

FRANCHISE DISCLOSURE DOCUMENT



F.C. FRANCHISING SYSTEMS, INC.
(an Ohio corporation)
10700 Montgomery Road, Suite 300
Cincinnati, Ohio 45242
Tel: (800) 317-7089
E-mail: Legal@Freshcoatpainters.com
www.freshcoatpainters.com

A Fresh Coat franchise sells painting services.

The total investment necessary to begin operation of a Fresh Coat franchise is from \$49,350 to \$76,950. This includes \$39,900 to \$45,900 that must be paid to the franchisor or an affiliate (depending on whether we finance a portion of the initial franchise fee).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of your disclosure in different formats, contact our contracts administrator at 10700 Montgomery Road, Suite 300, Cincinnati, Ohio 45242 and (800) 317-7089.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: April 15, 2014

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your 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 state franchise administrator listed in Exhibit B for information about the franchisor, or about franchising in your state.

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.

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

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION AND LITIGATION IN OHIO. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN OHIO THAN IN YOUR OWN STATE. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER YOUR STATE'S LAW.

THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

IF WE FINANCE A PORTION OF THE INITIAL FRANCHISE FEE, YOUR SPOUSE MUST SIGN A GUARANTY MAKING HIM OR HER JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE AGREEMENT, THUS PLACING THE SPOUSE'S PERSONAL ASSETS AT RISK.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may 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.

Effective Date: See the state registration information on the following page

FRESH COAT
STATE REGISTRATION

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Connecticut, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Carolina, North Dakota, Rhode Island, South Carolina, South Dakota, Utah, Virginia, Washington, and 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:

California	April 9, 2014
Hawaii	April 18, 2014
Illinois	April 3, 2014
Indiana	May 19, 2014
Maryland	April 23, 2014
Michigan	April 12, 2014
Minnesota	April 15, 2014
New York	April 25, 2014
North Carolina	May 28, 2014
North Dakota	April 25, 2014
Rhode Island	April 8, 2014
South Carolina	June 12, 2013
South Dakota	April 9, 2014
Utah	April 14, 2014
Virginia	April 25, 2014
Washington	April 30, 2014
Wisconsin	April 4, 2014

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Exhibits

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I Irrevocable Power of Attorney	T Form of General Release
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K Disclaimer of Representations	V Deposit Remittance Form

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

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

Fresh Coat is an Ohio corporation that was incorporated on January 1, 2005. Our principal business address is 10700 Montgomery Road, Suite 300, Cincinnati, Ohio, 45242. We do business under our name, F.C. FRANCHISING SYSTEMS, INC., and under the trade name FRESH COAT and FRESH COAT PAINTING DONE RIGHT. Our agents for service of process are listed in Exhibit A. We do not have any parents or predecessors.

Fresh Coat offers franchises to operate painting businesses under the trade names FRESH COAT and FRESH COAT PAINTING DONE RIGHT. We will train you to operate the franchised business. You will offer both interior and exterior painting and wallpapering services to the general public, including both residential and commercial clients, through, among other things, direct mail advertising and through referral sources such as real estate agents. You will compete with other painting services in the same geographic area, including those that may be franchised by other national franchise companies.

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

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

Affiliates. The following companies are affiliates of ours:

1. H.H. Franchising Systems, Inc. ("HHFS") offers two franchise brands. HHFS has been offering franchises to operate an in-home personal care business under the trade name HOME HELPERS® since August 1997. Home Helpers franchisees offer their services, which include light housekeeping, meal preparation, grocery shopping, reading, companionship, and general assistance, primarily to the elderly, to individuals recuperating from injuries or illnesses, and to expectant and new mothers and their families.

HHFS has also offered franchises that offer and sell two-way voice emergency medical monitoring services under the trade name DIRECT LINK® since April 2004. Two-way voice emergency medical monitoring services will alert emergency medical personnel and the customer's relatives or neighbors to respond to the customer's call for assistance. Direct Link franchisees offer their services primarily to the same potential customers as Home Helpers franchisees. Both Home Helpers and Direct Link franchisees market their services through newspaper and direct mail advertising targeted to potential consumers, and through personal solicitation of referral sources such as nursing homes, in-home nursing services, hospitals, physicians, and certain retail businesses. As of December 31, 2013, HHFS had 324 Home Helpers franchises and 288 Direct Link franchises. HHFS does not offer franchises in any other line of business. HHFS' principal business address is 10700 Montgomery Road, Suite 300, Cincinnati, Ohio, 45242.

2. G.C. Franchising Systems, Inc. ("Growth Coach") offers franchises under the name GROWTH COACH® to provide business and sales coaching, business management, and consulting services to business owners, managers and executives, and self-employed professionals. Growth Coach has offered franchises of this type since December 2002. Growth Coach franchisees help their clients develop or enhance effective business habits, management and organizational skills, business strategies, action plans, and sales techniques, and provide project management assistance to selected clients. Growth Coach franchisees market their services through newspaper and direct mail advertising targeted to potential consumers of their services, and through personal solicitation of referral sources such as bankers, attorneys, accountants, consulting firms, and other business professionals. As of December 31, 2013, Growth Coach had 105 franchises. Growth Coach does not offer franchises in any other line of business. Growth Coach's principal business address is 10700 Montgomery Road, Suite 300, Cincinnati, Ohio, 45242.

3. C.T. Franchising Systems, Inc. ("Caring Transitions") offers franchises in the business of organizing and conducting sales of estate assets, moving management, personal belongings, and household goods under the trade name CARING TRANSITIONS®. Caring Transitions has offered franchises of this type since July 2006. As of December 31, 2013, Caring Transitions had 133 franchises. Caring Transitions does not offer franchises in any other line of business. Caring Transitions' principal business address is 10700 Montgomery Road, Suite 300, Cincinnati, Ohio 45242.

4. T.B. Franchising Systems, Inc. ("TruBlue") offers franchises to operate a residential maintenance and repair business under the trade name TRUBLUE®. TruBlue has offered franchises of this type since June 2011. TruBlue franchises offer residential maintenance and repair services to the general public through direct mail advertising and through referral sources such as real estate agents. As of December 31, 2013, TruBlue had 14 franchises. TruBlue does not offer franchises in any other line of business. TruBlue's principal business address is 10700 Montgomery Road, Suite 300, Cincinnati, Ohio 45242.

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

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

ITEM 2. BUSINESS EXPERIENCE

Chief Executive Officer, Director: Gary D. Green

Mr. Green has been the Chief Executive Officer and a member of the Board of Directors of Fresh Coat since its organization in December 2005. He also has been the Chief Executive Officer/Chairman and a

member of the Board of Directors of Fresh Coat's affiliates, HHFS, Growth Coach, Caring Transitions, and TruBlue since their organizations in May 1997, December 2002, June 2006, and May 2011, respectively, and of T.D. Franchising Systems, Inc. from May 2008 through December 2009. Since May 1994, he has also served as President and a member of the Board of Directors of Strategic Franchising Systems, Inc., a business-consulting firm in Cincinnati, Ohio.

President: Bernard Brozek

Mr. Brozek has been President of Fresh Coat since January 2011 and was its Chief Operating Officer from February 2010 through December 2010. Prior to joining Fresh Coat, he served as Chief Executive Officer of HouseMaster in Boundbrook, New Jersey from April 2008 through May 2009. From December 2005 through April 2008, Mr. Brozek was the Chief Operating Officer of N-Hance Wood Renewal of Home Depot in Atlanta, Georgia.

Vice President of Marketing: Monique O'Brien

Ms. O'Brien has been Vice President of Marketing for Fresh Coat and its affiliates Growth Coach, Caring Transitions, and TruBlue since April 2013. From September 2012 through April 2013, Ms. O'Brien was Director E-Commerce for Arrow Electronics in Hilliard, Ohio. She was Marketing Communications Director for Cengage Learning in Mason, Ohio from January 2010 through September 2012. Ms. O'Brien was a self-employed marketing consultant based in Bellbrook, Ohio from 2006 through September 2010.

Vice President of Franchise Development: Wes Sattler

Mr. Sattler has been Vice President of Franchise Development for Fresh Coat and its affiliates HHFS, Caring Transitions, Growth Coach, and TruBlue since July 2013. Mr. Sattler served as a franchise sales consultant and then as Director of Franchise Development for Fresh Coat from January 2011 through July 2013. From January 2006 through December 2010, Mr. Sattler was Director of Franchise Sales for MRINetwork, Inc. in Philadelphia, Pennsylvania.

General Counsel, Secretary: Jeff Siehl

Mr. Siehl has been General Counsel and Secretary of Fresh Coat since September 2007. He has also been the General Counsel and Secretary of Fresh Coat's affiliates HHFS, Growth Coach, and Caring Transitions since September 2007, of TruBlue since May 2011, and of T.D. Franchising Systems, Inc. from May 2008 through December 2009. He has been a Director of the Growth Coach since January 2009. From July 2002 to September 2007, Mr. Siehl practiced law in the litigation department of Squire, Sanders & Dempsey, L.L.P. in Cincinnati, Ohio.

