that state~~the Commonwealth of Virginia and the provision would be enforceable under the laws of the state in which the

franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or other doctrine of law of the Commonwealth of Virginia or any other state, which would not otherwise apply. Any litigation initiated under this Guaranty shall be instituted exclusively at Franchisor's discretion in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Franchisor's headquarters. ~~Each of the undersigned Guarantor~~ expressly agrees that ~~the undersigned Guarantor~~ is subject to the jurisdiction and venue of those courts for purposes of such litigation. Each ~~of the undersigned Guarantor~~ hereby ~~waive~~waives and ~~covenant~~covenants never to assert any claim that ~~the undersigned Guarantor~~ is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

If Franchisor chooses to proceed against ~~the undersigned Guarantor~~ under this Guaranty, and Franchisor prevails, ~~the undersigned Guarantor~~ shall reimburse Franchisor its costs and expenses associated with the proceeding, including its reasonable attorneys' fees, court costs and expenses.

Each paragraph, provision and term of this Agreement shall be considered severable, and if any paragraph, provision or term herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed its signature ~~this~~  
\_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_, 20\_\_

**GUARANTORS:**

Agreed: \_\_\_\_\_

\_\_\_\_\_ [Name of Guarantor]

**FRANCHISOR:**

**360<sup>2</sup> PAINTING, LLC**

\_\_\_\_\_(SEAL)

Signature

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

Address:

Name: Paul Flick



Its: CEO

Social Security No.: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
[Name of Guarantor]

\_\_\_\_\_(SEAL)

Signature

Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Social Security No.: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(SEAL)

Signature

Address:

\_\_\_\_\_

Social Security No.: \_\_\_\_\_

**EXHIBIT C-7**

**TO FRANCHISE AGREEMENT**

**GENERAL RELEASE** ~~GENERAL RELEASE~~

This General Release is made effective this      day of     , 20    . In consideration for the grant by **360 Painting, LLC**, a Delaware limited liability company, to the undersigned of certain rights in connection with the operation of a 360<sup>2</sup> Painting ~~Business~~ and/or the transfer, termination or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally release, discharge, and acquit Franchisor, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from any and all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, development agreement, franchise agreement or any other agreement executed by any of the undersigned and 360<sup>2</sup> Painting, LLC (or any subsidiary or affiliate of 360<sup>2</sup> Painting, LLC), any 360<sup>2</sup> Painting ~~Business~~ (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and 360<sup>2</sup> Painting, LLC (or any subsidiary or affiliate of 360<sup>2</sup> Painting, LLC), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against 360<sup>2</sup> Painting, LLC (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive. This General Release shall survive the assignment or termination of any of the franchise agreements or other documents entered into by and between 360<sup>2</sup> Painting, LLC and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws. This General Release shall be governed by and construed in accordance with the laws of the state in which Franchisor maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party without regard to its conflicts of law provisions.

**WITNESS:**

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

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

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

\_\_\_\_\_, Individually

\_\_\_\_\_, Individually

**EXHIBIT C-78**

**TO FRANCHISE AGREEMENT**



**ACH Authorization**

*I, \_\_\_\_\_, authorize 360 Painting, LLC to initiate an electronic debit against the bank account according to the terms outlined below. I acknowledge that the origination of the ACH transactions must comply with the provisioning of United States law.*

*Billing commences upon signature of this form and is subsequently debited monthly until I, \_\_\_\_\_, notify 360 Painting, LLC of its cancellation by sending written notice in such time and manner to allow both 360 Painting, LLC and receiving financial institution a reasonable opportunity in which to act upon it.*

**Business Checking ACH Information**

Legal Checking Account Name: \_\_\_\_\_  
DBA: \_\_\_\_\_  
Banking Institution: \_\_\_\_\_  
Bank ABA Routing Number: \_\_\_\_\_  
Bank Account Number: \_\_\_\_\_

**Business Contact Information**

Street Address: \_\_\_\_\_  
City, State: \_\_\_\_\_  
Zip Code: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

Customer Signature: \_\_\_\_\_  
Customer Printed Name: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

**Please attach a copy of a voided check.**

**EXHIBIT D**

**TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**



**360° Painting, LLC**

**OPERATIONS MANUAL TABLE OF CONTENTS** ~~EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT~~

**360 Painting  
Franchise Operations Manual**

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**FRANCHISE DISCLOSURE DOCUMENT**

**FINANIAL STATEMENTS**

**360 Painting, LLC**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2019, 2018 and 2017**

**360 PAINTING, LLC**  
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#### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
**360 Painting, LLC**  
Charlottesville, Virginia

We have audited the accompanying financial statements of 360 Painting, LLC, which comprise the balance sheets as of December 31, 2019, 2018 and 2017 and related statement of income and equity, and cash flows for the periods then ended and related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statement referred to above present fairly in all material respects, the financial position of 360 Painting, LLC as of December 31, 2019, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

  
June 2, 2020

**360 PAINTING, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ -	\$ 2,067	\$ 18,228
Accounts Receivable - Franchisees	325,579	278,637	221,710
Note Receivable - Parent Company	5,231,967	2,618,129	1,706,851
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 5,557,546</u>	<u>\$ 2,898,833</u>	<u>\$ 1,946,789</u>
<b>TOTAL ASSETS</b>	<u>5,557,546</u>	<u>2,898,833</u>	<u>1,946,789</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 13,891	\$ 95,332	\$ 214,540
Unearned Franchise Fees	\$ 329,000	\$ -	\$ -
Due to Others	-	85,833	115,228
Accrued Lawsuit Liability	<u>100,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 442,891</u>	<u>\$ 181,165</u>	<u>\$ 329,768</u>
<b>TOTAL LIABILITIES</b>	<u>442,891</u>	<u>181,165</u>	<u>329,768</u>
<b>MEMBER'S EQUITY</b>	<u>\$ 5,114,655</u>	<u>\$ 2,717,668</u>	<u>\$ 1,617,021</u>
<b>TOTAL LIABILITIES &amp; MEMBER'S EQUITY</b>	<u>5,557,546</u>	<u>2,898,833</u>	<u>1,946,789</u>

See auditor's report and accompanying information

**360 PAINTING, LLC**  
**STATEMENTS OF INCOME and EQUITY**  
**DECEMBER 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>REVENUE</b>	<b>\$ 5,035,448</b>	<b>\$ 3,586,069</b>	<b>\$ 2,963,707</b>
<b>EXPENSES</b>			
Advertising & Marketing	228,233	128,356	158,831
Auto	8,082	599	323
Bank & Merchant Fees	11,534	17,050	7,044
Bad Debt	2,817	44,800	57,043
Commissions	1,206,250	816,000	601,500
Computer and Internet	2,920	522	6,115
Depreciation	-	-	441
Dues and Subscriptions	831	749	3,792
Filing Fees	3,600	4,042	5,987
Franchise Related	137,251	276,818	295,598
Insurance	7,533	1,696	23,617
Interest	-	-	23
Leased Employees	772,573	593,250	488,110
Licenses & Permits	2,083	-	-
Office and Supplies	1,936	3,673	11,437
Professional Fees	23,156	60,563	812,562
Rent	3,669	9,333	7,328
Repairs and Maintenance	-	348	157
Travel	109,438	79,435	239,870
Utilities	20,886	15,981	14,349
<b>TOTAL EXPENSES</b>	<b>\$ 2,542,792</b>	<b>\$ 2,053,215</b>	<b>\$ 2,734,127</b>
<b>OPERATING PROFIT</b>	<b>\$ 2,492,657</b>	<b>\$ 1,532,854</b>	<b>\$ 229,580</b>
<b>OTHER INCOME (LOSS)</b>			
Interest Income	\$ 110,621	\$ -	\$ -
Loss from Lawsuit	\$ (100,000)	\$ -	\$ -
<b>TOTAL OTHE INCOME (LOSS)</b>	<b>\$ 10,621</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET INCOME</b>	<b>\$ 2,503,278</b>	<b>\$ 1,532,854</b>	<b>\$ 229,580</b>
<b>MEMBER'S EQUITY, BEGINNING</b>	<b>2,717,668</b>	<b>1,617,021</b>	<b>1,216,458</b>
<b>DISTRIBUTIONS</b>	<b>(106,291)</b>	<b>(432,207)</b>	<b>170,983</b>
<b>MEMBER'S EQUITY, ENDING</b>	<b>\$ 5,114,655</b>	<b>\$ 2,717,668</b>	<b>\$ 1,617,021</b>

See auditor's report and accompanying information

**360 PAINTING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)	\$ 2,503,278	\$ 1,532,854	\$ 229,580
Correcting 2018 transposition error	\$ -	\$ (180)	\$ -
Adjustment to Reconcile Net Income (Loss) to			
Net Cash Provided by Operating Activities			
Depreciation	-	-	441
Change In			
Accounts Receivable - Franchisees	(46,942)	(56,927)	(75,809)
Due from Others	(2,613,838)	(911,278)	(467,541)
Accounts Payable	(81,441)	(119,208)	76,353
Unearned Franchise Fees	329,000	-	-
Due to Others	(85,833)	(29,215)	84,221
Lawsuit Liability	100,000	-	-
<b>CASH PROVIDED BY OPERATIONS</b>	<u>\$ 104,224</u>	<u>\$ 416,046</u>	<u>\$ (152,755)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Fixed Assets	-	-	-
<b>CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Contributions/Distributions	(106,291)	(432,207)	170,983
<b>CASH USED BY FINANCING ACTIVITIES</b>	<u>\$ (106,291)</u>	<u>\$ (432,207)</u>	<u>\$ 170,983</u>
<b>CHANGE IN CASH</b>	(2,067)	(16,161)	18,228
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,067</u>	<u>18,228</u>	<u>-</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 2,067</u></u>	<u><u>\$ 18,228</u></u>

See auditor's report and accompanying information



**360 PAINTING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2019, 2018 and 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business and Trade Name

360 Painting, LLC (the Company), is a limited liability company organized under the laws of the State of Virginia on March 28, 2013. The Company was organized to promote, sell, and support franchises operating under the trade name of 360 Painting™. The Company's franchisees offer quality painting services.

As of December 31, 2019, 2018 and 2017, 360 Painting, LLC had eighty seven (87), one hundred three (103), and ninety four (94) franchises operating in North America.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements and relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Tax Status

The Company is a single member LLC for tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's member, and no provision for income taxes has been recorded in the accompanying financial statements.

Advertising Expense

Advertising costs are expensed as incurred.

Branding Fund

The Company administers a national branding fund (the Fund) on behalf of its franchisees. Each franchisee is required to contribute per month to the Fund, which is used to develop advertising and marketing materials and promote the Company's service marks and the franchisee's services on a local, regional, and national basis. Both receipts and expenditures of the branding fund are recorded on the Company's financial statements.

**NOTE B - REVENUE RECOGNITION**

The Company charges a franchise fee of \$60,000 and does not offer financing to franchisees. Franchisees are also required to pay ongoing monthly royalty, technology, and advertising fund fees, which are recognized as earned. The Company will recognize franchise fee revenue in compliance with FASB 606 beginning January 1, 2020.

**NOTE C - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the Company's cash in bank. The Company has no other assets that would be classified as a cash equivalent.

At various time throughout the year, the company may have had cash in certain financial institutions in excess of insured limits. At December 31, 2019, 2018 and 2017, the Company did not have cash in excess of insured limits.

**360 PAINTING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2019, 2018 and 2017**

**NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivable consists of monthly billings for royalties, technology fees and advertising fund contributions. The Company writes off uncollectible accounts as identified, and believes all receivables are collectible and as such, no allowance for doubtful accounts has been provided.

**NOTE E – NOTE RECEIVABLE – PARENT COMPANY**

The Company has lent money to its parent company, Premium Service Brands (PSB), to purchase and develop other franchise businesses. The parent company does intend to repay the loan, and as such, interest has been imputed on the ending balance at the applicable federal rate (AFR) of 2.16% and note payments by PSB to the Company will begin in June 2020. As the note is a demand note, the entire balance is classified as current.

**NOTE F – RELATED PARTIES**

The Company shares some of their operating costs with other companies owned by their parent company. The parent company pays the expenses and the Company reimburses them for their allocated share. The following activity occurred between the Company and its related parties in the accompanying financial statements:

	2019
Advertising & Promotion	\$ 581
Auto Expenses	1,379
Computer & Internet Expense	2,920
Dues & Subscriptions	633
Franchise Development	14,925
Insurance	7,533
Leased Employees	772,573
Licenses & Permits	112
Professional Fees	7,590
Rent	3,669
Travel Expenses	12,149
Utilities	5,378
Total	<u>\$ 829,442</u>

**NOTE G - SUBSEQUENT EVENTS**

Management has evaluated events through June 2, 2020, the date on which the financial statements were available for issue. The Company did not have any events subsequent to December 31, 2019 through June 2, 2020 to disclose.

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05/20/20

Accrual Basis

**360 Painting**  
**Profit & Loss**  
 January through April 2020

	Jan - Apr 20
Ordinary Income/Expense	
Income	
Additional E-Mail	600.00
Ad Fund	135,630.66
Convention Fee	2,200.00
Customer Care Center Income	158,798.76
Franchise Fee	404,000.00
Late Fee	3,500.00
Miscellaneous Income	-0.10
Rebate-PPG	6,357.00
Rebate-Sherwin Williams	257,865.37
Royalty	442,914.00
Technology Fee	31,248.30
Total Income	1,443,113.99
Gross Profit	1,443,113.99
Expense	
Franchise Broker Listing	10,151.00
Career Plug	650.00
Convention 2020	10,006.93
Advertising and Promotion	
Vehicle Wrap	2,000.00
Entrepreneur Media	6,000.00
Home Show Booths	4,873.88
Public Relations	8,000.00
SEO	16,184.50
Website	1,860.00
Advertising and Promotion - Other	340.00
Total Advertising and Promotion	39,258.38
Automobile Expense	
Parking	40.00
Total Automobile Expense	40.00
Bank Service Charges	200.00
Contractor Pay	6,379.29
Discovery Day	1,786.05
Filing Fee	656.00
Franchise Broker Commission	155,000.00
Franchise Development	
Membership	6,000.00
Franchise Portal	8,805.00
Meals & Entertainment	1,277.77
Software-Emaximation	650.00
Total Franchise Development	16,732.77
Franchise Support	650.00
Franchisee Training	
Meals	2,305.48
Trainer Hotel Expense	2,179.57
Total Franchisee Training	4,485.05
Insurance Expense	
Health Insurance	0.00
Total Insurance Expense	0.00
Licenses & Permits	1,906.00
Merchant Bank Fees	2,365.57
Office Expense	
Office Supplies	2,065.78
Total Office Expense	2,065.78

THESE STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. YOU SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARDS TO THEIR CONTENT OR FORM.

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05/20/20

Accrual Basis

**360 Painting**  
**Profit & Loss**  
 January through April 2020

	Jan - Apr 20
Payroll Expenses	
Operations & Development	47,562.93
Commissions	32,318.41
Total Payroll Expenses	79,881.34
Professional Fees	
Legal	47,679.46
Total Professional Fees	47,679.46
Telephone Expense	
Ring Central	-736.26
Telephone Expense - Other	446.20
Total Telephone Expense	-290.06
Travel Expense	
Air	2,781.39
Hotel	222.98
Meals and Entertainment	986.74
Rental Car	361.38
Total Travel Expense	4,352.49
Uncategorized Expenses	13,919.43
Total Expense	397,875.48
Net Ordinary Income	1,045,238.51
Net Income	<u>1,045,238.51</u>

THESE STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. YOU SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARDS TO THEIR CONTENT OR FORM.

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05/20/20  
Accrual Basis

**360 Painting**  
**Balance Sheet**  
As of April 30, 2020

	Apr 30, 20
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
BoA Checking	4,584.37
Canadian Clearing Acct	15,486.11
Total Checking/Savings	20,070.48
Accounts Receivable	
Accounts Receivable	267,224.71
Total Accounts Receivable	267,224.71
Other Current Assets	
Loans to Franchisees	
Loan Patnode	2,000.00
Total Loans to Franchisees	2,000.00
Due from 360 VA	16,971.42
Due from Premium Service	5,042,909.76
Due from RDU	61,465.06
Total Other Current Assets	5,123,346.24
Total Current Assets	5,410,641.43
Fixed Assets	
Computers (Fixed Asset)	
Accumulated Depreciation	-4,208.00
Computers (Fixed Asset) - Other	4,522.57
Total Computers (Fixed Asset)	314.57
Office Equipment	3,089.00
Total Fixed Assets	3,403.57
<b>TOTAL ASSETS</b>	<b>5,414,045.00</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	4,587.50
Total Accounts Payable	4,587.50
Other Current Liabilities	
Ascensus 401K	750.00
Total Other Current Liabilities	750.00
Total Current Liabilities	5,337.50
Total Liabilities	5,337.50
Equity	
Common Stock	50,444.95
Members Draw	-608,272.82
Members Equity	6,028,825.40
Opening Balance Equity	369.93
Retained Earnings	-58,680.16
Net Income	-3,979.80
Total Equity	5,408,707.50
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>5,414,045.00</b>

THESE STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. YOU SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARDS TO THEIR CONTENT OR FORM.

Page 1

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05/20/20

**360 Painting**  
**Statement of Cash Flows**  
January through April 2020

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	Jan - Apr 20
OPERATING ACTIVITIES	
Net Income	-3,979.80
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	43,354.21
Accounts Payable	1,803.60
Net cash provided by Operating Activities	41,178.01
FINANCING ACTIVITIES	
Members Draw	-10,000.00
Net cash provided by Financing Activities	-10,000.00
Net cash increase for period	31,178.01
Cash at beginning of period	-11,107.53
Cash at end of period	<u>20,070.48</u>

THESE STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. YOU SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARDS TO THEIR CONTENT OR FORM.

**EXHIBIT F**

**TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF CURRENT FRANCHISEES**  
**(AS OF DECEMBER 31, 2019)**

\* Signed, but not yet open as of 12/31/2019

\*\* Signed in 2020

<b>Pre-Opening Checklist</b>	<b>Name</b>	<b>Address</b>	<b>Email</b>	<b>Phone</b>
<b>ST</b>	<b>B-4 Brent Edwards</b>	<b>1006 Riverbend Club Drive NE, Atlanta, GA 30339</b>	<b>bedwards@360painting.com</b>	<b>404-840-0570</b>
<b>AL</b>	<b>Philip Hagan*</b>	<b>1095 Old Country Road, Daphne, AL 36526</b>	<b>phagan@360painting.com</b>	<b>251-752-7597</b>
<b>AR</b>	<b>Kurt Southworth</b>	<b>502 SW A Street, Bentonville, AR 72712</b>	<b>ksouthworth@360painting.com</b>	<b>479-431-5450</b>
<b>AZ</b>	<b>Enrique Childs</b>	<b>10135 Foothill Drive, Casa Grande, AZ 85122</b>	<b>echilds@360painting.com</b>	<b>520-709-6464</b>
<b>CO</b>	<b>Becca Vigilanes</b>	<b>1642 Foster Avenue, Longmont, CO 80501</b>	<b>rvigilanes@360painting.com</b>	<b>720-453-2411</b>
<b>CO</b>	<b>Jay Nelson</b>	<b>7373 Balcarrick Court, Windsor, CO 80550</b>	<b>jnelson@360painting.com</b>	<b>970-682-6130</b>
<b>CO</b>	<b>Rick &amp; Sheila Carmichael</b>	<b>3316 Aksarben Avenue, Littleton, CO 80123</b>	<b>rcarmichael@360painting.com</b>	<b>720-8930844</b>
<b>CO</b>	<b>Karen Gordey</b>	<b>12650 W 64<sup>th</sup> Avenue, Unit #241, Arvada, CO 80004</b>	<b>kgordey@360painting.com</b>	<b>703-861-3650</b>
<b>CO</b>	<b>Scott &amp; Renee Kewley</b>	<b>2512 Willow Glen Drive, Colorado Springs, CO 80920</b>	<b>skewley@360painting.com</b>	<b>719-822-0600</b>
<b>CT</b>	<b>Mike Handel</b>	<b>68 Old Mill Road, Wilton, CT 06897</b>	<b>mhandel@360painting.com</b>	<b>203-981-1987</b>
<b>FL</b>	<b>Iose Garcia</b>	<b>8600 SW 133rd Avenue Road, Miami, FL 33183</b>	<b>igarcia@360painting.com</b>	<b>786-358-0021</b>
<b>FL</b>	<b>Karen Willet</b>	<b>2131 NW 188th Terrace, Pembroke Pines, FL 33029</b>	<b>kwillet@360painting.com</b>	<b>954-271-2728</b>
<b>FL</b>	<b>Omar Hernandez</b>	<b>7061 Grand National Drive, Orlando, FL 32819</b>	<b>ohernandez@360painting.com</b>	<b>407-955-4360</b>
<b>FL</b>	<b>Vicente Lombardo</b>	<b>5201 Blue Lagoon Drive, Miami, FL 33126</b>	<b>vlombardo@360painting.com</b>	<b>305-851-2171</b>
<b>FL</b>	<b>Vicente Nuzzolo</b>	<b>13717 Yarmouth Drive, Wellington, FL 33414</b>	<b>vnuzzolo@360painting.com</b>	<b>561-323-7622</b>
<b>FL</b>	<b>Mary &amp; Donald Bynum*</b>	<b>8901 Saboda Court, Tampa, FL 33634</b>	<b>dbynum@360painting.com</b>	<b>813-230-2480</b>

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Pre-Opening Checklist	Name	Address	Email	Phone
FL	Ryan Glazier	815 41 <sup>st</sup> Avenue N. St. Petersburg, FL 33703	rglazier@360painting.com	412-589-0282
FL	Kris Donker	11955 S. Baypoint Circle, Parkland, FL 33076	kdonker@360painting.com	786-423-0378
FL	Glen Konowal	1010 Kerwood Circle, Oviedo, FL 32762	gkonowal@360painting.com	407-907-0556
FL	Chris & Brian Seufert**	3719 Eaglewood Street, Valrico, FL 33596	cseufert@360painting.com	727-430-9867
FL	Jeff & Emily May*	3780 Eagle Hammock Drive, Sarasota, FL 34240	jmay@360painting.com	941-735-5878
GA	Eddie McCoy	8550 McBride Lane, Gainesville, GA 30506	emccoy@360painting.com	770-509-6828
GA	Ozzie Guevara	219 Wyndham Woods Trail, Powder Springs, GA 30127	oguevara@360painting.com	678-894-0974
GA	Rich & Peggy Groark	1685 Berrywood Way, Cumming, GA 30041	rgroark@360painting.com	678-807-8449
GA	Hollis Dawson	3010 Terra View Drive SW, Lilburn, GA 30047	hdawson@360painting.com	470-521-0129
GA	Heath Higgins	1655 Fearn Circle NE, Brookhaven, GA 30319	hhiggins@360painting.com	404-539-8282
ID	Jim Anderson	2659 Pebblestone Court, Meridian, ID 83646	janderson@360painting.com	208-283-1511
IL	Brian Conrad	3315 Fairmont Avenue, Naperville, IL 60564	bconrad@360painting.com	630-481-7744
IL	Ebrahim Ayub*	4920 Dempster Street, Skokie, IL 60077	eayub@360painting.com	773-931-8779
IL	Greg DeGregorio	105 South Stone Avenue, La Grange, IL 60525	gdegregorio@360painting.com	708-998-2943
IL	Christian Robert*	600 South Capitol Street, Apt. 106, Iowa City, IA 52240	crobert@360painting.com	630-800-0163
IN	Galva Stanifer	888 Heatherwood Drive, Greenwood, IN 46143	gstanifer@360painting.com	317-360-1897
IA	Aaron Tooman	1702 SW 18 <sup>th</sup> Street, Ankeny, IA 50023	atooman@360painting.com	515-480-7412
KS	Andy Toburen	7611 Green Street, Shawnee, KS 66227	atoburen@360painting.com	913-449-9552
KY	Marty McGraw	4615 Vinita Way, Louisville, KY 40272	mmcgraw@360painting.com	502-694-7714
KY	Mike & Sarah Rader	1005 Caddy Court, Lawrenceburg, KY 40342	mrader@360painting.com	502-680-2349
LA	Geoff Begnaud**	110 Woodlake, Lafayette, LA 70508	gbegnaud@360painting.com	214-796-7911
MA	Glenn Misiph	46 Decarolis Drive, Tewksbury, MA 01876	gmisiph@360painting.com	978-341-4644

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Pre-Opening Checklist	Name	Address	Email	Phone
<b>MD</b>	Dan Gibson	8813 Sundale Drive, Silver Spring, MD 20910	dgibson@360painting.com	202-438-1280
<b>MD</b>	Lorna Kerr*	8604 Brandt Place, Bethesda, MD 20841	lkerr@360painting.com	301-204-5090
<b>MD</b>	Anthony Pollard	2404 Susan Hodges Place, Upper Marlboro, MD 20774	apollard@360painting.com	240-350-4614
<b>MI</b>	Sarah Brandenburg	1339 S. Melita Road, Sterling, MI 48659	sbrandenburg@360painting.com	989-313-1945
<b>MI</b>	Dave Echols**	11332 Fawn Valley Trail, Fenton, MI 48430	dechols@360painting.com	940-273-9621
<b>MI</b>	Chris Ring	349 Twinbrook Drive, Perrysburg, OH 43551	cring@360painting.com	734-845-8029
<b>MN</b>	Erech Gallatin	5775 Wayzata Boulevard, St. Louis Park, MN 55416	egallatin@360painting.com	612-819-4248
<b>MN</b>	Jim Lord	6616 Morgan Avenue South, Minneapolis, MN 55423	jlord@360painting.com	612-503-4699
<b>MO</b>	Shawn Weigel	1040 Silverleaf Lane, Liberty, MO 64068	sweigel@360painting.com	816-547-6635
<b>NE</b>	Tim Dorn**	19805 X Street, Omaha, NE 68135	tdorn@360painting.com	402-730-9954
<b>NC</b>	Gabor & Kiki Jacques	763 Magnolia Avenue, Charlotte, NC 28203	giacques@360painting.com	980-319-4085
<b>NC</b>	Geoff Fair	116 Summerview Lane, Cary, NC 27518	gfair@360painting.com	919-446-5772
<b>NC</b>	James Watson	203 Westridge Drive, High Point, NC 27262	jwatson@360painting.com	336-307-4155
<b>NC</b>	John & Belinda Weisehan	6420 Rea Road, Charlotte, NC 28277	jweisehan@360painting.com	704-625-2650
<b>NC</b>	William Abbey	11807 Eversfield Lane, Charlotte, NC 28269	wabbey@360painting.com	704-322-4724
<b>NC</b>	Yanling Piacenti	213 Shadow Mist Court, Apex, NC 27539	ypiacenti@360painting.com	919-263-0100
<b>NC</b>	Michael & Santana Jolly	500 Maggies Court, Jacksonville, NC 28540	mjolly@360painting.com	760-450-3826
<b>NC</b>	Jim Norconk	69 Locust Meadow Lane, Weaverville, NC 28787	jnorconk@360painting.com	828-333-0205
<b>NC</b>	Adam Ratcliff	276 Watauga Village Drive, #124, Boone, NC 28607	aratcliff@360painting.com	828-773-6711
<b>NI</b>	Paul Bratone	172 Lake Avenue, Fair Haven, NJ 07704	Pbratone@360painting.com	732-749-9110
<b>NI</b>	Roy Daniel	33 Boulevard, Mountain Lakes, NJ 07046	rdaniel@360painting.com	973-339-7510
<b>NI</b>	John Shave**	159 West Bay Way, Lavallette, NJ 08735	ishave@360painting.com	937-689-0996