Executive Vice President: Barry Nelson

Mr. Nelson has been Executive Vice President of Fresh Coat and its affiliates HHFS, Growth Coach and Caring Transitions since November 2009, of its affiliate TruBlue since May 2011, and was the Secretary and General Counsel of HHFS from May 1997 to December 2006. He has also been Executive Vice President of Strategic Franchising Systems, Inc. since January 2013. From January 2002 through June 2010, he was General Counsel of The HomeTeam Inspection Service, Inc., the franchisor of HOMETEAM® home inspection franchises, and H.D. Franchising Systems, LLC, the franchisor of HOUSE DOCTORS® handyman franchises, both of which are located in Milford, Ohio. Mr. Nelson also maintained a private law practice in Milford, Ohio from January 1998 through June 2010.

Kim Burrell: Director of Accounting

Ms. Burrell has been Director of Accounting for Fresh Coat and its affiliates Growth Coach and Caring Transitions since December 2009 and of TruBlue since January 2013. From October 2001 through May 2009, she was Vice President of Finance for Handyman Connection, Inc. in Cincinnati, Ohio.

Director of Operations: Greg Platz

Mr. Platz has been Fresh Coat's Director of Operations since September 2011 and has been with us since September 2008, serving originally as an operations manager. From 2005 through August 2008, Mr. Platz was branch manager of ServiceMagic, Inc. in Covington, Kentucky.

ITEM 3. LITIGATION

Other than the following action, there is no litigation required to be disclosed in this Item:

F.C. Franchising Systems, Inc. v. Wayne Thomas Schweizer, et al. (S.D. Ohio, Oct. 21, 2011), Case No. 1:11-CV-740. FCFS sued a former franchisee and his business entities to enforce the non-compete covenants of the franchise agreement and seeking in excess of \$100,000 in damages based on breach of contract, misappropriation of trade secrets, and intentional interference with a business relationship. Defendant Schweizer filed bankruptcy, resulting in the discharge of his financial obligations. The court issued an injunction in May 2012 ordering Defendants to honor the post-termination non-compete covenants of the franchise agreements and to transfer ownership of business telephone numbers to FCFS. In August 2013, the court declared Defendants to be in contempt, awarded judgment against Defendants for FCFS' attorney's fees and costs, and ordered Defendants to pay an additional \$100 per day until the May 2012 injunction is complied with in full.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

You must pay an initial franchise fee¹ when you sign the franchise agreement. The amount of the franchise fee depends upon the population of your territory and whether we or Stock Yards Bank & Trust Company finances a portion of the franchise fee. The franchise fee for a territory with a population of up to 175,000 is \$39,900 if you pay cash and \$45,900 if we or Stock Yards Bank & Trust Company finance a portion of it. If the population of your territory exceeds 175,000, you must pay an additional \$500 for each 1,000-population unit (or any portion of a 1,000-population unit) in excess of 175,000, and you must pay cash – Fresh Coat does not offer financing for that portion of your territory in which the population may exceed 175,000. For example, for a territory with a population of 176,135, the total franchise fee would be \$40,900 [\$39,900 + (2 x \$500)]. Fresh Coat does not offer financing for any of the initial franchise fees if you purchase more than one franchise. The initial franchise fee is fully earned and non-refundable when we sign the franchise agreement.

You can reserve a specific territory for up to 30 days by paying a \$5,000 deposit and sending us a signed Deposit Remittance Form. The deposit is fully earned and non-refundable upon our receipt, in consideration of our reservation and removal from the market of your territory for 30 days, and will be applied toward your initial franchise fee. If we receive your deposit and signed Deposit Remittance Form by the close of business of the 16th day after you receive a copy of this disclosure document, we will give you, at no extra charge, up to an additional \$15,000 of territory.

We presently offer the following discount programs:

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

- You can receive up to \$15,000 of additional territory at no extra charge and reimbursement of up to \$350 if you incur air travel expenses (or up to \$500 for two) while visiting our corporate headquarters. To be eligible for this additional territory bonus and air travel reimbursement, we must receive your deposit and signed Deposit Remittance Form by the close of business of the 16th day after you receive a copy of this disclosure document. We may modify this policy at any time.
- After you purchase your first franchise, you may be eligible for a 10% discount on the then-current initial franchise fee for each additional franchise that you purchase. To be eligible for this discount, you must pay the entire franchise fee at the time you sign the franchise agreement for the initial franchise and for each additional franchise. We may cancel or modify this discount policy at any time.
- We are a member of the International Franchise Association and participate in the IFA's Veterans Transition Franchise Initiative ("VetFran Program"), which encourages franchise ownership by offering financial incentives to honorably discharged veterans of the U.S. Armed Forces. We offer a \$2,000.00 discount on the initial franchise fee to veterans who meet our requirements and those of the VetFran program.
- As a special allowance for franchisees that operated an interior or exterior painting business prior to joining our franchise system, we may agree, based on purely subjective criteria, to discount the initial franchise fee by up to 10% for each year that you were in business and profitable, up to a total reduction of 50%. To be eligible for this discount, you must establish to our satisfaction that you profitably operated a pre-existing business by submitting tax returns, balance sheets, income statements, and any other financial documentation that we may require. If you qualify for this discount we may, in our sole discretion, finance all but \$5,000 of the initial franchise fee. We reserve the right to modify or cancel this policy at any time.

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

Your franchise agreement does not give you any option, right of first refusal, or similar right to acquire additional franchises, but you may purchase a right of first refusal to purchase an additional franchise territory. The price for a right of first refusal is \$3,000, which would be credited toward the initial franchise fee if you exercise the right of first refusal. A right of first refusal would give you the right to purchase a specific territory first if another prospective purchaser shows an interest in purchasing the territory within 1 year after you purchase the right of first refusal. You would have 7 calendar days after notice by Fresh Coat to exercise the right. Fresh Coat must receive the entire balance of the then current initial franchise fee for the territory by the seventh day after you receive the notice. A right of first refusal lasts for 1 year.

ITEM 6. OTHER FEES

OTHER FEES

<i>Name of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Royalty fee – Note 1	6% of Gross Revenues; \$300 monthly minimum	Payable by the fifth day of each month	Paid on Gross Revenues for preceding month ending on Friday – Note 2
National branding fund – Note 3	2% of Gross Revenues; \$350 monthly minimum	Payable by the fifth day of each month	See Item 11 of this disclosure document for an explanation of the national branding fees

<i>Name of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Local Cooperative Advertising	Up to 3% of your Gross Revenues unless a majority of the cooperative members agree on a higher contribution – Note 4	Monthly	If an advertising cooperative is established or operating in your area, you must contribute
Transfer Fee – Note 1	The greater of either \$10,000 or 3% of the purchase price, plus legal and administrative costs	Prior to consummation of transfer	Payable when you sell your franchise; no Transfer Fee is payable for transfers to a company you form for the convenience of ownership
Right of First Refusal Fee – Note 1	\$3,000	At the time you purchase a right of first refusal	Payable if you purchase an optional right of first refusal on another franchise territory. See Item 12 for a more detailed explanation of a right of first refusal.
Formation of Business Entity	Variable	Within 90 days after signing the franchise agreement	If you sign the franchise agreement individually then you must form a business entity (such as a corporation) and assign your individual rights in the franchise to the business entity
Electronic Copies of Marketing Materials	\$350 for an electronic copy of marketing materials	Upon order by you	There is a charge for electronic copies of marketing materials in order to reimburse the national branding fund for creative costs and expenses
Technology/Software License Fee – Note 9	\$500 to 1,200 per year	Currently N/A	We reserve the right to charge a fee to cover the cost of technology/proprietary software that we license or make available to you during the term of your Franchise Agreement
Late Fee – Note 5	Greater of \$50.00 or 10% of royalty or branding fee; \$50.00 for late installment note payments	On demand	You must pay a late fee on any payment that we receive more than 5 days late
Interest – Note 6	18% – Note 7	On demand	In addition to the late fee above, any payments more than 30 days late accrue interest at the rate of 18% per year
Audit Fee – Note 1	Cost of audit plus 18% interest on under-payment – Note 7	On demand	Payable only if audit is prompted by your failure to maintain or submit records or audit shows an understatement of Gross Revenues of at least 3% for any week
Sales/Use Taxes – Note 8	Variable	Payable with your royalty or national branding fee payments	You must pay any state or local sales or use tax that may be assessed on the royalties, advertising fees, or other fees you pay to Fresh Coat
Reimbursements – Notes 1	Amount of expense advanced plus 18% interest	On demand	You must reimburse us if we pay your expenses when you fail to so do, such as rent, taxes, customer refunds, or other liabilities
Legal Expenses – Note 1	Amount of expense advanced plus 18% interest	On demand	You must pay any legal expenses we incur, including attorney fees, to enforce your franchise agreement
Indemnification – Note 1	Amount of expense advanced plus 18% interest	On demand	You must reimburse us fully if we are held liable for claims arising from your business

Notes to Table:

1. Imposed by and payable to Fresh Coat. All fees are non-refundable. We currently intend to impose all fees uniformly except as otherwise stated in this Item 6.
2. “Gross Revenues” means all income (recognized on an accrual basis), whether cash or credit (and regardless of collection), less all refunds and discounts to customers and any sales or excise taxes.
3. Payable to Fresh Coat national branding fund.