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Pre-Opening Checklist	Name	Address	Email	Phone
<b>ST</b>	<b>B-2</b>			
<b>NI</b>	<b>Robert Stalter</b>	<b>10 Paddock Lane, Flemington, NJ 08822</b>	<b><a href="mailto:rstalter@360painting.com">rstalter@360painting.com</a></b>	<b><a href="tel:908-797-4522">908-797-4522</a></b>
<b>NM</b>	<b>Chris &amp; Teresa Scott</b>	<b>302 Sugar Ridge Loop, Rio Rancho, NM 87124</b>	<b><a href="mailto:cscott@360painting.com">cscott@360painting.com</a></b>	<b><a href="tel:505-730-3878">505-730-3878</a></b>
<b>NY</b>	<b>Mike Rowan</b>	<b>448 Faller Street, Oceanside, NY 11572</b>	<b><a href="mailto:mrowan@360painting.com">mrowan@360painting.com</a></b>	<b><a href="tel:516-206-2889">516-206-2889</a></b>
<b>NY</b>	<b>David Witchley</b>	<b>121 Trails Crossing, Whitesboro, NY 13492</b>	<b><a href="mailto:dwitchley@360painting.com">dwitchley@360painting.com</a></b>	<b><a href="tel:315-725-5850">315-725-5850</a></b>
<b>OH</b>	<b>Gabriela Cerrillo &amp; Eduardo Esquivel**</b>	<b>8400 Montgomery Road, Suite 700, Cincinnati, OH 45236</b>	<b><a href="mailto:eesquivel@360painting.com">eesquivel@360painting.com</a></b>	<b><a href="tel:513-885-7747">513-885-7747</a></b>
<b>OH</b>	<b>Frank &amp; Karen Beodray</b>	<b>7165 Barton Road, North Olmstead, OH 44070</b>	<b><a href="mailto:fbeodray@360painting.com">fbeodray@360painting.com</a></b>	<b><a href="tel:440-490-5080">440-490-5080</a></b>
<b>OH</b>	<b>John Smithson</b>	<b>1772 Epic Way, Columbus, OH 43123</b>	<b><a href="mailto:jsmithson@360painting.com">jsmithson@360painting.com</a></b>	<b><a href="tel:614-397-2417">614-397-2417</a></b>
<b>OK</b>	<b>Steven Hudspeth</b>	<b>14798 S. Fern Place, Glenpool, OK 74033</b>	<b><a href="mailto:shudspeth@360painting.com">shudspeth@360painting.com</a></b>	<b><a href="tel:918-771-4177">918-771-4177</a></b>
<b>OR</b>	<b>Collins Bradford</b>	<b>1840 5<sup>th</sup> Street, Astoria, OR 97103</b>	<b><a href="mailto:cbradford@360painting.com">cbradford@360painting.com</a></b>	<b><a href="tel:503-705-1557">503-705-1557</a></b>
<b>OR</b>	<b>William Carr</b>	<b>1003 15<sup>th</sup> Street, Oregon City, OR 97045</b>	<b><a href="mailto:wcarr@360painting.com">wcarr@360painting.com</a></b>	<b><a href="tel:951-837-3632">951-837-3632</a></b>
<b>OR</b>	<b>Derek Wolfe</b>	<b>13705 NW Pettygrove Street, Portland, OR 97299</b>	<b><a href="mailto:dwolfe@360painting.com">dwolfe@360painting.com</a></b>	<b><a href="tel:503-803-9362">503-803-9362</a></b>
<b>PA</b>	<b>Lerry Daugherty</b>	<b>66 South 5<sup>th</sup> Street, Hughesville, PA 17737</b>	<b><a href="mailto:jdaugherty@360painting.com">jdaugherty@360painting.com</a></b>	<b><a href="tel:570-580-4848">570-580-4848</a></b>
<b>PA</b>	<b>Gabe Colon**</b>	<b>1212 Winding Oak, York, PA 17403</b>	<b><a href="mailto:gcolon@360painting.com">gcolon@360painting.com</a></b>	<b><a href="tel:973-715-5297">973-715-5297</a></b>
<b>PA</b>	<b>Jim Falletta*</b>	<b>Establishment of Business Form &amp; Accounting System 1091 Penn Circle, G612, King of Prussia, PA 19406</b>	<b><a href="mailto:B-6jfalletta@360painting.com">B-6jfalletta@360painting.com</a></b>	<b><a href="tel:610-329-2057">610-329-2057</a></b>
<b>Setting Up Your Office</b>	<b>B-12 Anthony Tassoni</b>	<b>160 Signal Road, Drexel, PA 19026</b>	<b><a href="mailto:atassoni@360painting.com">atassoni@360painting.com</a></b>	<b><a href="tel:610-310-7214">610-310-7214</a></b>
<b>Vehicle Specifications</b>	<b>B-13 Josh Amos</b>	<b>800 E. North Street, Greenville, SC 29601</b>	<b><a href="mailto:jamos@360painting.com">jamos@360painting.com</a></b>	<b><a href="tel:864-558-7735">864-558-7735</a></b>
<b>Signage and Logo Specifications</b>	<b>B-14 Paul &amp; Kim Bresnan</b>	<b>2520 Atlantic Pines, Charleston, SC 29406</b>	<b><a href="mailto:pbresnan@360painting.com">pbresnan@360painting.com</a></b>	<b><a href="tel:843-606-1998">843-606-1998</a></b>
<b>Contracting with Required Utilities and Services</b>	<b>B-15 Travis Saxer</b>	<b>48384 Valley View Circle, Valley Springs, SD 57068</b>	<b><a href="mailto:tsaxer@360painting.com">tsaxer@360painting.com</a></b>	<b><a href="tel:605-679-4957">605-679-4957</a></b>
<b>Obtaining Required Licenses and Permits</b>	<b>B-16 Hank Brown</b>	<b>474 Brookridge Circle, Cordova, TN 38018</b>	<b><a href="mailto:hbrown@360painting.com">hbrown@360painting.com</a></b>	<b><a href="tel:901-616-1161">901-616-1161</a></b>
<b>TN</b>				

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Pre-Opening Checklist	Name	Address	Email	Phone
Setting Up Bank Accounts	B-17 Mack & Sharon Strange	5009 Fountainhead Drive, Brentwood, TN 37027	mstrange@360painting.com	615-477-6762
Getting Insurance	B-18 Jeremy Painter	2615 Medical Center Parkway, Monroe, TN 38573	jpainter@360painting.com	615-339-8752
Meeting Your Tax Obligations	B-19 Jim Ambler	910 Club Oak Court, Prosper, TX 75078	jambler@360painting.com	972-369-9371
Initial Inventory	B-20 Alberto Spera	4720 Hermosa Arroyo Drive, League City, TX 77573	aspera@360painting.com	713-401-9788
TX	Cindy McClanahan	13143 Oakwood Manor Lane, Cypress, TX 77429	cmccclanahan@360painting.com	281-377-5022
TX	Clinton Arthur	124 Kokomo Lane, Bastrop, TX 78602	carthur@360painting.com	512-522-5909
TX	Craig & Sharon Stone	101 San Jacinto Court, Southlake, TX 76092	cstone@360painting.com	817-756-7377
TX	Hernan Bermudez	5123 Lillian Street, Houston, TX 77007	hbermudez@360painting.com	281-845-8554
TX	Bret Broussard**	711 Elizabeth Road, San Antonio, TX 78209	hbroussard@360painting.com	210-865-9884
TX	Bob Lehner	3041 Lakefield Drive, Little Elm, TX 75068	blehner@360painting.com	224-688-9596
TX	Leonardo Hernandez	14418 Pennland Avenue, Cypress, TX 77429	lhernandez@360painting.com	713-256-0310
TX	Matt & Betsy Mitchell*	1439 Osnats Point, San Antonio, TX 78258	mmitchell@360painting.com	210-760-9315
TX	Chris & MaryAnn Nichols**	13531 Selby Street, El Paso, TX 79928	cnichols@360painting.com	706-955-1776
TX	Steve Tucker	2727 Shadowdale Drive, Houston, TX 77043	stucker@360painting.com	832-721-5518
TX	Korey Williams	Conducting a 7216 Portillo, Grand Opening/Business Commencement Prairie, TX 75054	B-21 Kwilliams@360painting.com	972-504-5509
UT	Eric Johnson	115 Lakeview, Stansbury Park, UT 84074	ejohnson@360painting.com	801-895-376
UT	Garrett Faucette	123 Sierra Bonita Court, Mapleton, UT 84664	gfaucette@360painting.com	801-885-3953
VA	Justin Rowling	380 Tanzanite Drive, Harrisonburg, VA 22801	jrowling@360painting.com	434-207-5558

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Pre-Opening Checklist	Name	Address	Email	Phone
<b>VA</b>	Rodrigo Silva	10016 Casatille Road, Apt A, Henrico, VA 23238	rsilva@360painting.com	804-313-8808
<b>VT</b>	Jody Hancock	36 Diamond Street, St. Albans, VT 05478	jhancock@360painting.com	802-881-0447
<b>WA</b>	John Battts	2606 River Vista Loop, Mount Vernon, WA 98273	jbatts@360painting.com	360-770-6933
<b>WA</b>	David DeBlasio	101 South 101 <sup>st</sup> Avenue, Yakima, WA 98908	ddeblasio@360painting.com	509-480-2011
<b>WI</b>	Nick Maniaci	14985 Marilyn Drive, Elm Grove, WI 53122	nmaniaci@360painting.com	414-930-5499
<b>WI</b>	Amy Leitzke	N3222 McCabe Road, Kaukauna, WI 54130	aleitzke@360painting.com	920-420-3077
<b>CANADA</b>				
<b>SASK</b>	Terry Wuschenny	#6-318 105 <sup>th</sup> Street East, Saskatoon, Saskatchewan, Canada	twuschenny@360painting.com	306-270-6701

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TO 360 PAINTING, LLC  
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM  
(JANUARY 1, 2019 TO DECEMBER 31, 2019)

EEOC Guidelines <b>ST</b>	Name <b>C-2</b>	City	Phone
Laws Regarding Harassment <b>AL</b>	c-5Roy Miller	Gadsden	256-390-5373
Immigration Reform/Control Act <b>AZ</b>	c-6Scott Rhoades	Chandler	480-795-2377
Wage and Labor Laws <b>CA</b>	c-7Debbie Carreno	El Cajon	619-387-9665
Working with Independent Contractors <b>CT</b>	c-9Kristy Jensen	Tolland	860-856-7177
Job Descriptions <b>FL</b>	c-11Eric Wall	St. Augustine	904-559-1440
Employee Profile <b>FL</b>	c-13Ryan Warren	Pensacola	251-405-3600
Recruitment <b>IL</b>	c-15Robert Sterling	Frankfort	815-770-7494
The Interview Process <b>LA</b>	c-18Nick Francois	Youngsville	337-360-9296
Hiring on a Trial Basis <b>MI</b>	c-25Jason Egleston	DeWitt	517-862-3796
Developing Personnel Policies <b>MO</b>	c-26Andrew Dowd**	St. Louis	517-862-3796
Employee Orientation <b>NV</b>	c-32Sean Bellinger	Henderson	615-491-6872
Confidentiality <b>NH</b>	c-34Thomas Haydock	Hooksett	603-317-5887
Training <b>NY</b>	c-35Dain Carver	White Plains	914-729-1147
Managing & Motivating Painters <b>OH</b>	c-38James Dorff	West Chester	513-777-8000
Performance Evaluations <b>OH</b>	c-41Randy Ghaster	Toledo	419-350-9121
<b>OH</b>	Robbie Austin	Cuyahoga Falls	330-822-4204
<b>TN</b>	Brent Gabele	Franklin	615-614-3634
<b>TX</b>	Courtney Canadeo*	Austin	512-937-2360
<b>TX</b>	Jeremy Wood	Cedar Park	512-288-0760
<b>TX</b>	Joe Martinez	Deer Park	281-716-5001
<b>TX</b>	Michael Cope	Waxahachie	972-982-7232
<b>TX</b>	Ramon Ramos	Victoria	361-652-1503
<b>TX</b>	Scott Allison	Katy	281-259-2230
<b>VA</b>	Derrick Hannick	Fredricksburg	540-300-7228
<b>WI</b>	Ana Esper	Hartland	414-909-8616
<b>WI</b>	Jim Maas*	Milwaukee	414-409-6505
<b>CANADA</b>			
<b>ONT</b>	Bill Bath*	Courtice	905-767-4653

Inserted Cells

Inserted Cells

<u>ONT</u>	<u>Steve Dixon</u>	<u>Oakville</u>	<u>905-4841856</u>
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\* Left system in 2020.

\*\* Signed, but never opened.

Δ



## **Sales Procedures** **Section D**

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**360° Painting, LLC**

**~~NONDISCLOSURE AGREEMENT FOR CONFIDENTIAL OPERATIONS~~**

**~~MANUALS~~**

**~~EXHIBIT E-H~~**

**TO THE 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

Non-Disclosure Agreement

DATED:

By signing this Agreement (name)

Of (address) (Recipient)

acknowledges and assumes all of the benefits and obligations contained in the Operative Part of this Agreement and agrees to be bound by it; and, acknowledges that this Agreement is intended to benefit 360<sup>o</sup> PAINTING, LLC, ("360 Painting")

BACKGROUND

- A At the Recipient's request, 360 Painting has agreed to:
- (1) disclose certain Confidential Information for the Approved Purpose; or,
  - (2) allow the Recipient access to it during which the Recipient will be exposed to or may learn certain Confidential Information.
- B In consideration of 360 Painting agreeing to disclose the Confidential Information to the Recipient, or allow the Recipient access to it, the Recipient agrees to:
- (1) ensure that all Confidential Information is kept confidential; and
  - (2) abide by the terms and conditions of this document

OPERATIVE PART

1 Definitions and Interpretation

Definitions

In this document, unless the context otherwise requires:

Approved Purpose means any and all acts and things relating in any way to the businesses of 360 Painting, its constituent members and persons or entities related to those constituent members.

Confidential Information means (and Information has a corresponding meaning), all information concerning 360 Painting's business model, plans, procedures and practices, as disclosed in all 360 Painting's operations manuals, regardless of whether or not the information is marked as confidential.

"Confidential Information" does not include information that is available in the public domain or is useless or trivial at the time the information is imparted to the Recipient or when the Recipient acquires the information.

Information does not stop being "Confidential Information" merely because, at a time after the Recipient became aware of it, the Information; (1) becomes public knowledge because of an act of the Recipient contrary to this Agreement; (2) is placed into the public domain by or with the consent of 360 Painting.

***Recipient*** includes the person named in this Agreement as the **Recipient** and its directors, officers, agents, representatives, advisers and any other person having access to the **Confidential Information** through the **Recipient**.

## ~~2~~ General Acknowledgments

The **Recipient** acknowledges and agrees that:

- ~~(a) no right, license, proprietary right, entitlement or interest in the Confidential Information is extended to or conveyed to it except as set out in this document;~~
- ~~(b) the Confidential Information is valuable to 360 Painting;~~
- ~~(c) if there is any actual or threatened breach or default by any person under this document, damages will not be an adequate remedy and 360 Painting may seek injunctive relief to prevent or end any such breach or default;~~
- ~~(d) 360 Painting is entitled to an injunction, specific performance or any other relief or remedy available at law or equity without proof of special damage;~~
- ~~(e) the Confidential Information may be incomplete, inaccurate and may contain errors, and the Recipient uses and relies on the Confidential Information at its own risk;~~

## ~~3~~ Confidentiality

### ~~3.1~~ Non-disclosure

- ~~(a) The Recipient undertakes that for the longer of (a) five (5) years from the date of this Agreement; or, (b) the time it has any business association with 360 Painting and for three (3) years after the business association ends, Recipient will:~~
  - ~~(i) keep confidential, preserve and protect the Confidential Information;~~
  - ~~(ii) comply with any request made by 360 Painting in relation to the protection or preservation of the Confidential Information;~~
  - ~~(iii) not use (including disclose in any way) the Confidential Information for any purpose other than the Approved Purpose, including:~~
    - ~~(A) to obtain any commercial advantage or benefit for itself or any other person; or~~
    - ~~(B) where the use or disclosure may or does cause detriment to 360 Painting or 360 Painting's regional developers or unit franchisees.~~
- ~~(b) The Recipient undertakes that unless permitted under clause 4 it will not disclose the Confidential Information to anyone except:~~
  - ~~(i) where an agent, representative, professional adviser or other person (being a person being approved of in writing by 360 Painting) of the Recipient needs to know, and:~~
    - ~~(A) the disclosure is strictly necessary to assist the Recipient in using the Confidential Information for the Approved Purpose; and~~
    - ~~(B) only so much of the Confidential Information as is necessary to achieve provide sufficient information to the third party recipient is disclosed; and~~
    - ~~(C) Recipient has obtained the agreement of the third party recipient to be bound by and comply with the terms of this document by entering into a non-disclosure document or Agreement approved by 360 Painting and containing as a minimum each obligation imposed on Recipient by this Agreement from each of those persons.~~

### ~~3.2~~ Destruction or return of materials

If 360 Painting asks to do so, the **Recipient** must immediately return or destroy the **Confidential Information** in compliance with 360 Painting's request.

## ~~4~~ Exceptions To Confidentiality

### ~~4.1~~ When restrictions do not apply

The obligations of the **Recipient** under clause 3 do not apply:

- ~~(a) to any portion of any **Confidential Information** which is required to be disclosed by any law, judicial or governmental body;~~
- ~~(b) to any portion of any **Confidential Information** which is or becomes generally available to the public, through no fault, act or omission of the **Recipient** or its Recipients, agents, representatives, professional advisers or other persons authorised under clause 3.1(b)(i);~~
- ~~(c) Disclosures by the Recipient to any governmental or law enforcement agency concerning any alleged violation by 360 Painting of the Federal Trade Commission's franchise sales rule or any state's franchise sales law; or~~
- ~~(d) Disclosures by the Recipient in connection with pursuing any potential case against 360 Painting alleging violation of any franchise sales law.~~

### ~~4.2~~ Notice and other obligations

~~(a) If clause 4.1(a) applies, before making any disclosure the **Recipient** must:~~

- ~~(i) notify 360 Painting in writing of the requirement to make the disclosure;~~
- ~~(ii) assist and co-operate with 360 Painting in taking any action 360 Painting considers appropriate to challenge or oppose the required disclosure;~~
- ~~(iii) follow any direction of 360 Painting in relation to any aspect of the disclosure or proposed disclosure; and~~

discuss the form and content of the disclosure with 360 Painting.

~~(b) If clause 4.1(a) applies, the **Recipient** must only disclose so much of the **Confidential Information** as is necessary to comply with the lawful request.~~

## ~~5~~ Indemnity

The **Recipient** indemnifies and will hold 360 Painting harmless from any action or claim by, or liability to any person for any loss, damage, cost or expense (including any consequential loss, damage, cost or expense), whether direct or indirect, arising from or caused by:

- ~~(a) any breach of the **Recipient's** obligations under this document; or~~
- ~~(b) any act or omission of the **Recipient's** directors, officers, employees, agents, representatives, advisers, or any other person authorised under clause 3.1(b)(i) which would constitute a breach of **Recipient's** obligations under this document if such act or omission was the act or omission of **Recipient**.~~

## ~~6~~ Governing Law and Jurisdiction

The laws of the United States and the Commonwealth of Virginia govern this Agreement. Each party irrevocably submits to the non-exclusive jurisdiction of the Virginia courts (including if necessary Courts exercising Federal jurisdiction) and courts of appeal of those courts. In addition, Recipient agrees that, if 360 Painting prevails in any action arising from or related to this Agreement, Recipient

~~shall be obligated to pay 360 Painting all of its reasonable costs incurred in connection with that action, including (but not limited to) attorneys' fees and court costs.~~

~~7~~ ~~Waiver~~

~~A waiver of any breach or non-performance of this document will only be effective if it is written and signed by 360 Painting, and only to the extent specified.~~

~~8~~ ~~Severance~~

~~Any clause of this document that is found to be void, voidable or unenforceable shall be severable, and have no effect on the other clauses of this document.~~

~~EXECUTED AS AN AGREEMENT AT (place)~~

~~BY (name)~~

~~Signature~~

~~WITNESS (name)~~

~~Signature~~



**360° Painting, LLC**

**FINANCIAL STATEMENTS**

**~~EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT~~**

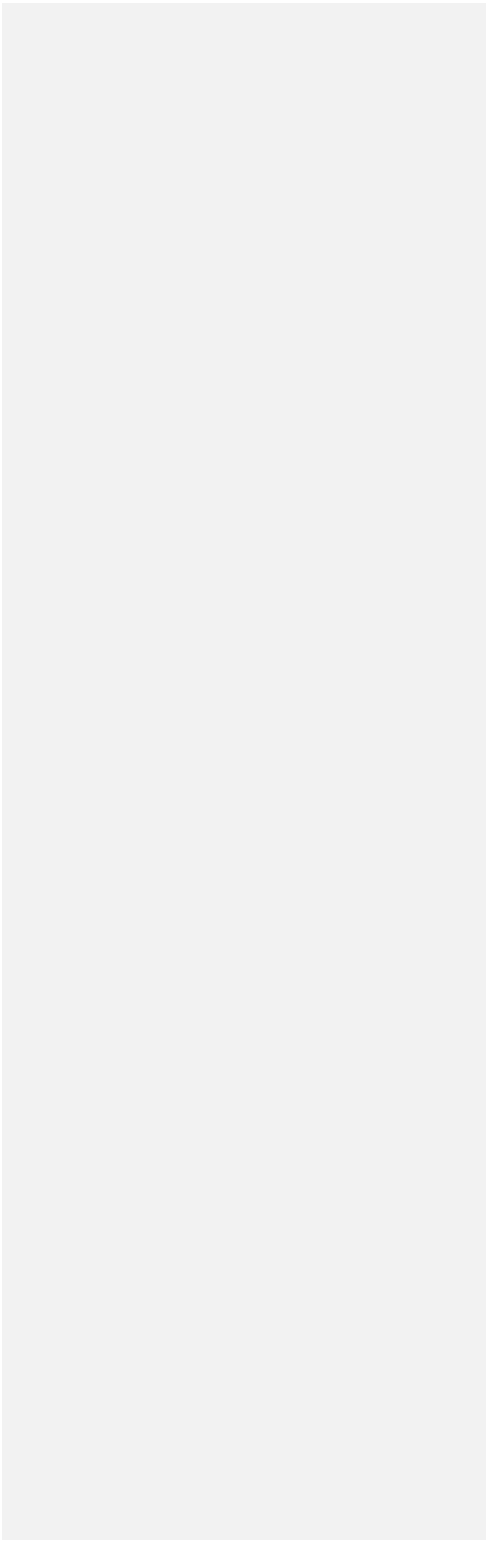


360 PAINTING, LLC

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018, COMPLIANCE 2017 AND 2016

|



360 PAINTING, LLC

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~~ERIC H. LAMPL, CPA, INC.~~  
~~991 LIGORTO AVE~~  
~~CINCINNATI, OHIO 45218~~  
~~513-521-2379~~

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
360 Painting, LLC

I have audited the accompanying financial statements of 360 Painting, LLC, which comprise the balance sheets as of December 31, 2018, 2017, and 2016, and the related statements of income, retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of 360 Painting, LLC as of December 31, 2018, 2017, and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*E.H. Lampl*  
April 16, 2019

**360 PAINTING, LLC**  
**BALANCE SHEET**  
**DECEMBER 31, 2018, 2017, 2016**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>			
Cash	\$ 2,067	\$ 18,228	\$ —
Accounts Receivable—Franchisees/Royalties	278,637	221,710	145,901
Due from Others	<u>2,618,129</u>	<u>1,706,851</u>	<u>1,239,310</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,898,833</u>	<u>1,946,789</u>	<u>1,385,211</u>
<b>FIXED ASSETS</b>			
Equipment	<u>5,075</u>	<u>5,075</u>	<u>5,075</u>
	5,075	5,075	5,075
Accumulated Depreciation	<u>(5,075)</u>	<u>(5,075)</u>	<u>(4,634)</u>
<b>TOTAL FIXED ASSETS</b>	<u>—</u>	<u>—</u>	<u>441</u>
	<u>\$ 2,898,833</u>	<u>\$ 1,946,789</u>	<u>\$ 1,385,652</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 95,332	\$ 215,540	\$ 138,187
Due to Others	<u>85,833</u>	<u>115,228</u>	<u>31,007</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>181,165</u>	<u>329,768</u>	<u>169,194</u>
<b>MEMBER'S EQUITY</b>	<u>2,717,668</u>	<u>1,617,021</u>	<u>1,216,458</u>
	<u>\$ 2,898,833</u>	<u>\$ 1,946,789</u>	<u>\$ 1,385,652</u>

See auditor's report and accompanying information.

**360 PAINTING, LLC**  
**BALANCE SHEET**  
**DECEMBER 31, 2018, 2017, 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>	\$ 3,586,069	\$ 2,963,707	\$ 1,831,587
<b>EXPENSES</b>			
Advertising and Marketing	128,356	158,831	62,678
Auto	599	323	1,813
Bank and Payroll Fees	17,050	7,044	9,377
Bad Debt	44,800	57,043	-
Commissions	816,000	601,500	360,622
Computer and Internet	522	6,115	8,255
Depreciation	-	441	177
Dues and Subscriptions	749	3,792	249
Employee Benefits	3,438	-	-
Filing Fees	4,042	5,987	600
Franchisee-Related	276,818	295,598	200,063
Insurance	1,696	23,617	-
Interest	-	23	-
Leased Employees	589,812	488,110	269,211
Office and Supplies	3,673	11,437	17,800
Professional Fees	60,563	812,562	90,204
Rent	9,333	7,328	6,170
Repairs and Maintenance	528	157	-
Travel	79,435	239,870	333,636
Utilities	15,981	14,349	10,937
<b>TOTAL EXPENSES</b>	<u>2,093,395</u>	<u>2,734,127</u>	<u>1,371,792</u>
<b>OPERATING PROFIT</b>	<u>1,532,674</u>	<u>229,580</u>	<u>459,795</u>
<b>OTHER INCOME (EXPENSES)</b>			
Donations	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCOME</b>	<u>1,532,674</u>	<u>229,580</u>	<u>459,795</u>
<b>MEMBERS' EQUITY, BEGINNING</b>	<u>1,617,201</u>	<u>1,216,458</u>	<u>682,134</u>
<b>CONTRIBUTIONS/DISTRIBUTIONS</b>	<u>(432,207)</u>	<u>170,983</u>	<u>74,529</u>
<b>RETAINED EARNINGS, ENDING</b>	<u>\$ 2,717,668</u>	<u>\$ 1,617,021</u>	<u>\$ 1,216,458</u>

See auditor's report and accompanying information.

**360 PAINTING, LLC STATEMENTS OF  
CASH FLOWS DECEMBER 31, 2018,  
2017 AND 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net Income	\$ 1,532,674	\$ 229,580	\$ 459,795
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation		441	177
Change In			
Accounts Receivable—Franchisees/Royalties	(56,927)	(75,809)	59,465
Due from Others	(911,278)	(467,541)	(643,998)
Accounts Payable	(119,208)	76,353	136,776
Payroll Taxes			(30,479)
Due to Others	(29,215)	84,221	(58,430)
<b>CASH PROVIDED BY OPERATIONS</b>	<b>416,046</b>	<b>(152,755)</b>	<b>(76,694)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Fixed Assets			
<b>CASH USED BY INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Contributions /Distributions	(432,207)	(170,983)	74,529
<b>CASH USED FROM FINANCING ACTIVITIES</b>	<b>(432,207)</b>	<b>(170,983)</b>	<b>74,529</b>
<b>CHANGE IN CASH</b>	<b>(16,161)</b>	<b>18,228</b>	<b>(2,165)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>18,228</b>		<b>2,165</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 2,067</b>	<b>\$ 18,228</b>	<b>\$</b>

See auditor's report and accompanying information.

**360 PAINTING, LLC**  
**NOTES TO FINANCIAL STATEMENTS AT DECEMBER**  
**31, 2018, 2017 AND 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business and Trade Name

360 Painting, LLC (the Company) is a corporation organized under the laws of the State of Virginia. The Company was organized to promote, sell and support franchises. The Company's Franchisees offer painting services.

As of December 31, 2016, 2015, and 2014, 360 Painting, LLC had ninety four (94), seventy three (73), and seventy three (73) franchises operating in North America.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements and relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Tax Status

The Company is a single member LLC for tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's member, and no provision for income taxes has been recorded in the accompanying financial statements.

Advertising Expense

Advertising costs are charged to operations when incurred. Fixed

Assets

The cost of fixed assets is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the accelerated methods for both financial reporting and income tax purposes. Maintenance and repairs costs are charged to operations when incurred.



**360 PAINTING, LLC**  
**NOTES TO FINANCIAL STATEMENTS AT DECEMBER**  
**31, 2018, 2017 AND 2016**

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the Company's cash in bank. The Company has no other assets that would be classified as a cash equivalent.

The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor through December 31, 2018. The FDIC had insured 100% of all non-interest-bearing accounts through both December 31, 2018. Using this criteria, the company may have had cash in certain financial institutions in excess of insured limits. At December 31, 2018, 2017, and 2016, the Company did not have cash in excess of insured limits.

**NOTE C – MARKETING FUND – FRANCHISEES**

The company administers a national marketing fund (the Fund) on behalf of its franchisees. Each franchisee is required to contribute per month to the Fund, which is used to develop advertising and marketing materials, and promote the Company's service marks and franchisee's services on a local, regional, and national basis. Neither receipts nor expenditures of the marketing fund are recorded on the Company's income statement.

**NOTE D – DUE FROM OTHERS**

The Company has lent to their holding company, Premium Service Brands, funds to purchase other franchising opportunity. If not paid back within a year, the amount loaned will be converted to a note payable.

**NOTE E – UNCERTAIN TAX POSITION**

The Company files income tax returns in the ~~U.S.~~ federal jurisdiction and local jurisdiction. As of December 31, 2018, no authorities have commenced tax examinations. The Company's U.S. federal income tax returns prior to 2013 are closed. U. S. and local jurisdiction have statutes of limitations that generally range from three to five years.

The Company follows the provisions of uncertain tax provisions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax position at December 31, 2018 for which the ultimate deductibility is highly certain but for there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented. The Company had no accruals for interest and penalties at December 31, 2018, 2017, and 2016. The Company does not expect the balance of unrecognized tax benefits to change by a material amount in the next twelve months.

**NOTE F – SUBSEQUENT EVENTS**

Management has evaluated events through April 16, 2019, the date on which the financial statements were available for issue. The Company did not have any events subsequent to December 31, 2018 through April 16, 2019 to disclose.