4. Either Fresh Coat or the advertising cooperative will determine the amount of your monthly cooperative advertising contribution, but it cannot exceed 3% of your Gross Revenues unless a majority of the cooperative members agree on a higher contribution. Your cooperative contribution will not be credited toward your national branding fee. Each member of an advertising cooperative will have one vote for each Fresh Coat franchise they own. Each franchised business operated by Fresh Coat or an affiliate of Fresh Coat in an area in which an advertising cooperative has been established will contribute to the cooperative on the same basis as other members of that cooperative. As of the date of this disclosure document, we have not established any advertising cooperatives.
5. Late fees on royalty payments are payable to Fresh Coat. Late fees on national branding fee payments are payable to the national branding fund.
6. Interest on royalty payments is payable to Fresh Coat. Interest on national branding fee payments is payable to the national branding fund.
7. Interest accrues from the date payment was due.
8. The royalties, national branding fees, or other fees you pay to Fresh Coat may be entirely or partially subject to state or local sales or use tax, depending upon the law in your state. If we are required to pay these taxes in your state, you must add the tax to your royalty or national branding fee payment.
9. We reserve the to charge an annual fee of up to \$1200 to cover the cost of technology/proprietary software that we may license or otherwise make available to you during the term of the franchise agreement. The annual charge may, in our discretion, be divided into monthly payments.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

<i>Type of Expenditure</i>	<i>Amount</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment is to be Made</i>
Initial Franchise Fee	\$39,900 to \$45,900	Note 1	Upon signing of franchise agreement	Fresh Coat
Furniture and Equipment	\$0 to 1,000	As Incurred	Prior to commencement of business	Suppliers
Computer System (Note 2)	\$1,000 to 3,000	As Incurred	Prior to commencement of business	Suppliers
Travel & living expenses while training (Note 3)	\$500 to 1,500	As Incurred	Prior to or at time of training	Hotel, airline, restaurants, employees
Initial Rent, Telephone, Bank, Licensing Fees, and Other Deposits (Note 4)	\$0 to 2,000	As Incurred	Prior to commencement of business	Suppliers
Insurance (Note 5)	\$2,000 to 6,000	Note 5	Prior to effective date of policy	Insurance Company
Pre-Opening Promotion (Note 9)	\$3,000 to 4,000	As Incurred	1-2 months before opening	National branding fund and/or various suppliers
Compliance with regulations (Note 10)	\$450 to \$1,350	As Incurred	Prior to commencement of business	Suppliers
Technology/Software licensing fee	\$500 to \$1,200	As Incurred	On Demand	Fresh Coat
Additional Funds - 3 Months (Note 6)	\$2,000 to 10,000	As Incurred	As expenses are incurred	Employees, tax authorities, suppliers, etc.
Monthly Office Rental Payment (Note 7)	\$0 to 1,000	Monthly	Depends on lease terms	Landlord
Total (Note 8)	\$49,350 to \$76,950			

Notes to Table:

1. The amount of the initial franchise fee for a Fresh Coat franchise depends upon whether we finance a portion of it and the population of your territory. The franchise fee for a territory with a population of up to 175,000 is \$39,900 if you pay cash and \$45,900 if we or Stock Yards Bank & Trust Company finance a portion of it. If the population of your territory exceeds 175,000, you must pay an additional \$500 for each 1,000-population unit (or any portion of a 1,000-population unit) in excess of 175,000. Fresh Coat may finance a portion of the initial franchise fee for you, but only for that portion of your territory in which the population is less than 175,000.
2. The cost of the computer equipment and software you will need to operate your franchise will depend upon the manufacturer, the operating features, whether the equipment is new or used, and whether you purchase, rent or lease it.
3. We do not charge an additional fee for the initial training, but you must pay the expenses of travel, lodging, food, wages, and workers' compensation for you and/or your employees during the training program. We estimate that these expenses will range from \$500 to \$1,500, depending upon the distance and method of travel and the availability and quality of your hotel accommodations and living expenses during the training program.
4. Your telephone service provider may require a normally refundable deposit for commercial service. You are required to have a separate business telephone line for your franchise and either an employee to answer your line or a live answering service at all times during regular business hours. Some states also require a deposit for workers' compensation coverage or a licensing fee.
5. You must obtain and maintain the types and amounts of insurance coverage described in Item 8 under the heading "Insurance." We must be named as an additional insured on these policies. We estimate that the average total annual cost for the required insurance coverage will be between \$2,000 and \$6,000. The premium is typically due prior to the effective date of the coverage unless your insurance company offers installment payment terms. Insurance costs will vary depending upon the location and size of your office, the number of employees, the value of your equipment, your claims history, and other factors, and may change from time to time due to changes in insurance rates. You must also maintain workers' compensation and employers' liability coverage and any other insurance that may be required by law in your territory, but premiums for these coverages are not included in the table above.
6. We estimate that you should have approximately \$2,000 to \$10,000 of additional funds for the on-going costs of your business, such as payroll, utilities, advertising, taxes and similar items, to the extent that business costs are not covered by revenues during the first 3 months of operation. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business, that these amounts will be adequate, or that additional investment by you will not be necessary during the 3 months of initial operation or afterwards. Your actual costs may be higher. New businesses (franchised or not) often have larger expenses than revenues. Your costs will depend on factors such as how closely you follow our recommended methods and procedures; effectiveness of advertising; your management, marketing and general business skills and experience; local economic conditions; the local market for our services; the prevailing wage rate; local competition; and the sales level you achieve during the initial phase. You may also incur expenses for business license fees, legal fees, accounting fees, and local permits and operating authorizations necessary to start your business, which may vary considerably from one area to another. In formulating the amount required for additional funds, we relied upon the experience of our affiliate, REM Painting, in starting and operating a business substantially similar to the franchised business. We do not furnish or authorize our sales people or anyone else to furnish estimates or other figures as to the capital or other reserve funds necessary to reach "break-even" or any other financial position, nor should you rely on any such estimates. The 3-month period following the opening of the franchised business covers the time by which we anticipate that most franchisees will be fully in operation, but does not necessarily mean that you will have reached "break-even" or any other financial position by that time.

7. The terms of your lease will depend on the size, location, condition, and desirability of the premises. You will probably be required to pay a normally refundable security deposit, which is reflected in the above chart. We recommend that you operate your franchise from your home.
8. The estimates listed in the above chart relate only to costs associated with the franchised business, not personal, "living," or other expenses you may have. The estimates do not include compensation for your time or labor, or take into account any finance charges, interest, debt service, or other costs that you may incur to finance all or any portion of your investment. In addition to the initial investment estimated in the above chart, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal "living" expenses and any operating losses sustained during the initial phase of the business. You will also need a vehicle for each employee, but it is anticipated that you and your employees will use their own vehicles. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Since costs can vary with each franchise, we strongly recommend that you obtain, before purchasing a franchise or making any other expenditures or commitments, independent estimates from third-party vendors and your accountant of the costs that would apply to your proposed establishment and continued operation of a Fresh Coat franchise, and carefully evaluate the adequacy of your total financial reserves.
9. Pre-Opening Promotion. Before you open your Fresh Coat franchise, you will need to purchase marketing materials and advertising to promote the business. We estimate that these pre-opening promotion expenses will be approximately \$3,000, depending upon the size of your market, the marketing techniques you use, and the cost of advertising in your market. No part of the pre-opening promotion expenses will be refundable. You will purchase the advertising from various media, primarily direct mail companies, located in your market. You may purchase marketing materials, such as brochures, mailers and promotional items bearing our logo and trademarks, from our national branding fund or you may purchase them from any approved supplier. The cost of the marketing materials will be approximately \$1,000 if you purchase them from the national branding fund.
10. Compliance with EPA regulations. The Environmental Protection Agency requires certain training and certification for home improvement contractors that may encounter lead based coating in buildings. Among other things, the EPA regulation requires the contractor to notify homeowners, be present during certain types of jobs, train employees, and maintain certain administrative documentation. Before you open your Fresh Coat franchise, you and your employees will need to be trained to comply with this regulation by a certified trainer. The training will be at or near your location and will require 8 hours of training for you and 4 to 8 hours for each of your employees. We estimate the registration to be \$300 for the initial certification and an additional \$150 to \$325 for training.
11. All expenditures are non-refundable unless specifically noted otherwise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

We formulate our specifications and standards based on input from our management and operations personnel. We make modifications to our specifications and standards according to operational needs and

risk and opportunity assessments. The specifications and standards are issued to you through our training program, operations manual, and our intranet Web site.

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

You may also purchase certain marketing materials and specialty items bearing Fresh Coat's service marks and logo from the Fresh Coat national branding fund. The national branding fund will make these items available to our franchisees through a fulfillment company named Newton Manufacturing Company in Newton, Iowa. For a fee, Newton offers our franchisees Web-based procurement services to order marketing and promotional items online. The national branding fund will derive revenue from the sale of marketing materials to franchisees. Should you request electronic copies of marketing materials, there is a charge of \$350 for an electronic copy of marketing materials in order to reimburse the national branding fund for creative costs and expenses. During the one-year period ending December 31, 2013, \$2,872, or about 1.3% of the national branding fund's total revenues of \$215,390, was derived from the sale of marketing materials to franchisees. The national branding fund also received an additional \$35,188 from arrangements with suppliers, \$20,865 of which was passed through to individual franchisees. Fresh Coat and its affiliates will not otherwise derive revenue from your purchases.