**~~ERIC H LAMPL, CPA, INC.~~**  
~~991 Ligorio Avenue~~  
~~Cincinnati, Ohio 45218~~  
~~513-521-2379~~  
~~513-521-2589 FAX~~

**~~Consent of Accountant~~**

~~ERIC H LAMPL, CPA, INC. consents to the use in the Franchise Disclosure Document issued by 360 Painting, LLC ("Franchisor") on April 17, 2019, as it may be amended, of our report dated April 16, 2019, relating to the financial statements of 360 Painting, LLC for the period ending December 31, 2018, 2017 and 2016.~~

~~ERIC H LAMPL, CPA, INC.~~

~~By: /s/ Eric H Lampl~~

	Sep 30, 19
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
BoA-Checking	-45,957.64
Canadian Clearing Acct	53,844.32
Total Checking/Savings	7,886.68
Accounts Receivable	
Accounts Receivable	342,590.42
Total Accounts Receivable	342,590.42
Other Current Assets	
Loans to Franchisees	
Loan Patnode	2,000.00
Total Loans to Franchisees	2,000.00
Due from 360-VA	16,974.42
Due from Premium Service	2,618,129.46
Due from RDU	61,465.06
Undeposited Funds	16,999.53
Total Other Current Assets	2,715,566.47
Total Current Assets	3,066,042.57
Fixed Assets	
Computers (Fixed Asset)	
Accumulated Depreciation	-4,298.00
Computers (Fixed Asset)-Other	4,522.52
Total Computers (Fixed Asset)	314.52
Office Equipment	3,089.00
Total Fixed Assets	3,403.52
<b>TOTAL ASSETS</b>	<b>3,069,446.14</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	98,021.67
Total Accounts Payable	98,021.67
Other Current Liabilities	
Ascensus 401K	750.00
Total Other Current Liabilities	750.00
Total Current Liabilities	98,771.67
Total Liabilities	98,771.67
Equity	
Common Stock	50,444.95
Members Draw	-488,345.04
Members Equity	3,240,804.08
Opening Balance Equity	260.93
Retained Earnings	-58,680.16
Net Income	226,080.71
Total Equity	2,970,674.47
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,069,446.14</b>

	Jan-Sep-19
<b>Ordinary—Income/Expense</b>	
<b>Income</b>	
Additional E-Mail	1,800.00
Ad Fund	365,785.08
Convention Fee	36,950.00
Convention Sponsorship	42,000.00
Customer Care Center Income	300,698.72
Franchise Fee	1,978,027.95
Late Fee	5,700.00
Miscellaneous Income	6.31
Rebate-Benjamin-Moore	1,608.50
Rebate-PPG	30,624.39
Rebate-Sherwin-Williams	204,057.22
Royalty	1,138,076.05
Technology Fee	2,600.00
Termination Fee	10,000.00
<b>Total Income</b>	<b>4,096,929.22</b>
<b>Gross Profit</b>	<b>4,096,929.22</b>
<b>Expense</b>	
Postage and Delivery	340.60
Computer and Internet Expenses	19.88
Employee Relocation Expense	2,134.81
Bad Debt	817.36
Convention	434.58
<b>Advertising and Promotion</b>	
Signs	47.55
Television	3,300.00
Billboards	5,200.00
Vehicle Wrap	4,000.00
Facebook	5,547.52
Graphic Design	1,443.17
Entrepreneur Media	34,000.00
Home Show Booths	13,586.00
Marketing Creation	1,167.16
Public Relations	3,540.00
SEO	93,783.55
Sprout Social	655.08
Website	11,505.00
YR	10,500.00
Advertising and Promotion—Other	2,930.76
<b>Total Advertising and Promotion</b>	<b>191,205.79</b>
<b>Automobile Expense</b>	
Mileage	3,429.47
Gas	85.49
Parking	765.85
<b>Total Automobile Expense</b>	<b>4,280.81</b>
<b>Bank Service Charges</b>	<b>1,074.85</b>
Discovery Day	8,190.76
Dues and Subscriptions	631.00
Filing Fee	2,850.00
Franchise Broker Commission	1,056,350.00
Franchise Convention	905.08
Franchise Development	
Membership	6,000.00
Lead Development	1,442.00
Broker Listing	250.00
Franchise Portal	3,696.00
Meals & Entertainment	1,244.56
Registration Fee/Conference	7,950.00
Software	785.80
Software-Examnation	4,650.00

1:10 PM

10/18/19

Accrual Basis

### 360 Painting Profit & Loss

January through September 2019

	Jan – Sep 19
Total Franchise Development	26,018.36
Franchise Support	3,250.00
Franchise Training	
Materials	7.98
Meals	28,748.22
Trainer Hotel Expense	12,681.87
Total Franchise Training	41,438.07
Insurance Expense	
Workers Comp	83.00
Health Insurance	5,141.70
Total Insurance Expense	5,224.70
Licensee & Permits	1,671.00
Merchant Bank Fees	7,835.30
Office Expense	
Office Supplies	1,067.08
Software	2,793.04
Total Office Expense	3,861.02
Payroll Expenses	
Call Center	37,796.95
Operations & Development	372,161.03
Commissions	193,441.34
Total Payroll Expenses	603,399.32
Professional Fees	
Accounting	2,500.00
Legal	16,247.48
Total Professional Fees	18,747.48
Rent Expense	3,668.80
Telephone Expense	
800 #	1,162.16
Call Center	22.44
Cell Phone	1,436.76
Ring Central	12,194.14
Telephone Expense – Other	2,997.34
Total Telephone Expense	17,812.84
Travel Expense	
Air	49,211.13
Hotel	13,623.72
Meals and Entertainment	11,035.40
Per Diem	140.00
Rental Car	11,774.83
Travel Expense – Other	250.00
Total Travel Expense	86,035.17
Uncategorized Expenses	37,995.18
Total Expense	2,126,292.83
Net Ordinary Income	1,970,636.39
Net Income	1,970,636.39



~~EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT~~

~~360° Painting, LLC~~

~~EXHIBIT G-1 LIST OF CURRENT FRANCHISEES~~

~~EXHIBIT G-2 FRANCHISEES WHO LEFT SYSTEM 1/1/18-12/31/18~~

~~EXHIBIT G-3 FRANCHISEES NOT YET OPEN 12/31/2018~~

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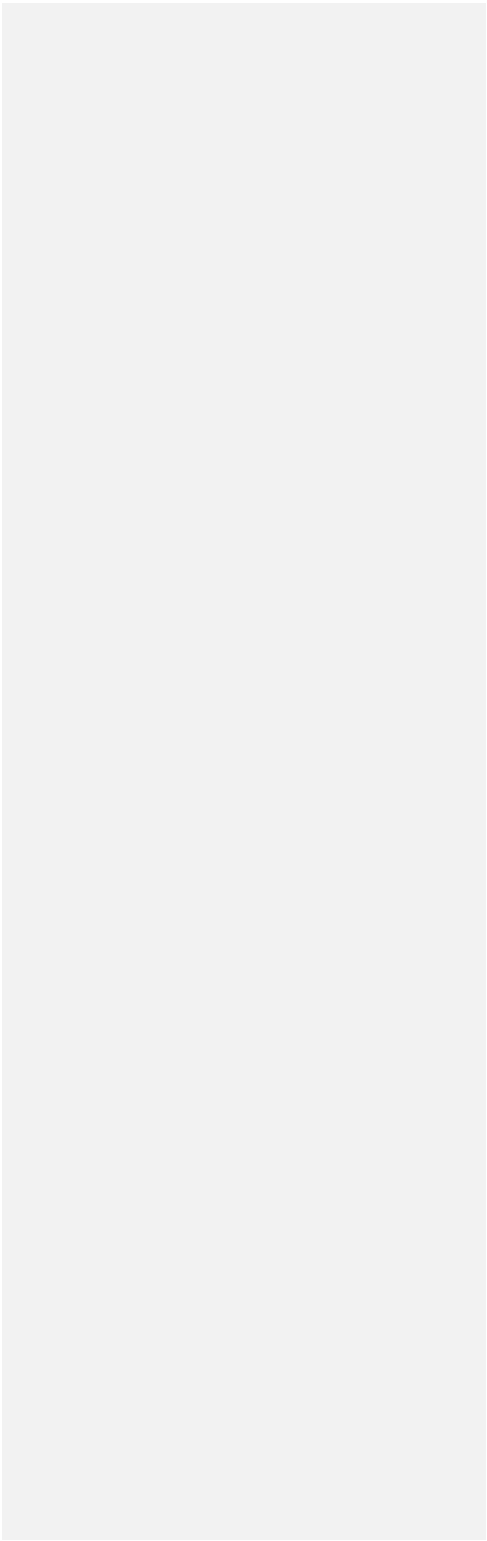


Exhibit G-1 List of Current Franchisees

CURRENT FRANCHISEES					
NAME	ADDRESS	CITY	STATE	ZIP	PHONE
Roy Miller	(Home) 2026 Springrock Street (Work) 306 Lake Circle	Gadsden	AL	35903	256.390.5373
Kurt Southworth	502 SW A Street (Customer) 8054 Bobwhite Lane (Deliveries)	Bentonville	AR	72712	479.431.5450
Scott Rhoades	2705 South Alma School Road	Chandler	AZ	85286	480.795.2377
Debbie Carreno	1142 Brockton Street	El Cajon	CA	92020	619.387.9665
Becca Vigilanesse	1642 Foster Drive	Longmont	CO	80501	720.453.2411
Jay Nelson	7373 Balcarrick Ct	Windsor	CO	80550	970.682.6130
Sheila & Rick Carmichael	3316 W Aksarben Ave	Littletton	CO	80123	720.893.0844
Kristy Jensen	57 Old Kent Road N	Tolland	CT	6084	860.856.7177
Eric Wall	54 Kingstown Court	St. Augustine	FL	32092	904.559.1440
Jose Garcia	8600 SW 133rd Avenue Road	Miami	FL	33183	786.358.0021
Karen Willet	2131 NW 188th Terrace	Pembroke Pines	FL	33029	954.271.2728
Omar Hernandez	7061 Grand National Drive	Orlando	FL	32819	407.955.4360
Ryan Warren	8724 Meadowbrook Drive	Pensacola	FL	32514	251.405.3600
Vicente Lombardo	5201 Blue Lagoon Drive	Miami	FL	33126	305.851.2171
Vicente Nuzzolo	13717 Yarmouth Drive	Wellington	FL	33414	561.323.7622
Eddie McCoy	8550 McBride Lane	Gainesville	GA	30506	770.509.6828
Ozzie Guevara	219 Wyndham Woods Trail	Powder Springs	GA	30127	678.894.0974
Rich & Peggy Groark	1685 Berrywood Way	Cumming	GA	30041	678.907.8449
Brian Conrad	3315 Fairmont Avenue	Naperville	IL	60564	630.481.7744
Greg DeGregorio	105 South Stone Avenue	La Grange	IL	60525	708.998.2943
Robert Sterling	22599 Aster Drive	Frankfort	IL	60423	815.770.7494
Galya Stanifer	888 Heatherwood Drive	Greenwood	IN	46143	317.360.1897
Marty McGraw	4615 Vinita Way	Louisville	KY	40272	502.694.7714
Nick Francois	113 Cedar Mound Lane	Youngsville	LA	70592	337.380.9298
Glenn Misiph	46 Decarolis Drive	Tewksbury	MA	1876	978.341.4644
Jason Egleston	610 Cedarwood Drive	DeWitt	MI	48820	517.862.3796
Sarah Brandenburg	1339 S. Melita Rd.	Sterling	MI	48659	989.313.1945
Erech Gallatin	5775 Wayzata Blvd	St. Louis Park	MN	55416	612.819.4248
Jim Lord	6616 Morgan Avenue South	Minneapolis/Richfield	MN	55423	612.503.4699
Gabor & Kika Jacques	763 Magnolia Ave	Charlotte	NC	28203	980.319.4085
Geoff Fair	116 Summerview Lane	Cary	NC	27518	919.446.5772



James Watson	203 Westridge Drive	High Point	NC	27262	336.307.4155
John & Belinda Wiesehan	6420 Rea Road	Charlotte	NC	28277	704.625.2650
William Abbey	11807 Eversfield Lane	Charlotte	NC	28269	704.322.4724
Yanling Piacenti	213 Shadow Mist Court	Apex	NC	27539	919.263.0100
Thomas Haydock	18B Manor Drive	Hooksett	NH	03106	603.317.5887
Paul Bratone	172 Lake Avenue	Fair Haven	NJ	07704	732.749.9110
Roy Daniel	333 Boulevard	Mountain Lakes	NJ	07046	973.339.7510
Chris & Teresa Scott	302 Sugar Ridge Loop	Rio Rancho	NM	87124	505.730.3878
Dain Carver	234 Martine Ave	White Plains	NY	10601	914.729.1147
Mike Rowan	448 Faller Street	Oceanside	NY	11572	516.206.2889
Chris Ring	349 Twinbrook Drive	Perrysburg	OH	43551	734.845.8029
Frank & Karen Beodray	7165 Barton Rd.	North Olmsted	OH	44070	440.490.5080
James Dorff	5322 Arborcrest Ct.	West Chester	OH	45069	513.777.8000
Randy Ghaster	4253 Merriweather Road	Toledo	OH	43623	419.360.9121
Robbie Austin	1114 Marie Lane	Cuyahoga Falls	OH	44221	330.822.4204
Steven Hudspeth	14798 S Fern Place	Glenpool	OK	74033	918.771.4177
Bill Bath	325 George Reynolds Drive	Courtice	ON	L1E0A7	905.767.4653
Steve Dixon	3314 Timeless Dr.	Oakville	ON	L6L6V4	905.484.1856
Jerry Daugherty	66 South 5th Street	Hughesville	PA	17737	670.580.4848
Josh Amos	800 E North Street	Greenville	SC	29601	864.558.7735
Paul & Kim Bresnan	2520 Atlantic Palms Lane	Charleston	SC	29406	843.606.1998
Travis Saxer	48384 Valley View Circle	Valley Springs	SD	57068	(605) 679-4957
Brent Gabele	118 Chester Stephens Road	Franklin	TN	37067	615.614.3634
Hank Brown	474 Brookridge Circle	Cordova	TN	38018	901.616.1161
Alberto Spera	4720 Hermosa Arroyo Drive	League City	TX	77573	713.401.9788
Cindy McClanahan	13143 Oakwood Manor Drive	Cypress	TX	77429	281.377.5022
Clinton Arthur	124 Kokomo Lane	Bastrop	TX	78602	512.522.5909
Courtney Canadeo	2900 W Anderson Ln	Austin	TX	78757	512.937.2360
Craig & Sharon Stone	101 San Jacinto Court	Southlake	TX	76092	817.756.7377
Hernan Bermudez	5123 Lillian Street	Houston	TX	77007	281.845.8554
Jeremy Wood	3801 Winchester Drive	Cedar Park	TX	78613	512.288.0760
Joe Martinez	1305 Atlanta Street	Deer Park	TX	77536	281.716.5001
Michael Cope	4208 N. Sharpshire Drive	Waxahachie	TX	75165	972.982.7232
Scott Allison	2318 Snowy Egret Drive	Katy	TX	77494	281.259.2230
Eric Johnson	115 Lakeview	Stansbury Park	UT	54074	801.895.3876

Derrick Hannick	4731 Glenwood Cir	Fredericksburg	VA	22408	540-300-7228
Justin Rowling	380 Tanzanite Drive	Harrisonburg	VA	22801	434-207-5558
Rodrigo Silva	10016 Castillo Road Apt A	Henrico	VA	23238	804-313-8808
Jody Hancock	36 Diamond Street	St. Albans	VT	05478	802-881-0447
Ana Esper	107 Kestrel Way	Hartland	WI	53029	414-909-8616
Jim Maas	4034 W Stonebridge Court	Milwaukee	WI	53221	414-409-6505
Nick Maniaci	14985 Marilyn Drive	Elm Grove	WI	53122	414-930-5499
Terry Wuschenny	#6-318-106th Street East	Saskatoon	Saskatchewan	S7N 4Z3	306-270-6701

**Exhibit G-2—List of Franchisees Who Left System**

Franchisees Who Left System from 1/1/18 – 12/31/18 with last known address					
NAME	ADDRESS	CITY	STATE	ZIP	PHONE
Armando DeLaTorre	4430 Argene St.	Denver	CO	80249	720-441-1464
Bill Petroff	1067 E Brandon Blvd	Brandon	FL	33511	813-360-0519
Luis Gonzalez*	18501 Pines Blvd	Pembroke Pines	FL	33029	305-901-1905
Pedro Salgado**	11420 N Kendall Drive	Miami	FL	33176	305-676-2360
Butch Zimm**	6600 SW 57th Avenue	South Miami	FL	33143	305-851-2171
Tony Tyler Wulkow	39W 775 Terney Lane	Geneva	IL	60134	630-884-8714
Jacque Barber	7924 Troup Avenue	Kansas City	KS	66112	913-416-1880
Jim Allard	26642 Warner Ave	Warren	MI	48091	586-884-8288
Chris Wise	651 Coughlan	Auburn Hills	MI	48326	248-417-1745
Karen Monaco**	708 Fielder Rd	Arlington	TX	76012	817-796-6565
Miguel Serna	17305 Interstate 35 North	Schertz	TX	78154	210-960-4871
Mike Sword	15611 Montesa Drive	Houston	TX	77083	281-377-3470
Charlie Rakosky	4 Orsinger Hill	San Antonio	TX	78230	210-667-5111
Michael Kramer	5564 Emmeline Drive	Herriman	UT	84096	801-910-8792
Kevin Clark	63 East 21400 South	Sandy	UT	84070	801-895-3876
Brendan Gerardo	112 Ginger Lane	Stafford	VA	22554	540-300-7228
Gil Likness	910 Ramage Crescent	Alberta	Canada	T4P3X9	403-350-7384
Cheryl Bell	51 Sunrise Circle S.E.	Calgary	Canada	T2X3A4	403-208-8015

\*This individual owned three franchised outlets.