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

- All-Risk Insurance on all furniture, fixtures, equipment, supplies and other property used in the operation of the franchised business, for their full replacement cost.
- Commercial General Liability Insurance covering claims for bodily and personal injury, death, and property damage with a minimum per occurrence limit of \$500,000 and a minimum general aggregate limit of \$500,000.
- Automobile Liability Insurance covering owned, hired, and non-owned vehicles with a minimum combined single limit for each accident of \$500,000.
- Worker's Compensation Insurance that complies with the statutory requirements of the state in which the franchised business is located and Employers' Liability Insurance with a minimum limit of \$100,000 or, if greater, the statutory minimum limit if required by state law.
- Employment Practices Liability Insurance with a \$500,000 minimum limit covering defense costs and damage for claims of sexual harassment, discrimination and wrongful termination, with a third-party endorsement to respond to client allegations of similar wrongful acts.
- A first-party and third-party Fidelity Bond (or Employee Dishonesty Insurance) with a minimum limit of \$25,000 per incident. The policy must not contain a Conviction Clause.
- An Umbrella Policy with a \$1,000,000 minimum limit.

All insurance policies must name us as an additional insured, and no policy may have a deductible of more than \$1,000. You must also maintain any other insurance that may be required by your landlord or by law in your area. You must purchase your insurance from an insurance company that is licensed in the state in which the franchised business operates and has at least an "A" rating classification in A.M. Best's Key Rating Guide. You cannot open your franchise until you have obtained all the required insurance coverages. If you fail to obtain and maintain this insurance coverage, we have the right to obtain it on your behalf and to charge you for the cost of the premiums plus interest. We have the right to increase the minimum coverage, decrease the maximum deductible, or require different or additional kinds of insurance

to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. We must give you at least 30 days' written notice. Neither Fresh Coat nor any affiliate of Fresh Coat will derive revenue from your insurance purchases.

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

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

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

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

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

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

Some suppliers pay fees for sponsorships or display space at our meetings for franchisees. These fees defray our costs for the meeting, but there are not specific restrictions on their use. In calendar year 2013, we received \$11,401 from suppliers for sponsorships or display space at our annual convention, representing less than 1% of our annual total revenue of \$2,292,892.

We do not provide material benefits to you based upon your use of designated or approved sources. There are no purchasing or distribution cooperatives, although we have the right to require you to

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

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

<i>Obligation</i>	<i>Section in Agreement</i>	<i>Item in Disclosure Document</i>
a. Site selection and acquisition/lease	§ 1.2, Art 3	11 and 12
b. Pre-opening purchases/leases	7.4 and 7.15	5 and 7
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	7.1	11
e. Opening	7.6 and 13.1	11
f. Fees	Art 4 and 5	5 and 6
g. Compliance with standards and policies/operating manual	§ 7.1, Art 9	8, 11, 12 and 16
h. Trademarks and Proprietary information	Art 8, 9, 10	13 and 14
i. Restrictions on products/services offered	7.3	16
j. Warranty and customer service requirements	7.12	6
k. Territorial development and sales quotas	Not Applicable	12 and 17
l. Ongoing product/service purchases	7.5	8
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	7.9(b)	7 and 8
o. Advertising	Art 11	8 and 11
p. Indemnification	§ 7.9(a), Art 17	17
q. Owner's participation/ management/staffing	7.6, 7.14 and 15.1	17
r. Records/reports	7.8 and 7.15(f)	17
s. Inspections/audits	7.8(g)	6 and 17
t. Transfer	Art 12	17
u. Renewal	2.2	17
v. Post-termination obligations	Art 14	17
w. Non-competition covenants	15.2 and 15.3	17
x. Dispute resolution	Art 16, § 18.4	17

ITEM 10. FINANCING

Initial Franchise Fee. Stock Yards Bank & Trust Company (SYBTC) will finance up to \$18,000 of the initial franchise fee for a Fresh Coat franchise if we secure it with an equivalent amount on deposit in an account with SYBTC (the "Collateral Account"). We will secure your loan with SYBTC only if you meet our credit standards and you satisfy us that after diligent efforts you have been unable to obtain financing from other sources. If you finance the initial franchise fee with SYBTC, you must sign a promissory note for the amount you borrow (a sample of SYBTC's promissory note is attached to this disclosure document as Exhibit S). The note will be payable in 60 equal monthly installments. The amount of each payment will depend upon the amount you finance. For example, if you financed the maximum amount (\$18,000) for the maximum term, you would pay \$27,900 when you sign the franchise agreement plus 60 monthly payments of \$382.45. Your first payment will be due 30 days after SYBTC disburses the money. The note will bear interest at the annual rate of 7% on the outstanding balance. You must pay SYBTC's attorney fees and court costs if a collection action is necessary. You waive your rights to presentment for payment and notice before a collection action may be started against you, and you waive your right to a jury trial. You must pay a late charge of 5% of the unpaid portion of the payment or \$30, whichever is greater, on any payment that is more than 10 days late. Each individual franchisee will be required to sign the note, and each owner of a franchisee that is a corporation, partnership, or limited liability company will be required to personally guarantee the note. Up to 10% of the note principal may be prepaid each year without penalty. If you prepay more than 10% in the 1st year, you will be required to pay a prepayment penalty of 5% of the amount prepaid; in the 2nd year the prepayment penalty will be 4% of the amount prepaid; in the 3rd year the prepayment penalty will be 3% of the amount prepaid; in the 4th year the prepayment penalty will be 2% of the amount prepaid; and in the 5th year the prepayment penalty will be 1% of the amount prepaid. If you default on the note, the annual interest rate will be increased to 12% and SYBTC will have the right to declare the entire unpaid amount immediately due. If SYBTC takes the money in our Collateral Account upon your default, you must immediately reimburse us for the entire amount or we will have the right to terminate your franchise. Because we are securing your loan, the initial franchise fee is \$45,900 if you finance it with SYBTC. Under federal regulations, the difference between that price and the cash price (\$6,000 or \$1,200 per year over the 5-year term of your note) is considered a "finance charge" that you pay us. We are not affiliated with SYBTC and we do not receive any benefits from SYBTC in exchange for financing the purchase of a Fresh Coat franchise.

In rare circumstances, we may directly finance up to \$18,000 of the initial franchise fee for one franchise, if we determine that your previous employment and business experience and other factors will make you an extraordinary Fresh Coat franchise, you meet our credit standards, and you satisfy us that after diligent efforts you have been unable to obtain financing through any other sources, including SYBTC. The actual amount we will finance and the repayment period will depend upon your previous employment and business experience; your credit history; the amount, source and character of your assets, debts, and income; and any other factors that may affect your creditworthiness. The repayment period will range up to 60 months. When you sign the franchise agreement, you must sign an installment note for the amount we agree to finance (a sample of the installment note is attached to this disclosure document as Exhibit I) and pay the balance of the initial franchise fee. The installment note will be payable in equal monthly installments. The amount of each payment will depend upon the amount financed and the repayment period. For example, if you financed the maximum amount (\$18,000) for the maximum term, you would pay \$27,900 when you sign the franchise agreement plus 60 monthly payments of \$382.45. The first installment will be due on the first day of the month immediately following the first full month in which you complete the initial training program. The installment note will bear simple interest at the rate of 10% per year on the outstanding balance. The initial franchise fee is \$45,900 if we finance it. Under federal regulations, the difference between that price and the cash price (\$6,000 or \$1,200 per year over the 5-year term of your note) is considered a "finance charge." The only security we require is a personal guaranty of the installment note by you and your spouse or by all the owners of a franchisee that is a corporation, partnership or limited liability company (a sample of the guaranty is attached to this disclosure document as Exhibit H). The installment note may be prepaid without penalty. If you do not pay the installment note on time, or if you breach the franchise agreement, Fresh Coat can call the loan and

demand immediate payment of the entire outstanding balance. We also have the right to terminate your franchise if you do not make your payments on time. You must pay our attorney's fees and court costs if a collection action is necessary. You waive your rights to presentment for payment and notice before a collection action may be started against you. You must pay a \$50.00 late charge on any payment that is more than 5 days late.

Except as disclosed above, Fresh Coat does not offer financing that requires you to confess judgment or waive a defense against us, does not arrange financing from other sources, and does not receive direct or indirect payments to place financing. Commercial paper from franchisees has not been and is not sold or assigned to anyone, and Fresh Coat has no plans to do so as of the date of this disclosure document. Fresh Coat does not guarantee your obligations to third parties.