\*\*Each of these individuals owned two franchised outlets.

Exhibit G-3 — List of Franchisees Not Yet Open

2018 Franchisees Not Yet Open 12/31/2018					
NAME	ADDRESS	CITY	STATE	ZIP	PHONE
Sharon Helzer	2005 S. Meyers Road	Oakbrook Terrace	IL	60184	312.868.1054



360° Painting, LLC ~~FRANCHISEE DISCLOSURE~~ QUESTIONNAIRE  
~~EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT~~

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, 360 ~~PAINTING~~Painting, LLC and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Business. In this ~~Franchisee Disclosure~~ Questionnaire, 360 ~~PAINTING~~Painting, LLC, will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

Please note that, in requesting that you complete this questionnaire, 360 PAINTING, LLC is not asking you to make All representations requiring prospective franchisees to assent to a release, estoppels or statements that waiver of liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.

1.) Have you received and personally reviewed the 360 PAINTING, LLC Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes — or — No

2.) Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes — or — No

If “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

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3.) Have you received and personally reviewed our Franchise Disclosure Document we provided to you?

Yes — or — No

4.) Do you understand all of the information contained in the Franchise Disclosure Document?

Yes — or — No

If “No”, what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary.)

Exhibit H

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5.) Have you discussed the benefits and risks of operating a 360° PAINTING Business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes ☐ or No ☐

6.) Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes ☐ or No ☐

7.) Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a 360° PAINTING Business that we or our franchisees operate?

Yes ☐ or No ☐

8.) Has any employee or other person speaking on our behalf made any statement or promise concerning a 360° PAINTING Business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ☐ or No ☐

9.) Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a 360° PAINTING Business?

Yes ☐ or No ☐

10.) \_\_\_\_\_ Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ☐ or No ☐

11.) \_\_\_\_\_ If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

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Exhibit H

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12.) ~~Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?~~

~~Yes or No~~

~~You understand that your answers are important to us and that we will rely on them.~~

~~By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.~~

\_\_\_\_\_  
Name of Franchisee/Applicant

	<u>Question</u>	<u>Yes/No</u>
1.	<u>Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement, or (b) if you are a resident of New York or Rhode Island, at the earlier or the first personal meeting or 10 business days before the execution of the franchise or other agreement or payment of any consideration, or (c) if you are a resident of Michigan, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration?</u>	
2.	<u>Have you personally reviewed the Disclosure Document, the Franchise Agreement and each exhibit, amendment and/or addendum attached to it?</u>	
3.	<u>Do you understand all of the information contained in the Disclosure Document, the Franchise Agreement and each exhibit, amendment and/or addendum attached to it?</u>	
4.	<u>Have you discussed the benefits and risks of operating a 360 Painting Business with an attorney, accountant or other professional advisor of your choosing and do you understand those risks?</u>	



<u>Question</u>	<u>Yes/No</u>
<u>5. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?</u>	
<u>6. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise -- meaning that any prior oral or written statements not included in the Franchise Agreement or our Disclosure Document will not be binding?</u>	
<u>7. Do you understand that that the franchise granted is for the right to operate a Franchised Business only in the territory described on Exhibit C-1 to the Franchise Agreement, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, near your territory?</u>	
<u>8. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Section 16.2 and that an injunction is an appropriate remedy to protect the interests of the 360 Painting System if you violate the covenant(s)?</u>	
<u>9. Do you understand that the economic and cultural changes caused by the COVID-19 pandemic could have a negative impact on the market for painting, decorating and wall finishing services, the 360 Painting franchise system and your business?</u>	
<u>10. Do you also understand that the economic environment could get worse?</u>	
<u>11. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?</u>	
<u>If you answered "No" to any of the questions numbered 1-11, please explain:</u>	

<u><b>Question</b></u>	<u><b>Yes/No</b></u>
<u><b>12.</b> Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document?</u>	
<u><b>13.</b> Was any oral, written or visual claim or representation made to you which stated, suggested, predicted or projected your sales, income or profit levels?</u>	
<u><b>14.</b> Did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to or different from the information in the Disclosure Document?</u>	
<u><b>15.</b> Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a 360 Painting Business?</u>	
<u><b>16.</b> Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support, service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?</u>	
<u>If you answered "Yes" to questions 12-16, please explain in detail:</u>	

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

[signatures appear on following page]

\_\_\_\_\_  
Name of person or company who will be the Franchisee

\_\_\_\_\_  
Date: \_\_\_\_\_, 20

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Signing: \_\_\_\_\_



~~360°  
Painting,  
LLC MULTI-  
STATE  
ADDENDA~~

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

\_\_\_\_\_  
Signature

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

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

**EXHIBIT I**  
**TO ~~THE~~ 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**STATE-SPECIFIC ADDENDA**

**ADDENDUM TO 360 PAINTING, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR CALIFORNIA FRANCHISEES**

~~The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043) (the "Act") contains certain laws governing the relationship between a Franchisor and Franchisee. Certain of these laws conflict with provisions contained in our customary Franchise Agreement and related documents. Set forth below is an overview of certain disclosures contained in the attached Franchise Disclosure Document which are amended by virtue of the Act.~~

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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

OUR WEBSITE AT [www.360painting.com](http://www.360painting.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

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.

Item 3. Additional Disclosure:

Neither we nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S. C.A. 78a et seq., suspending or expelling such persons from Franchise in such association or exchange.

~~1. The Act provides additional rights to you concerning termination and nonrenewal. No Franchise may be terminated except for good cause, and you must be given a notice of default and a reasonable opportunity to cure the defects (except that for certain defects as specified in the statute, no opportunity to cure is required by law). The statute also requires that notice of any intention by us not to renew your Franchise Agreement be given at least 180 days before expiration of the Franchise Agreement. If any of the provisions of the Franchise Agreement conflict with the Act, the offending provisions will be considered invalid.~~

~~2. The Franchise Agreement requires application of the laws of the Commonwealth of Virginia. This provision may not be enforceable under the Act.~~

~~3. Section 31125 of the Franchise Investment law requires us to give you a disclosure document approved by the Commissioner of the Corporations before we ask you to consider a material modification of your Franchise Agreement.~~

~~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.~~

~~4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law.~~

~~You must sign~~ Item 6, Additional Disclosure:

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

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release # you renew of claims upon renewal or transfer you of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The franchise agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

~~OUR WEBSITE AT HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT~~ Any litigation must be pursued in courts located in the county and state in which we maintain our principal place of business (currently Albemarle County, Virginia). Each party will bear its own expenses, including attorneys' fees. 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 provision of a franchise agreement restricting venue to a forum outside the State of California.

~~California Business and Professions Code 20000 through 200043~~



**ADDENDUM TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FOR ILLINOIS FRANCHISEES**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Additional Risk Factors:

THE FRANCHISOR MAY SUBCONTRACT PAINTING, DECORATING AND WALL FINISHING SERVICES WITHIN YOUR “PROTECTED” TERRITORY TO OTHER (INCLUDING TO OTHER FRANCHISEES) WITH NO COMPENSATION TO YOU.

UNTIL THE COMPLETION OF YOUR 2<sup>ND</sup> YEAR AS A FRANCHISEE YOU MAY NOT PROVIDE PAINTING, DECORATING AND WALL FINISHING SERVICES THAT EXCEED \$15,000 PER PROJECT OR \$30,000 IN TOTAL WITHOUT FRANCHISOR’S PRIOR APPROVAL.

FOR PURPOSES OF THE FRANCHISE OPPORTUNITY, PAINTING, DECORATING AND WALL FINISHING SERVICES ARE LIMITED TO ONE, TWO, OR THREE OWNER-OCCUPIED DWELLINGS.

Item 17. Additional Disclosures. The following statements are added to Item 17:

The Illinois Franchise Disclosure Act governs the Franchise Agreement. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights to the franchise concerning upon termination, transfer or and non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. The franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

5. — The earnings claims figure(s) does (do) 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 (franchised business). Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

~~ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR INDIANA FRANCHISEES~~

~~The Indiana Deceptive Franchise Practices Law (Indiana Code 22-2-2.7) contains certain laws governing the relationship between a Franchisor and Franchisee.~~

**AMENDMENT TO 360 PAINTING, LLC**  
**FRANCHISE AGREEMENT FOR THE STATE OF ILLINOIS**

~~Certain of these laws conflict with~~

~~The 360 Painting, LLC Franchise Agreement between~~  
~~("Franchisee" or "you") and 360 Painting, LLC ("Franchisor"), dated~~  
~~(the "Franchise Agreement") shall be amended by the addition of the following language,~~  
~~which should be considered an integral part of the Franchise Agreement (the "Amendment").~~

**Illinois Law Modification**

~~The Illinois Franchise Disclosure Act requires that certain provisions contained in our~~  
~~customary Franchise Agreement and related franchise documents, including the Franchise~~  
~~Agreement, be amended to be consistent with Illinois law. Therefore, to the extent that the~~  
~~Franchise Agreement contains provisions that are inconsistent with the following, the~~  
~~modification set forth below shall be controlling:~~

- ~~1. Illinois law governs the agreements between the parties to this franchise.~~
- ~~2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.~~
- ~~3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.~~
- ~~4. Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.~~
- ~~5. THE FRANCHISOR MAY SUBCONTRACT PAINTING, DECORATING AND WALL FINISHING SERVICES WITHIN YOUR "PROTECTED" TERRITORY TO OTHER (INCLUDING TO OTHER FRANCHISEES) WITH NO COMPENSATION TO YOU.~~
- ~~6. UNTIL THE COMPLETION OF YOUR 2<sup>ND</sup> YEAR AS A FRANCHISEE YOU MAY NOT PROVIDE PAINTING, DECORATING AND WALL FINISHING SERVICES THAT EXCEED \$15,000 PER PROJECT OR \$30,000 IN TOTAL WITHOUT FRANCHISOR'S PRIOR APPROVAL.~~
- ~~7. FOR PURPOSES OF THE FRANCHISE OPPORTUNITY, PAINTING, DECORATING AND WALL FINISHING SERVICES ARE LIMITED TO ONE, TWO, OR THREE OWNER-OCCUPIED DWELLINGS.~~

~~[See the next page for your signature.]~~

**Franchisee:** \_\_\_\_\_ **Franchisor:** \_\_\_\_\_  
\_\_\_\_\_ **360 PAINTING, LLC**

\_\_\_\_\_  
\_\_\_\_\_  
Signature \_\_\_\_\_ By: \_\_\_\_\_  
\_\_\_\_\_  
Name: Paul Flick  
\_\_\_\_\_  
Print Name \_\_\_\_\_ Title: CEO  
\_\_\_\_\_  
Title (if any) \_\_\_\_\_

**[Signature Page to Amendment to 360 Painting, LLC Franchise Agreement for the State of Illinois]**

**ADDENDUM TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FOR INDIANA FRANCHISEES**

The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7) contains certain laws governing the relationship between a Franchisor and Franchisee. Certain of these laws conflict with provisions contained in our customary Franchise Agreement and related documents. Set forth below is an overview of certain disclosures contained in the attached Franchise Disclosure Document which are amended by virtue of the Indiana law.

1. The Franchise Agreement and related documents by and between us and you, as an Indiana franchisee, will be governed by Indiana law and not the law of the Commonwealth of Virginia.
2. You, as an Indiana franchisee, have the right to litigate in Indiana and are not restricted to the requirements in the Franchise Agreement to sue only in Albemarle Virginia.
3. The covenants of non-competition with respect to you, as an Indiana franchisee, will be limited to an area equal to the protected area granted to you and other Franchisees.
4. Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.
5. The reservation of rights to any specified remedy or limitation of remedies available to you, as an Indiana franchisee, contained in Sections 21.1(iv) and 30.5 of the Franchise Agreement is subject to the provisions of the Indiana Deceptive Franchise Practices Law [IC 23-2-2.7-1(10)].
6. The Sections in the Franchise Agreement that relate to termination, non-renewal, governing law, venue for litigation, modification, covenants not to compete and any limitations period for bringing claims are only applicable to the extent they are not inconsistent with or prohibited by Indiana law. Indiana law will control to the extent of any inconsistency or prohibition.

**AMENDMENT TO 360 PAINTING, LLC**  
**FRANCHISE AGREEMENT FOR THE STATE OF INDIANA**

The 360 Painting, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and 360 Painting, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the following, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Indiana Law Modification**

In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 through 23-2-2.5-51, the parties to the Franchise Agreement agree as follows:

1. If any of the provisions of the Franchise Agreement concerning termination and non-renewal, governing law, venue for litigation or arbitration, modification, covenants not to compete or any limitations period on the time in which claims may be brought are inconsistent with either the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law, then such laws will apply to the extent inconsistent with the terms of the Franchise Agreement.