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

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

Before you open your business, Fresh Coat will:

- (1) Approve or disapprove the boundaries that you submit for your franchise territory. Your territory must be a geographic area delineated by postal ZIP Code. If the U.S. Postal Service alters the boundary or number of the ZIP Codes assigned to you, we will re-define the boundaries of your territory to correspond as nearly as possible to your original territory. Our decision on this matter will be final.
- (2) Provide written specifications and a list of suppliers for all equipment, products, services, and supplies necessary to operate your franchise. You may purchase certain marketing materials from the Fresh Coat national branding fund.
- (3) Provide you with advertisements, layouts and images for use in various media, and a set of templates for business cards and stationary. We may, at our election, provide these items in a digital format.
- (4) Loan you one copy of our operations manual, which contains mandatory and suggested specifications, standards, and procedures. The manual is confidential and remains our property. You will receive a copy of the manual when you begin the initial training program. We may, at our election, provide the manual in a digital format in addition to or instead of a paper copy. We have the right to modify the manual from time to time, but the modification cannot alter your status and rights under the franchise agreement. The total number of pages in the manual as of the date of this disclosure document is 428. The table of contents of the manual is attached to this disclosure document as Exhibit M.
- (5) Provide you with 1 copy of the forms you will use to report your sales, order supplies, and communicate with us. You may purchase additional copies from any approved supplier or use photocopies of the originals. We may, at our election, provide the forms in a digital format.
- (6) Provide an initial training program for up to 2 people, one of which must be the person responsible for the general oversight and management of the franchised business.

During the operation of the franchised business, we will:

- (1) Provide you with assistance via telephone and electronic mail to the extent we deem necessary.
- (2) Provide you with such other materials, information and assistance as we may deem necessary.

Advertising. Your franchise agreement does not restrict or mandate the amount of advertising you may conduct or the media in which any advertising may be placed, except that we reserve the exclusive right to

control all Internet promotion and online marketing of your services. We will provide you with advertisements, layouts and images for use in various media, but you are free to use your own advertising material so long as we approve it first. If you wish to use an advertisement that we have not provided and that has not been previously approved, you must submit it to us by certified mail, return receipt requested, for approval. Unless we notify you that the advertisement is not acceptable within 30 days after we receive it, you may assume that it is acceptable. The approval of advertising will be made on a case-by-case basis using purely subjective criteria. All of your advertising in any medium must be conducted in a dignified manner, be completely accurate and truthful, conform to standards and requirements listed in the operations manual and to all applicable laws and regulations regarding consumer advertising, and contain a notice that your franchise is independently owned and operated. Any advertisement that you develop for your franchised business automatically becomes our property, and we may use it or provide it to our other franchisees for their use without compensating you. There is no advertising council composed of franchisees that advises Fresh Coat on advertising policies or other matters.

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

Advertising Cooperatives. We may establish, change, dissolve, or merge local or regional marketing and advertising cooperatives in geographical areas with two or more Fresh Coat franchises. Advertising cooperatives may be established for areas covered by advertising media relevant to particular geographic markets, Metropolitan or Micropolitan Statistical Areas, the painting industry, or our advertising strategies, in our discretion. If we establish an advertising cooperative in an area, each franchise within the cooperative area must join and contribute to the cooperative each month. Your cooperative contribution will not be credited toward your national branding fee. Either the cooperative or we will determine the amount of your monthly contribution, but it cannot exceed 3% of your Gross Revenues unless a majority of the cooperative members agree on a higher contribution. The members of each cooperative will be responsible for its administration, subject to our approval. Each member of an advertising cooperative will have one vote per franchise. Each cooperative will operate from written governing documents and must prepare monthly financial statements, all of which will be available for its members' review. Each franchisor-owned location in an area in which an advertising cooperative has been established will contribute to the cooperative on the same basis as other members of that cooperative. As of the date of this disclosure document, we have not established any advertising cooperatives.

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

You are required to pay a national branding fee of 2% of your monthly gross revenues or \$350, whichever is greater, to the National Branding Fund. We have the right to increase the National Branding Fee at any time. Any increase in the National Branding Fee will be effective 30 days after you receive notice of the increase. All National Branding Fees are maintained in a separate bank account and may only be spent on

advertising, promotion and marketing of the services provided by Fresh Coat franchises, the development of new advertising, promotional and marketing materials for the Fresh Coat system, employment of marketing personnel, the solicitation of National Accounts, and administrative costs associated with the maintenance of the National Branding Fund. Our current policy is to use the National Branding Fund for the development of new advertising, promotional and marketing materials and to advertise the services provided by franchisees in certain print media. However, we have the right to change this policy at any time and use the National Branding Fund to place advertising in national, regional or local media (including broadcast, print, Internet, or other media), or develop and maintain a Web site to promote our franchisees' services. We are reimbursed for any overhead, postage or labor provided to the National Branding Fund. Each franchisor-owned location (including those owned by our affiliates), will contribute to the National Branding Fund on the same basis as franchisees.

The National Branding Fund is administered by our accounting personnel. An unaudited annual financial statement of the National Branding Fund is available to you after March 1 of each year. You may obtain an accounting of National Branding Fund expenditures by sending a written request to our corporate office. We do not presently have the National Branding Fund audited by an independent certified public accountant, but we reserve the right to do so at the National Branding Fund's expense. During the one-year period ending on December 31, 2013, the National Branding Fund had total receipts of \$215,390 and total expenses of \$216,912, of which 2.3% was spent for marketing materials, 56.5% for promotional programs, 2.9% for Web-based programs, 16.2% for regional and national meetings, 3.5% for production expenses, and 18.6% for shipping and administration expenses.

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

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

Computer Hardware and Software. You must obtain and use the computer hardware and software complying with specifications that we periodically establish, including hardware components, dedicated telephone lines, modems, printers, and other computer-related accessories and peripheral equipment (the "Computer System"). You will need to establish a standard e-mail account that is capable of receiving and sending attached files up to 3 MB in size along with a high speed Internet connection via a commercial Internet Service Provider for purposes of accessing our franchisee intranet site and communicating with us and other franchisees via electronic-mail. The Computer System may store some data and information about your clients, finances, and operations based on information you input. We estimate that the cost for the required Computer System will range from \$2,000.00 to \$3,000.00. The Computer System currently includes a laptop computer and data management software and peripherals. The minimum hardware specifications include:

- Intel Core 2 Duo®-class processor, 2.5 GHz or higher
- 2 GB RAM
- 160 GB hard drive with at least 60 GB of free disk space

- CD or DVD writer/burner and DVD-RW (for data back-up)
- Keyboard and a mouse or other pointing device supported by Windows®
- 56 kbps Hayes-compatible modem (if needed)
- 10/100 Network Card for high-speed connection to the Internet
- 17" color or LCD monitor capable of 1024x768 or higher resolution
- 300 dpi laser printer

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

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

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

Length of Time to Open Franchise. Franchisees typically begin operating their franchises 2 to 4 months after signing the franchise agreement. The factors that affect this time are the availability and timing of your financing, your previous employment commitments (if any), your ability to complete our training program, hire and train personnel, comply with any applicable licensing requirements, and schedule your initial marketing campaign. You must open your franchise within 90 days after you complete the initial training program or we have the right to terminate your franchise without refunding any fees you have paid.

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

Referral Fee. If you refer a prospective franchisee to us who is not already in our sales system, then we will provide you a referral fee of \$2,500.00 if that person purchases a franchise from us or from one of our

affiliates. You are entitled to the referral fee when payment in full is received for the initial franchise fee from the person that you refer to us. We may cancel or modify this referral policy at any time.

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

If this is your first Fresh Coat franchise then, before you open your franchise, we will train up to 2 people to operate the franchise. All of the training is conducted at our corporate headquarters in Cincinnati, Ohio, by or under the supervision of Bernie Brozek, Fresh Coat’s President, and Greg Platz, Fresh Coat’s Director of Operations. Mr. Brozek has been involved in this field and has been training and supporting our franchisees since February 2010. Mr. Platz has done so since September 2008. We do not employ a separate staff whose sole function is to train franchisees. The training is conducted by our employees with various administrative and operational responsibilities. We may change the trainers at any time. We do not charge a fee for the initial training, but you are responsible for paying the costs of travel, lodging, food, and compensation for you and your employees during the training program. The initial training program is mandatory—you, or the person designated as responsible for the general oversight and management of the franchised business, must begin the training program within 90 days after you sign the franchise agreement and complete it to our satisfaction, or we have the right to terminate your franchise without refunding any fees you have paid. Training programs are typically scheduled on a monthly basis, subject to demand. At the present time, we do not provide or require you to attend other training programs after your successful completion of the initial training program, although we have the right to require additional training and to charge you a reasonable fee for it. We also provide training for additional or replacement managers, for which we may also charge a reasonable fee.

The agenda of our initial training program is described below:

TRAINING PROGRAM

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

The instructional materials for our training program include the Operations Manual and handouts. We reserve the right to extend the hours of the training program.

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

Franchisee Meetings. We may hold regional and/or national meetings with our support personnel and franchisees to discuss sales techniques, service procedures, personnel issues, and marketing methods, and to introduce new management tools, marketing programs, and promotional items. We do not presently require attendance at these meetings, but we have the right to do so. We may charge reasonable registration fees for these meetings. Currently, the attendance fee for the national meeting is approximately \$250 per person. If attendance at these meetings is required, we reserve the right to charge the registration fee even if the required attendee does not attend. All expenses, including travel and lodging, are your responsibility.

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

ITEM 12. TERRITORY

We will grant you an exclusive protected territory delineated by Postal ZIP Codes. Your territory will have a population of up to 175,000 for the minimum franchise fee. If the population of your territory exceeds 175,000, you must pay an additional franchise fee of \$500 for each unit of 1,000 population in excess of 175,000. There is no maximum limit on the population of your territory. The population of your territory will be determined using extrapolated U.S. Census figures, MelissaData.com demographic data, and Microsoft® MapPoint® business mapping software, or another comparable mapping system designated by Fresh Coat.