2. Sections 3.2(viii) and 19.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition to renewal or transfer of the franchise. Each provision is inapplicable to the extent inconsistent with the Indiana Deceptive Franchise Practices Law, IC § 23-2-2.7-1(5).

3. No representation or acknowledgment by the Franchisee in the Franchise Agreement is intended to or shall act as a release, assignment, novation, waiver or estoppel to deprive the Franchisee of the rights and protections provided in the Indiana Franchise Disclosure Law or to relieve any person of any liability under the Indiana Deceptive Franchise Practices Law.

4. Each of the provisions of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Amendment.

5. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the attachments to the Franchise Agreement, the terms of this Amendment shall govern.

[Signature Page Follows]

Franchisee:

Franchisor:  
360 ~~Painting~~ **PAINTING**, LLC

By: \_\_\_\_\_ Name: Paul Flick

\_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
\_\_\_\_\_ Signature

Print Name

Title: CEO

Title (if any)

**[Signature Page to Amendment to 360 Painting, LLC Franchise Agreement for the State of Indiana]**



**ADDENDUM TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FOR MARYLAND FRANCHISEES**

~~Item 17 has been amended.~~

To the extent ~~that the Franchise Agreement provides that you must sign a general release as a condition of assignment/transfer, the general release will not apply to any liability under the~~ the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

~~The provision~~  
Additional Risk Factors:

Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise agreement which provides for. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Item 17. Additional Disclosures:

~~Our termination upon of the Franchise Agreement because of your~~ bankruptcy ~~of the franchisee~~ may not be enforceable under ~~the applicable~~ federal ~~bankruptcy~~ law (11 U.S.C.A. 101 et seq.). ~~U.S.C. Section 101 et seq.~~

You may ~~sue~~bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

~~In addition, notwithstanding any provisions in the Franchise Agreement, any~~Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within ~~three~~3 years after the grant of the franchise.

~~Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. Item 5 has been amended.~~

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

**AMENDMENT TO 360 PAINTING, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF MARYLAND**

The 360 Painting, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and 360 Painting, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Maryland Law Modification**

The Maryland Franchise Registration and Disclosure Law requires that certain provisions contained in franchise documents, including the Franchise Agreement, be amended to be consistent with Maryland law. Therefore, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the modifications set forth below shall be controlling:

1. While the Franchise Agreement requires you to disclaim the occurrence and/or acknowledge the nonoccurrence of acts which would constitute a violation of franchise laws, such representation and acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability or claims arising under the Maryland Franchise Registration and Disclosure Law.
2. While the Franchise Agreement requires litigation to be conducted only in a court in the Commonwealth of Virginia, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. If you are required to sign a general release of claims pursuant to the Franchise Agreement as a condition of renewal, sale and/or assignment/transfer of your franchise, such release will not apply with respect to any liability under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law may be brought within three (3) years after the grant of the franchise.
5. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

~~1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.~~

~~2. Except as otherwise provided in this Amendment, all of the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or any attachments thereto, the terms of this Amendment shall govern and control.~~

~~[Signature Page Follows]~~

Franchisee: \_\_\_\_\_ Franchisor:  
360 Painting, LLC

\_\_\_\_\_  
Signature By: \_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

\_\_\_\_\_

Title (if any) \_\_\_\_\_

[Signature Page to Amendment to 360 Painting Franchise Agreement for the State of Maryland]

~~ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR~~  
~~ILLINOIS FRANCHISEES~~

The Illinois Franchise Disclosure Act contains certain laws governing the relationship between a Franchisor and Franchisee. Certain of these laws conflict with provisions contained in our customary Franchise Agreement and related documents. Set forth below is an overview of certain disclosures contained in the attached Franchise Disclosure Document which are amended by virtue of Illinois law.

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.

Franchisee: \_\_\_\_\_ Franchisor: \_\_\_\_\_

360 Painting LLC

\_\_\_\_\_  
Signature

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

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

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

\_\_\_\_\_  
Title (if any)

## **AMENDMENT TO 360 PAINTING FRANCHISE AGREEMENT FOR THE STATE OF ILLINOIS**

The 360 Painting LLC Franchise Agreement between \_\_\_\_\_  
("Franchisee" or "you") and 360 Painting LLC ("Franchisor"), dated \_\_\_\_\_ (the  
"Franchise Agreement") shall be amended by the addition of the following language, which  
should be considered an integral part of the Franchise Agreement (the "Amendment").

### ***Illinois Law Modification***

~~The Illinois Franchise Disclosure Act requires that certain provisions contained in franchise documents, including the Franchise Agreement, be amended to be consistent with Illinois law. Therefore, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the modification set forth below shall be controlling.~~

1. ~~The Franchise Agreement provides that the Franchise Agreement constitutes the entire agreement between you and Franchisor with respect to the subject matter thereof and supersedes any prior understanding or agreement, written or oral, respecting the subject matter thereof. However, such provision does not, to the extent giving rise to any liability or claim under the Illinois Franchise Disclosure Act, exclude any representations or promises made by Franchisor to you pursuant to the Franchise Disclosure Document and addendums and exhibits thereto.~~

2. ~~The Franchise Agreement and related documents by and between us and you will be governed by the laws of the State of Illinois and not the laws of the Commonwealth of Virginia.~~

3. ~~While the Franchise Agreement and ancillary documents designate jurisdiction or venue in the Commonwealth of Virginia, you may bring a lawsuit in Illinois for claims arising under the Illinois Franchise Disclosure Act or any other cause of action which is otherwise enforceable in the State of Illinois.~~

4. ~~The conditions pursuant to which your franchise can be terminated and any rights upon non-renewal may be subject to applicable provisions of the laws of the State of Illinois.~~

5. ~~Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Amendment.~~

6. Except as otherwise provided in this Amendment, all of the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or any attachments thereto, the terms of this Amendment shall govern and control.

[Signature Page Follows]

**Franchisee:**

**Franchisor:**  
**360 Painting PAINTING, LLC**

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_ Signature



By: \_\_\_\_\_ Name: Paul Flick

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

Title: CEO

\_\_\_\_\_  
Title (if any)

[Signature Page to Amendment to 360 Painting, LLC Franchise Agreement for the State  
of ~~Illinois~~ Maryland]

**ADDENDUM TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT FOR WASHINGTON FRANCHISEES**

~~The State of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with us 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 us including the areas of termination and renewal of your franchise.~~

~~In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.~~

~~In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.~~

~~A release or waiver of rights signed by you shall not include rights under the Washington Franchise Investment Protection Act 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, 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 our reasonable estimated or actual costs in effecting a transfer.~~

~~The undersigned does hereby acknowledge~~

~~receipt of this addendum. Dated this \_\_\_ day of~~

~~\_\_\_\_\_, 201\_\_~~

~~360 PAINTING LLC \_\_\_\_\_ FRANCHISEE:~~

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

Signature

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

Print Name

\_\_\_\_\_  
Title (if any)

~~AMENDMENT TO 360 PAINTING~~  
**FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

~~The 360 Painting LLC Franchise Agreement between (“Franchisee” or “you”) and 360 Painting LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).~~

**~~Washington Law Modification~~**

~~IN RECOGNITION OF THE REQUIREMENTS OF THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT, WASH. REV. CODE §§ 19.100.010 THROUGH 19.100.040, THE PARTIES TO THE FRANCHISE AGREEMENT AGREE AS FOLLOWS:~~

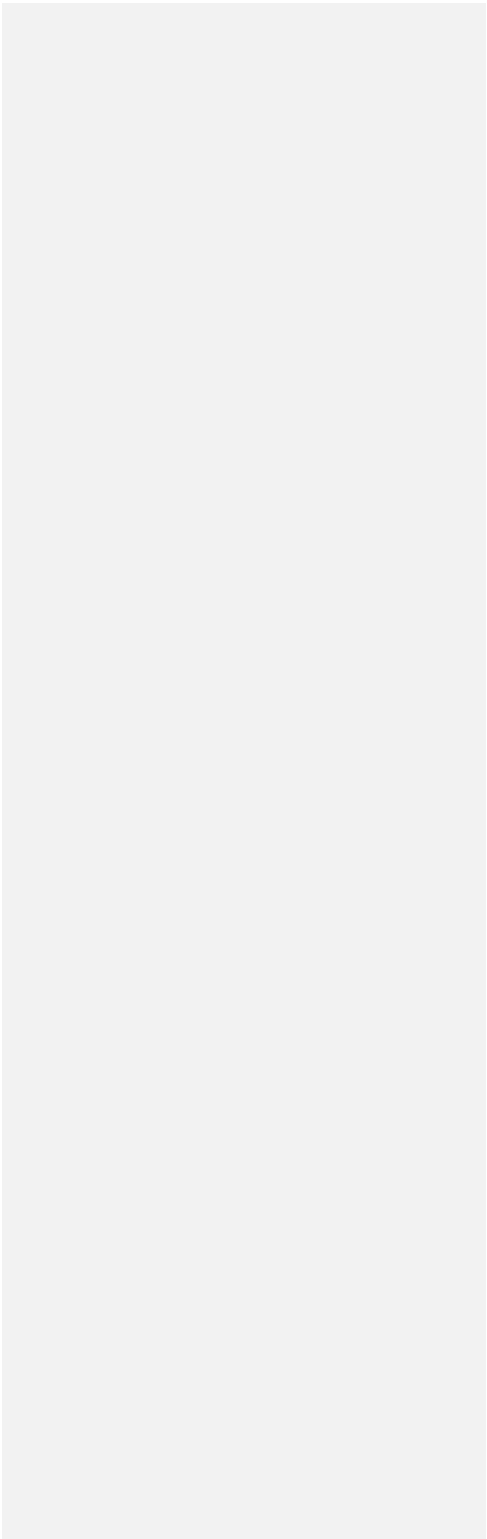
- ~~1. The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of the Franchise Agreement. There may also be court decisions which may supersede the Franchise Agreement in Franchisee's relationship with the Franchisor including the areas of termination and renewal of the Franchise Agreement.~~
- ~~2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.~~
- ~~3. A release or waiver of rights executed by Franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed under a negotiated settlement after the agreement is in effect and where Franchisee is represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act, such as a right to jury trial, may not be enforceable.~~
- ~~4. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.~~
- ~~5. Transfer fees are collectible to the extent they reflect Franchisor's reasonable estimated or actual costs in effecting the transfer.~~
- ~~6. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Amendment.~~

~~Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the attachments to the Franchise Agreement, the terms of this Amendment shall govern.~~

~~[Signature Page Follows]~~

Franchisee: \_\_\_\_\_ Franchisor: \_\_\_\_\_  
360 Painting LLC  
\_\_\_\_\_  
Signature By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Print Name Title: \_\_\_\_\_  
\_\_\_\_\_  
Title (if any)

[Signature Page to Amendment to 360 Painting Franchise Agreement for the State of Washington]



## ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR MINNESOTA FRANCHISEES

The following applies to prospective franchisees governed by Minnesota law and supplement the Items to which they refer and supersede anything inconsistent with them in the text of this Disclosure Document.

- A. ~~Item 13.~~ Per Minnesota Statutes, Section 80C.12, Subdivision 1(g), Minnesota considers it unfair for us not to protect your right to use the trademarks listed in Item 13. We will protect your rights to use those trademarks, and any other trademarks, service marks, trade names, logo types or other commercial symbols we may license you to use, or indemnify you from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of those marks.
- B. ~~Item 17.~~ With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes Section 80C.14, Subdivisions 3, 4 and 5, which require (except in certain specified cases) (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17. ~~Minnesota Statutes, Section, Additional Disclosures:~~

Minn. Stat. Sec. 80C.21 and Minnesota Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring you the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or any agreement can shall abrogate or reduce (4) any of your rights as provided for in Minnesota Statutes, Chapter Minn. Stat. Sec. 80C, or (2) your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the

claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits ~~usa franchisor~~ from requiring ~~youa franchisee~~ to assent to a ~~general~~ release, assignment, novation ~~or waiver that would relieve any person from liability under Minnesota Statutes 80C.01 through 80C.22.~~ The Franchise Agreement contains provisions requiring a general release as a condition of renewal or transfer of a franchise. ~~Such release will exclude claims arising under Minnesota Statutes 80C.01 through 80C.22.~~ In addition, ~~no representation or acknowledgment by you in the Franchise Agreement is intended to or shall act as a release, assignment, novation or waiver that would relieve any person from liability under~~imposed by Minnesota ~~Statutes Statute §§~~80C.01 ~~through~~ 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. (Minnesota Rule 2860.4400J). Also, a court will determine if a bond is required.

~~C. Any limitations of claims sections must comply with Minnesota Statutes, Section 80.17, Subdivision 5.~~

**AMENDMENT TO 360 PAINTING, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA**

The 360 Painting, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and 360 Painting, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Minnesota Law Modification**

1. This Amendment is made a part of the Franchise Agreement.

2. Section 3.2 of the Franchise Agreement is hereby amended by adding the following:

~~“With respect to franchises governed by Minnesota law, the Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 4, which requires, except in certain specified cases, that a franchisee be given one hundred eighty (180) days’ notice of non-renewal of the Franchise Agreement.”~~

~~4. Section 22 of the Franchise Agreement is hereby amended by adding the following:~~  
~~“With respect to franchises governed by Minnesota law, the Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, which requires, except in certain specified cases, that a franchisee be given ninety (90) days’ notice of termination (with sixty (60) days to cure).”~~  
3. Sections 3.2(ix) and 20.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release will exclude claims arising under Minnesota Statutes 80C.01 through 80C.22.”

4. Section ~~45~~16.4 of the Franchise Agreement is hereby amended by adding the following:

~~“The Minnesota Department of Commerce requires that the Franchisor indemnify Minnesota franchisees against any losses, costs or expenses resulting from claims by third parties that the franchisee’s use of the Franchisor’s trademark infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of franchisee’s use of the Franchisor’s trademark except in accordance with the requirements of the franchise, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”~~

5. Section 23 of the Franchise Agreement is hereby amended by adding the following:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, which requires, except in certain specified cases, that a franchisee be given ninety (90) days’ notice of termination (with sixty (60) days to cure).

6. Sections ~~3031~~1.1 and ~~3031~~2.2 of the Franchise Agreement are hereby amended by adding the following:

"Under Minn. Stat. Sec. 80C.21 and Minnesota Rule 2860.4400J, nothing in this paragraph or in this Agreement shall in any way abrogate or reduce (1) any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including, but not limited to, the right to submit matters to the jurisdiction of the courts of Minnesota, or (2) Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction-".

~~2. Sections 3.2(viii) and 19.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release will exclude claims arising under Minnesota Statutes 80C.01 through 80C.22.~~



7. No representation or acknowledgment by the Franchisee in the Franchise Agreement is intended to or shall act as a release, assignment, novation or waiver that would relieve any person from liability under Minnesota Statutes 80C.01 through 80C.22.

8. Minnesota Statutes, Section 80C.14, Subd. 5, requires that consent to the transfer of the Franchised Business will not be unreasonably withheld. The Sections in the Franchise Agreement that relate to transfer are applicable to the extent they are not inconsistent with Minnesota law. In the event of any inconsistency, Minnesota law will control.