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

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

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

Although we are not obligated to do so under the franchise agreement, we may permit you to operate your franchise in areas outside your territory that are not part of another Fresh Coat franchisee's territory. We may, in our discretion, allow you to continue serving existing clients located in areas outside your territory after such area later becomes part of another franchisee's territory, but you must stop soliciting and serving new clients in any such area. In addition, we may permit you to operate in the territory of a franchisee that has been provided written notification of a default under the franchise agreement and who has not cured the default within 30 days. In this event, the exclusivity of the defaulting franchisee's territory could, in our discretion, be suspended until the default is cured. You do not acquire any rights to any areas outside your territory, and you must immediately stop operating your franchise in any area outside your territory upon notification from us.

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

The exclusivity of your territory does not extend to clients that we identify as a National Accounts. A "National Account" is a business, association, or other organization with members, affiliates, policyholders, offices, stores, plants, buildings or other physical facilities that are not confined to the territory of a single Fresh Coat franchisee. With our prior written consent, you may service National Accounts at or from locations in another franchisee's territory, if that franchisee's franchise agreement allows it. The franchise agreements of some of the earlier Fresh Coat franchisees do not permit other franchisees to provide products and services at or from locations in their territory, even for National Accounts. We have the exclusive right to identify clients or potential clients as National Accounts, to service National Accounts, and to award the right to service National Accounts to any Fresh Coat franchisee, in our sole and absolute discretion.

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

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

You can reserve a specific territory for up to 30 days before you sign the franchise agreement by paying a \$5,000 deposit and sending us a signed Deposit Remittance Form. The deposit will be applied toward your initial franchise fee. If we receive your deposit and signed Deposit Remittance Form by the 16th day after you receive a copy of this disclosure document, we will give you additional territory, at no extra charge, with a population of up to 30,000 (up to a \$15,000 value).

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

Your franchise agreement does not give you any option, right of first refusal, or similar right to acquire additional franchises, but you may purchase a right of first refusal to purchase an additional franchise territory. The price for a right of first refusal is \$3,000, which would be credited toward the initial franchise fee if you exercise the right of first refusal. A right of first refusal would give you the right to purchase a

specific territory first if another prospective purchaser shows an interest in purchasing the territory within 1 year after you purchase the right of first refusal. You would have 7 calendar days after notice by Fresh Coat to exercise the right. If applicable, Fresh Coat will send along with the notice the then current disclosure document to you. Fresh Coat must receive the entire balance of the then current initial franchise fee for the territory by the later of either (i) the seventh day after you receive the notice or, (ii) if you have not previously received a copy of the then-current franchise disclosure document, the sixteenth day after you received a copy of the then-current franchise disclosure document. A right of first refusal lasts for 1 year. The right of first refusal agreement is attached to this disclosure document as Exhibit L.

If you transfer your franchise at a future date, then we may modify the size of the territory at the time of transfer so that it will be consistent with the size of franchise territories offered in our then-current disclosure document. We may not otherwise modify your territorial rights without your consent.

ITEM 13. TRADEMARKS

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

We filed an application to register the mark FRESH COAT PAINTING DONE RIGHT with the U.S. Patent and Trademark Office (the "Trademark Office") on July 5, 2013 (Serial No. 86003217). As of the issuance date of this disclosure document, the application is pending.

Our affiliate, REM Painting, applied to register the service mark FRESH COAT on the Principal Register of the Trademark Office on November 9, 2004. REM Painting assigned all of its interest in the mark and the application to Fresh Coat on January 3, 2005, and the assignment was recorded with the Trademark Office on January 6, 2005. On June 14, 2005, the Trademark Office denied our application on the grounds that the mark was confusingly similar to another mark, DR. FRESHCOAT®, registered on the Principal Register by a South Carolina corporation named Kerry Customs, Inc. in November 2000 in connection with the same services. Kerry Customs claims that it first used the DR. FRESHCOAT mark in commerce in July 1998. We believe that Kerry Customs presently uses the DR. FRESHCOAT mark only in a local market in and around Columbia, South Carolina. However, because of its Principal Register registration, Kerry Customs has a superior right to use the DR. FRESHCOAT mark in connection with house painting services, and may be able to prevent us from using or licensing the use of the FRESH COAT mark throughout the United States.

We have not registered FRESH COAT with any state or with the Trademark Office, although we claim common law rights to this mark. Because we do not have a federal registration for our principal trademark, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

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

You must follow our rules when you use any of our marks. You cannot use a name or mark as part of the name of a business entity. You cannot use a name or mark with modifying words, designs or symbols other than those that we license you to use. You cannot, without prior consent from Franchisor, use a name or mark on or as part of any Web site, domain name, URL, Web page, electronic mail address,

listing, banner, advertisement or any other service or link on, to or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services. You cannot register a name or mark as a service mark, trademark, or Internet domain name. You may not use any of the marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us. You must not use, in advertising or any other form of promotion, any of our trademarks or commercial symbols without the appropriate notices that we or the law may require, including, ®, SM, or other trademark notice.

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

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

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

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

2. A company named Fresh Kote, Inc. claims to have been operating a painting business under the name FRESH KOTE in New York since 1990. It claims a superior right to use the name in its business area, which it claims consists of the Capital District of New York. Although we have not agreed upon or established the exact boundaries of its business area, it may be able to prevent us from using or licensing the use of the FRESH COAT mark in certain areas.

3. A company named Fresh Coat Painting, Inc. claims to have been operating a painting business under the name FRESH COAT PAINTING in Nebraska since 1999. It claims a superior right to use the name in its business area, which it claims consists of Omaha, Nebraska. Although we have not agreed upon or established the exact boundaries of its business area, it may be able to prevent us from using or licensing the use of the FRESH COAT mark in certain areas.

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

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

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

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

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

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

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

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

We do not require that you personally supervise the franchised business, although we recommend that you do so. The franchised business must be directly supervised “on-premises” by a manager who has been approved by us and has successfully completed our training program. The manager need not have an ownership interest in a franchisee that is a corporation, partnership, limited liability company, or other entity. The manager must sign a written agreement to maintain the confidentiality of any confidential information about Fresh Coat or your business that may be disclosed to him or her and a covenant not to compete with your business that is enforceable within your jurisdiction.

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

to them, and an agreement personally guaranteeing all of the franchisee's obligations under the franchise agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

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

You must offer and sell all the products and services, and only the products and services, that we authorize. We have the right to designate some services as optional for franchisees. We have the unlimited right to authorize additional products and services that you are required to offer. We have the right to designate some services as optional for franchisees. We also have the right to designate some services as optional for franchisees in certain markets.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
a. Length of the Franchise term	2.1	10 years
b. Renewal or extension of the term	2.2	Your renewal right permits you to remain as a franchise after the initial term of your franchise agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to obtain 2 additional 10-year terms. You must sign our then-current franchise agreement for the renewal term, and this new agreement may contain materially different terms and conditions (including, e.g., higher royalty and/or advertising contribution) from the agreement that covered your original term.

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
c. Requirements for you to renew or extend	2.2	"Renewal" means that, if you are in full compliance with the Franchise Agreement at its term's expiration and we are then continuing to offer new franchise opportunities, then you may acquire a successor franchise term of 10 years. If you wish to acquire a successor franchise term, you must satisfy the pre-conditions to renewal that we then require, including giving 6-12 months written notice, signing our then-current franchise agreement (which may contain materially different terms and conditions such as a higher royalty and/or branding contribution) and (if law allows) a form of general release, and comply with any new training requirements.
d. Termination by you	1.2	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	1.2 and 13.1	We can terminate your franchise if you do not complete the training program to our satisfaction.
g. "Cause" defined - defaults which can be cured	13.1(a) - (f)	You have 30 days to cure: non-payment of fees or notes, failure to submit reports, understatement of Gross Revenues by 3% or more, infringement into another franchisee's territory, and any other default not listed in sections 13.1(g) through (s).
h. "Cause" defined - defaults which cannot be cured	13.1(g) - (s)	Non-curable defaults: failure to begin training within 90 days after franchise agreement signed, failure to open franchise within 90 days after you complete training, certain assignments, abandonment, failure to comply with applicable law, unapproved transfers, misrepresentation, submission of false report, knowing understatement of Gross Revenues, knowing infringement into another franchisee's territory, failure to maintain and provide proof of liability insurance, bankruptcy ¹ , seizure of or execution against your franchise, certain criminal misconduct, conduct which reflects negatively on the system, danger to public.
i. Your obligations on termination/nonrenewal	Article 14	Stop operating franchise, stop using confidential information and trademarks, complete de-identification, return manuals, records, files, and materials containing marks, cancel assumed name registration, assign or cancel telephone number, obtain insurance tail coverage, pay outstanding amounts due and damages (also see r, below).
j. Assignment of contract by us	12.1	No restriction on our right to assign.
k. "Transfer" by you – definition	12.2	Includes transfer of contract or assets, ownership change, and encumbrance.
l. Our approval of transfer by you	12.2	We have the right to approve all transfers but may not unreasonably withhold consent.
m. Conditions for our approval of transfer	12.2(b)	All your financial obligations and transfer fee paid, new franchisee qualifies, you release claims (if permitted by state law), new franchisee signs current agreement and completes training (also see r, below).
n. Our right of first refusal to acquire your business	12.4	We can match any offer for your business.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	12.5	Your heirs may inherit your franchise provided they qualify and meet other requirements for transfer (see m, above).
q. Non-competition covenants during the term of the franchise	15.2	No involvement in business that competes with Fresh Coat.

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
r. Non-competition covenants after the franchise is terminated or expires	15.3	No involvement in business that competes with Fresh Coat for 2 years in or within 15 miles of any franchisee's territory.
s. Modification of the agreement	9.3 and 18.1	Modification only by written agreement, but we may modify operations manual so long as it does not change your fundamental status and rights.
t. Integration/merger clause	18.1	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	16.2 and 16.3	Except for certain claims, all disputes must be arbitrated in Cincinnati, Ohio (subject to state law); claims may not be consolidated with claims of other franchisees; parties waive right to jury trial and punitive damages; except for certain claims, all claims must be brought within 1 year.
v. Choice of forum	18.4	Except for claims arising under a franchise law of the state where the franchised business is located, all litigation or arbitration must be in Ohio.
w. Choice of law	18.3	Except for claims arising under a franchise law of the state where the franchised business is located, Ohio law applies.

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

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

Presented below are historic Gross Revenue and Gross Profit figures for franchised Fresh Coat businesses for the one-year period from January 1, 2013 through December 31, 2013. Only data from franchises who were already open for at least one year before December 31, 2013, who operated their business on a full-time basis during the entire period, and who reported Gross Revenue for all 12 months of the period were included in the table. The information has been extracted from royalty reports and income statements submitted to us by our franchisees. The income statements submitted to us were prepared by the franchisee in most cases, not reviewed or audited by an independent accountant. We have not audited or independently verified any of this information. It may not be relied upon as a projection or forecast of what a new Fresh Coat franchisee may experience.

Number of franchisees	12
Highest Gross Revenue	\$1,248,380
Average Gross Revenue	\$462,110
Number of franchisees who attained or surpassed the average Gross Revenue	4
Percentage of franchisees who attained or surpassed the average Gross Revenue	33%
Highest Gross Profit Percentage	52%
Average Gross Profit Percentage	41%
Number of franchisees who attained or surpassed the average Gross Profit Percentage	6
Percentage of franchisees who attained or surpassed the average Gross Profit Percentage	50%

There were 96 Fresh Coat franchises in operation as of December 31, 2013. Of those, 12 franchises were open for at least one year before that date, operated their business on a full-time basis, and reported Gross Revenue for all 12 months between January 1, 2013 and December 31, 2013.

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

Neither the Gross Revenue figures nor the Gross Profit figures reflect the costs of sales, other operating expenses, or other costs or expenses that must be deducted from Gross Revenue to obtain your net income or profit. Those expenses include fees you are required to pay us under the terms of your franchise agreement, such as royalties, national branding fees and technology fees. Your sales and operating expenses will vary depending on many factors, such as the geographic location of your territory, competition from other providers in your market, the effectiveness of your advertising, whether you manage your franchise yourself or hire a general manager, your pricing, the prices you pay for paint and other supplies, employee salaries and benefits (health insurance, retirement plan, etc.), other employment conditions in your market, insurance costs, weather conditions, ability to generate clients, and the necessity, cost and difficulty of obtaining a license to perform all of the services a Fresh Coat franchise offers. You should conduct an independent investigation of the costs and expenses you will incur in operating a Fresh Coat franchise. Franchisees and former franchisees listed in this disclosure document may be one source of this information.

Although all Fresh Coat franchises offer painting services to both commercial and residential customers, all but 2 Fresh Coat franchises concentrate primarily on residential customers. The franchise with the highest Gross Revenue and Gross Profit Percentage in the table above concentrated primarily on commercial customers during that one-year period. The franchise with the second-highest Gross Revenue during that one-year period also concentrated primarily on commercial customers during that period.

You should use the information in the table only as one of several references in conducting your analysis and preparing your own projected income and cash flow statements. We strongly suggest that you consult a financial advisor or accountant for assistance in reviewing the table and in preparing your own financial projections, and for advice about the income and other taxes you will incur in operating a Fresh Coat franchise and the effect of non-cash expenses such as depreciation and amortization on your business.

The success of your Fresh Coat franchise will depend largely upon your personal abilities and how you use them, your willingness to engage in personal sales activities (or your ability to hire someone else to), the number of potential customers in your market and their household income levels, and the number of competitors in your market. You are likely to achieve results that are different, possibly significantly and adversely, from the results shown in the table above.

Some of our franchisees have sold this amount. There is no assurance that you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well. We do not make any promises or representations that you will achieve any particular results or level of sales or profitability, or even achieve break-even results in any particular year of operation. We do not represent that your franchise will generate any income or that the amount of income it might generate will exceed your initial investment in the franchise.

Written substantiation for the financial performance representation will be made available to you upon request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jeffrey D. Siehl, General Counsel, 10700 Montgomery Road, Suite 300, Cincinnati, Ohio 45242, (513) 563-8339, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2011 to 2013

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	40	53	+13
	2012	53	65	+12
	2013	65	96	+31
Company-Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets	2011	40	53	+13
	2012	53	65	+12
	2013	65	96	+31

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2011 to 2013

STATE	YEAR	NUMBER OF TRANSFERS
NORTH CAROLINA	2011	0
	2012	1
	2013	0
TOTALS	2011	0
	2012	1
	2013	0

TABLE NO. 3

Status of Franchised Outlets
For years 2011 to 2013

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
ALBERTA	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
ARIZONA	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	1	0	1
	2013	1	0	0	0	0	1	0
ARKANSAS	2011	0	0	0	0	0	0	1
	2012	1	0	0	0	1	0	0
	2013	0	0	0	0	0	0	0
CALIFORNIA	2011	3	2	0	0	2	0	3
	2012	3	1	0	0	1	0	3
	2013	3	1	0	0	1	0	3
COLORADO	2011	2	1	0	0	1	0	2
	2012	2	1	0	0	2	0	1
	2013	1	1	0	0	0	0	2
CONNECTICUT	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
FLORIDA	2011	4	2	1	0	0	0	5
	2012	5	2	0	0	1	0	6
	2013	6	0	1	0	1	0	4
GEORGIA	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	4	0	0	0	0	5
HAWAII	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	1	0	0
	2013	0	1	0	0	0	0	1
IDAHO	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
ILLINOIS	2011	2	1	0	0	2	0	1
	2012	1	2	0	0	1	0	2
	2013	2	2	1	0	0	0	3
INDIANA	2011	0	2	0	0	0	0	2
	2012	2	1	0	0	2	0	1
	2013	1	3	0	0	0	0	4

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
IOWA	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	1	0	0	1	0	2
KANSAS	2011	0	0	0	0	0	0	0
	2012	0	2	1	0	1	0	0
	2013	0	0	0	0	0	0	0
KENTUCKY	2011	1	2	0	0	1	0	2
	2012	2	1	0	0	0	0	3
	2013	3	2	0	0	0	0	5
MARYLAND	2011	0	2	0	0	0	0	2
	2012	2	2	0	0	0	0	4
	2013	4	1	0	0	0	0	5
MASSACHUSETTS	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	1	0	0	1	0	2
MICHIGAN	2011	2	1	0	0	1	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
MINNESOTA	2011	0	2	0	0	0	0	2
	2012	2	1	0	0	0	0	3
	2013	3	1	0	0	2	0	2
MISSISSIPPI	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
MISSOURI	2011	1	3	0	0	0	0	4
	2012	4	0	1	0	2	1	0
	2013	0	0	0	0	0	0	0
NEBRASKA	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
NEVADA	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
NEW HAMPSHIRE	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
NEW JERSEY	2011	2	1	0	0	0	0	3
	2012	3	2	1	0	2	0	2
	2013	2	3	0	0	0	0	5

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
NEW YORK	2011	3	1	0	0	2	0	2
	2012	2	1	0	0	0	0	2
	2013	2	1	0	0	0	0	3
NORTH CAROLINA	2011	1	0	0	0	0	0	1
	2012	1	3	0	0	2	0	2
	2013	2	3	0	0	0	0	5
OHIO	2011	3	3	2	0	0	0	4
	2012	4	2	1	0	0	0	5
	2013	5	3	0	0	0	1	7
OREGON	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
ONTARIO	2011	1	0	0	0	1	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
PENNSYLVANIA	2011	1	0	0	0	1	0	0
	2012	0	4	0	0	0	0	4
	2013	4	1	0	0	0	0	5
SOUTH CAROLINA	2011	1	1	0	0	0	0	2
	2012	2	1	0	0	2	0	1
	2013	1	0	0	0	0	0	1
SOUTH DAKOTA	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
TENNESSEE	2011	0	0	0	0	0	0	0
	2012	0	3	0	0	0	0	3
	2013	3	3	0	0	1	0	5
TEXAS	2011	5	2	0	0	1	1	5
	2012	5	4	0	0	2	0	7
	2013	7	4	0	0	1	0	10
VIRGINIA	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
	2013	2	3	0	0	2	0	3
WASHINGTON	2011	0	1	0	0	1	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
WISCONSIN	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
TOTALS	2011	40	31	4	0	13	1	53
	2012	53	39	4	0	21	2	65
	2013	65	45	2	0	10	2	96