9. Minnesota Rule 2860.4400J prohibits Franchisor from requiring Franchisee to waive its rights to a jury trial or to consent to liquidated damages. Section 30.6 of the Franchise Agreement that relates to waiver of jury trial and Section 23.1 of the Franchise Agreement as it relates to consent to liquidated damages shall not apply to franchises governed by Minnesota law.

10. Franchisor acknowledges that Minnesota Rule 2860.4400J provides that Franchisee cannot consent to Franchisor obtaining injunctive relief, but that Franchisor may seek injunctive relief, and that a court will determine if a bond is required.

11. Franchisor acknowledges that no action may be commenced under Minnesota Statutes, Section 80C.17, Subd. 5, more than 3 years after the cause of action accrues.

12. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law (Minnesota Statutes, Chapter 80C, Sections 80C.01 through 80C.22) are met independently without reference to this Amendment.

~~Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the Attachments to the Franchise Agreement, the terms of this Amendment shall govern.~~

[Signature Page Follows]

13. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the Attachments to the Franchise Agreement, the terms of this Amendment shall govern.

[Signature Page Follows]

Franchisee:

Franchisor:  
360 ~~Painting~~ PAINTING, LLC

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By:

\_\_\_\_\_  
Signature

| By: \_\_\_\_\_ Name: Paul Flick

| \_\_\_\_\_ Print Name Title: CEO

| \_\_\_\_\_  
Title (if any)

| **[Signature Page to Amendment to 360 Painting, LLC Franchise Agreement for the State of Minnesota]**

**ADDENDUM TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FOR NEW ~~YORK~~YORK FRANCHISEES**

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 SOURCES OF 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 THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, ~~BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271-10005~~ BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10274-10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added 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 Item 4:

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Neither

Except as provided above, neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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.

6. 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.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. 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.

**AMENDMENT TO 360 PAINTING, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF NEW YORK**

The 360 Painting, LLC Franchise Agreement between \_\_\_\_\_ ("Franchisee" or "you") and 360 Painting, LLC ("Franchisor"), dated \_\_\_\_\_ (the "Franchise Agreement") shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the "Amendment").

**New York Law Modification**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the Franchise Agreement agree as follows:

1. Section ~~4920~~.1, "Assignment by Franchisor," of the Franchise Agreement shall be supplemented with the following paragraph:

No assignment shall be made except to an assignee, who, in the good faith judgment of Franchisor, is willing and possesses the economic resources to fulfill Franchisor's obligations under such Franchise Agreement.

2. Section ~~4819~~.1, "Indemnification," of the Franchise Agreement shall be amended by the addition of the following:

Notwithstanding anything to the contrary in this Section ~~4819~~.1, Franchisee shall not be required to indemnify for any claims arising out of a breach of the Franchise Agreement by Franchisor or other civil wrongs of the Franchisor.

3. Section ~~3334~~, "SEVERABILITY," paragraph one, of the Franchise Agreement shall be deleted in its entirety and shall have no force or effect and the following shall be substituted in lieu of the first paragraph of Section ~~3334~~:

~~33-34.~~ **SEVERABILITY.** Except as expressly provided to the contrary in this Agreement, each section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of provisions of this Agreement as may remain otherwise intelligible; and, the latter shall continue to be given full force and effect and bind the parties to this Agreement; and said invalid sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

4. Section ~~3031~~.1, "Choice of Law," of the Franchise Agreement shall be deleted in its entirety and shall have no force or effect and the following shall be substituted in lieu of Section 31.1 of the Franchise Agreement:

~~31.1~~ of the Franchise Agreement:

~~30.1~~ **Choice of Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia (without reference to its

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conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The foregoing choice of law should not be considered a waiver of any right conferred upon Franchisee by the General Business Law of New York State, Article 33. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. ~~References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time.~~ References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

5. Sections 3.2(~~viii~~) and 4920.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release will exclude claims arising under the General Business Law of New York State, Article 33, Sections 680 through 695, and the regulations issued thereunder.

6. No representation or acknowledgment by the Franchisee in the Franchise Agreement is intended to or shall act as a release, assignment, novation, waiver or estoppel which would relieve a person from any duty or liability imposed by Article 33, Sections 680 through 695, of the General Business Law of the State of New York and the regulations issued thereunder.

7. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York General Business Law, Article 33, are met independently without reference to this Amendment.

8. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the Attachments to the Franchise Agreement, the terms of this Amendment shall govern.

[Signature Page Follows]

~~Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the Attachments to the Franchise Agreement, the terms of this Amendment shall govern.~~

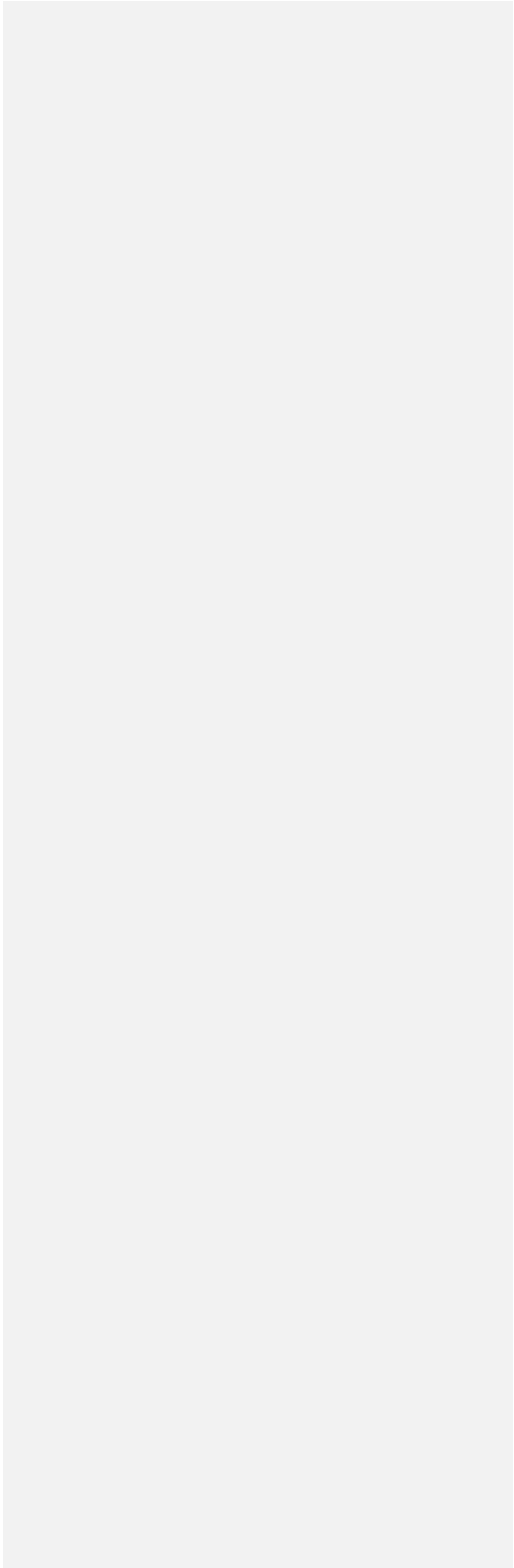
~~[Signature Page Follows]~~

**Franchisee:**  
**Franchisor:**  
**360 ~~Painting~~PAINTING, LLC**

Signature

By:

NY



| By: \_\_\_\_\_ Name: Paul Flick

| \_\_\_\_\_ Print Name Title: CEO

| \_\_\_\_\_  
Title (if any)

| [Signature Page to Amendment to 360 Painting LLC Franchise Agreement for the State  
of New York]

**ADDENDUM TO 360 PAINTING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT ~~FOR SOUTH DAKOTA FRANCHISEES~~**

~~Based upon the franchisor's financial condition, the South Dakota Securities Regulation Office has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.~~

~~ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT~~ **FOR VIRGINIA**  
**FRANCHISEES**

~~4.~~ — In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for 360 Painting, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.g. and Item 17.h.

Section 13.1-564 of the Virginia Retail Franchising Act makes it unlawful for a franchisor to cancel a franchise agreement 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.

**AMENDMENT TO 360 PAINTING, LLC**  
**FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

The 360 Painting, LLC Franchise Agreement between  
("Franchisee" or "you") and 360 Painting, LLC ("Franchisor"), dated  
(the "Franchise Agreement") shall be amended by the addition of the following language,  
which should be considered an integral part of the Franchise Agreement (the "Amendment").

**Washington Law Modification**

IN RECOGNITION OF THE REQUIREMENTS OF THE WASHINGTON FRANCHISE  
INVESTMENT PROTECTION ACT, WASH. REV. CODE §§ 19.100.010 THROUGH 19.100.940,  
THE PARTIES TO THE FRANCHISE AGREEMENT AGREE AS FOLLOWS:

1. In the event of a conflict of laws, the provisions of the Washington Franchise  
Investment Protection Act, Chapter 19.100 RCW, shall prevail.

2. RCW 19.100.180 may supersede the Franchise Agreement in your relationship with  
us 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 us  
including the areas of termination and renewal of your franchise.

2. In any arbitration or mediation involving a franchise purchased in Washington, the  
arbitration or mediation site shall 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.

3. A release or waiver of rights executed by a franchisee will not include rights under  
the Washington Franchise Investment Protection Act or any rule or order thereunder except  
when executed under 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 jury trial, may not be enforceable.

4. Transfer fees are collectible to the extent they reflect Franchisor's reasonable  
estimated or actual costs in effecting the transfer.

5. 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.

6. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Amendment.

7. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the attachments to the Franchise Agreement, the terms of this Amendment shall govern.

<b>Franchisee:</b>	<b>Franchisor:</b>
_____	<b>360 PAINTING, LLC</b>
_____	

_____	By: _____
Signature	Name: Paul Flick
_____	_____
Print Name	Title: CEO
_____	_____
Title (if any)	

**[Signature Page to Amendment to 360 Painting, LLC Franchise Agreement for the State of Washington]**



State Effective Dates

The following states 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:

<u>State</u>	<u>Effective Date</u>
<u>California</u>	<u>Pending</u>
<u>Illinois</u>	<u>Pending</u>
<u>Indiana</u>	<u>Pending</u>
<u>Maryland</u>	<u>Pending</u>
<u>Michigan</u>	<u>Pending</u>
<u>Minnesota</u>	<u>Pending</u>
<u>New York</u>	<u>Pending</u>
<u>Rhode Island</u>	<u>Pending</u>
<u>South Dakota</u>	<u>Pending</u>
<u>Virginia</u>	<u>Pending</u>
<u>Washington</u>	<u>Pending</u>
<u>Wisconsin</u>	<u>Pending</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

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 360 Painting, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.~~

~~New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.~~

~~Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. If 360 Painting, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in Exhibit A.~~

~~The franchisor is 360 Painting, LLC, located at 630 Peter Jefferson Parkway, Suite 200, Charlottesville, Virginia 22911. Its telephone number is 1 434 995 5582.~~

~~ISSUANCE DATE: April 17, 2019, amended October 1, 2019~~

~~See Exhibit B for our agents authorized to receive service of process.~~

~~I have received a disclosure document dated April 17, 2019, amended October 1, 2019 (See state registration page for state registration effective dates) that included the following exhibits:~~

~~(A) List of State Administrators; (B) List of Agents for Service of Process; (C) Franchise Agreement and Franchise Agreement Exhibits; (D) Operations Manual Table of Contents; (E) Nondisclosure Agreement for Confidential Operations Manual; (F) Financial Statements; (G) List of Current and Former Franchisees (G-1 Current Franchises/G-2 Former Franchisees); (H) Franchisee Disclosure Questionnaire; and (I) Multi-State Addenda.~~

~~Paul Flick acts as our franchise seller and his address is 630 Peter Jefferson Parkway, Suite 200, Charlottesville, VA 22911 and his telephone number is (434) 995 5582.~~

Date of Receipt: \_\_\_\_\_ Prospective Franchisee

**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 360 Painting, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York ~~and Rhode Island require~~requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 360 Painting, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in Exhibit A.

The franchisor is 360 Painting, LLC, located at 630 Peter Jefferson Parkway, Suite 200, Charlottesville, Virginia 22911. Its telephone number is 1-434-995-5582.

ISSUANCE DATE: June 2, 2020

360 Painting, LLC authorizes the respective state agents identified in Exhibit B to receive service of process on its behalf in the particular states.

I have received a disclosure document dated June 2, 2020 that included the following exhibits:

(A) List of State Administrators; (B) List of Agents for Service of Process; (C) Franchise Agreement and Franchise Agreement Exhibits; (D) Operations Manual Table of Contents; (E) Financial Statements; (F) List of Current Franchisees; (G) List of Franchisees Who Have Left The System; (H) Franchise Compliance Questionnaire; and (I) Multi-State Addenda.

Paul Flick acts as our franchise seller and his address is 630 Peter Jefferson Parkway, Suite 200, Charlottesville, VA 22911 and his telephone number is (434) 995-5582.

\_\_\_\_\_  
Date Signature Printed name

\_\_\_\_\_  
Date Signature Printed name

**KEEP THIS COPY FOR YOUR RECORDS.**

### 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 360 Painting, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 360 Painting, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in Exhibit A.

The franchisor is 360 Painting, LLC, located at 630 Peter Jefferson Parkway, Suite 200, Charlottesville, Virginia 22911. Its telephone number is 1-434-995-5582.

ISSUANCE DATE: ~~April 17, 2019, amended October 1, 2019~~ June 2, 2020

See 360 Painting, LLC authorizes the respective state agents identified in Exhibit B for our agents authorized to receive service of process on its behalf in the particular states.

I have received a disclosure document dated ~~April 17, 2019, amended October 1, 2019 (See state registration page for state registration effective dates)~~ June 2, 2020 that included the following exhibits:

(A) List of State Administrators; (B) List of Agents for Service of Process; (C) Franchise Agreement and Franchise Agreement Exhibits; (D) Operations Manual Table of Contents; (E) ~~Nondisclosure Agreement for Confidential Operations Manual;~~ (F) Financial Statements; ~~(G) List of Current and Former Franchisees (G-1 Current Franchises/G-2 Former); (G) List of Franchisees); Who Have Left The System;~~ (H) ~~Franchisee Disclosure~~ Franchise Compliance Questionnaire; and (I) Multi-State Addenda.

Paul Flick acts as our franchise seller and his address is 630 Peter Jefferson Parkway, Suite 200, Charlottesville, VA 22911 and his telephone number is (434) 995-5582.

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Date	Signature	Printed name
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\_\_\_\_\_  
Date Signature Printed name

**SIGN THIS COPY AND RETURN TO US.**

~~Paul Flick acts as our franchise seller and his address is 620 Peter Jefferson Parkway, Suite 200,  
Charlottesville, VA 22911 and his telephone number is (434) 995-5582.~~

Date of Receipt: \_\_\_\_\_ Prospective Franchisee