TABLE NO. 4
 Status of Company-Owned Outlets
 For years 2011 to 2013

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF YEAR
TOTALS	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

TABLE NO. 5
 Projected Openings
 As of December 31, 2013

<i>State</i>	<i>Franchise Agreements Signed but Outlets Not Opened</i>	<i>Projected New Franchised Outlets in the Next Fiscal Year</i>	<i>Projected Company-Owned Outlets in the Next Fiscal Year</i>
Arizona	0	1	0
California	1	2	0
Colorado	0	1	0
Florida	0	1	0
Illinois	0	1	0
Indiana	0	1	0
Kansas	0	1	0
Kentucky	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	0	1	0
Missouri	0	1	0
Nebraska	0	1	0
Nevada	0	2	0
New Jersey	0	2	0
New York	0	2	0
North Carolina	0	1	0
Ohio	0	2	0
Ontario	0	1	0
Pennsylvania	0	2	0
South Carolina	0	1	0
Tennessee	0	2	0
Texas	0	2	0
Virginia	0	1	0
Totals	1	32	0

Exhibit N lists the names of all current Fresh Coat franchises and their business telephone numbers and addresses as of December 31, 2013 and those franchisees that have signed a franchise agreement but were not yet operational at the end of the year. Exhibit O lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every Fresh Coat franchisee who has had their franchise terminated, canceled, transferred, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Some of our franchisees have signed confidentiality clauses during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Fresh Coat. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. As of the issuance date of this disclosure document, there are no trademark-specific franchisee organizations associated with the Fresh Coat franchise system.

ITEM 21. FINANCIAL STATEMENTS

Fresh Coat's audited financial statements for fiscal year ending December 31, 2013, 2012, and 2011 are attached to this disclosure document as Exhibit C.

Our fiscal year ends on December 31.

ITEM 22. CONTRACTS

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

- | | |
|-----------|---|
| Exhibit D | The franchise agreement you will sign when you purchase a Fresh Coat franchise |
| Exhibit E | The rider to the franchise agreement you will sign if the population of your territory exceeds 175,000 |
| Exhibit F | The promissory note you will sign if we finance a portion of the initial fee for a Fresh Coat franchise |
| Exhibit G | The personal guaranty to be signed by the owners of a non-individual franchisee |
| Exhibit H | The restrictive covenant agreement to be signed by the owners of a non-individual franchisee |
| Exhibit I | Irrevocable Power of Attorney allowing us to assume the telephone numbers and Internet- and World Wide Web-based rights relating to your franchised business after your franchise expires or terminates |
| Exhibit J | Agreement granting option to purchase |
| Exhibit K | Form to be signed by all franchisees disclaiming any representations made by Fresh Coat other than those made in this disclosure document |
| Exhibit L | The agreement you will sign if you purchase a right of first refusal to buy an additional franchise |

- Exhibit P an assignment agreement you may use to assign your individual rights in the franchise agreement to a business entity
- Exhibit Q Disclosure Questionnaire
- Exhibit R State-Specific Additional Disclosures and Riders
- Exhibit S The form of promissory note you will sign if Stock Yards Bank & Trust Company finances a portion of the initial fee
- Exhibit U Electronic funds authorization that authorizes us to debit your bank account for the Royalties, National Branding Fund contributions, and other fees you are required to pay us
- Exhibit V Deposit Remittance Form you will send us along with your deposit

ITEM 23. RECEIPT

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

AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Corporations
1515 K Street, Suite 200
Sacramento, CA 95814-4052

Connecticut

The Banking Commissioner of
the State of Connecticut
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8299

Georgia

Georgia Secretary of State
2 Martin Luther King Jr. Drive SE
315 West Tower
Atlanta, GA 30334-1530

Hawaii

Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana

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

Louisiana

Louisiana Secretary of State
Legal Services Section
8549 United Plaza Boulevard
Baton Rouge, LA 70809

Maryland

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

Minnesota

Minnesota Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

New York

Secretary of State of the State of New York
162 Washington Avenue
Albany, NY 12231

North Carolina

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

North Dakota

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

Ohio

Jeff Siehl
10700 Montgomery Rd., Ste. 300
Cincinnati, Ohio 45242

South Carolina

Tanna C. Kelly
1831 Wilson Road, Suite 215
Newberry, SC 29108-2921

South Dakota

Division of Securities
Dept. of Labor & Regulation
445 East Capitol Avenue
Pierre, SD 57501-3185

Virginia

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

Washington

Director of the Dept. of Licenses
1300 Quince Street
P.O. Box 648
Olympia, WA 98504

Wisconsin

Commissioner of Securities
101 East Wilson Street
Madison, WI 53703

STATE FRANCHISE REGULATORS

California

California Dept. of Corporations
Securities Regulation Division
71 Stevenson Street, 21st Floor
San Francisco, CA 94105
(415) 972-8559

Connecticut

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

Florida

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

Georgia

Governor's Office of Consumer Affairs
2 Martin Luther King Jr. Drive SE
356 West Tower
Atlanta, GA 30334-4600
(404) 651-8600

Hawaii

Dept. of Commerce & Consumer Affairs
Business Registration Division
1010 Richards Street
Honolulu, HI 96813
(808) 586-2021

Illinois

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

Indiana

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

Kentucky

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

Louisiana

Office of the Attorney General
Consumer Protection Section
PO Box 94005
Baton Rouge, LA 70804-9005
(225) 326-6460

Maryland

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

Michigan

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

Minnesota

Department of Commerce
Registration Division
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 296-4026

Nebraska

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

New York

New York Department of Law
Division of Public Advocacy
Investment Protection Bureau
120 Broadway
New York, NY 10271-0332
(212) 416-8000

North Carolina

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

North Dakota

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

Rhode Island

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

South Carolina

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

South Dakota

Dept. of Labor & Regulation
Division of Securities
445 East Capitol Avenue
Pierre, SD 57501-3185
(605) 773-4823

Texas

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

Utah

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

Virginia

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

Washington

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

Wisconsin

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

F. C. FRANCHISING SYSTEMS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2013, 2012 AND 2011

F. C. FRANCHISING SYSTEMS, INC.

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ERIC H LAMPL, CPA, INC.
991 LIGORIO AVENUE
CINCINNATI, OHIO 45218
513-521-2379
ericlampl@fuse.net

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of F. C. Franchising Systems, Inc. (an Ohio corporation), which comprise the balance sheets as of December 31, 2013, 2012, and 2011, 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 F. C. Franchising Systems, Inc. as of December 31, 2013, 2012, and 2011, 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.



March 6, 2014

F. C. FRANCHISING SYSTEMS, INC.
BALANCE SHEETS
DECEMBER 31, 2013, 2012 AND 2011

ASSETS

	<u>2013</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash	\$ 611,472	\$ 523,851	\$ 251,938
Installment Notes Receivable - Current Portion	5,300	13,621	431
Other Current Assets (Note G)	<u>194,185</u>	<u>143,270</u>	<u>99,316</u>
TOTAL CURRENT ASSETS	<u>810,957</u>	<u>680,742</u>	<u>351,685</u>
FIXED ASSETS			
Furniture and Fixtures	5,875	1,524	1,524
Equipment	37,518	21,697	8,733
Leasehold Improvements	<u>11,734</u>	<u>11,734</u>	<u>11,734</u>
	55,127	34,955	21,991
Accumulated Depreciation	<u>(26,239)</u>	<u>(15,717)</u>	<u>(13,148)</u>
TOTAL FIXED ASSETS	<u>28,888</u>	<u>19,238</u>	<u>8,843</u>
OTHER ASSETS			
Installment Notes Receivable - Less Current Portion	17,128	24,635	96,791
Note Receivable - Branding Fund	241,085	241,085	241,085
Deposit	<u>25,000</u>	<u>25,000</u>	<u>15,000</u>
TOTAL OTHER ASSETS	<u>283,213</u>	<u>290,720</u>	<u>352,876</u>
TOTAL ASSETS	<u>\$ 1,123,058</u>	<u>\$ 990,700</u>	<u>\$ 713,404</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable	\$ 86,726	\$ 73,336	\$ 28,349
Accrued Leased Employees	6,967	2,457	19,129
Unearned Franchise Fees	<u>47,900</u>	<u>155,200</u>	<u>54,900</u>
TOTAL LIABILITIES	<u>141,593</u>	<u>230,993</u>	<u>102,378</u>
STOCKHOLDERS' EQUITY			
Common Stock	100	100	100
Additional Paid in Excess	154,900	154,900	154,900
Retained Earnings	<u>826,465</u>	<u>604,707</u>	<u>456,026</u>
TOTAL STOCKHOLDERS' EQUITY	<u>981,465</u>	<u>759,707</u>	<u>611,026</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,123,058</u>	<u>\$ 990,700</u>	<u>\$ 713,404</u>

See auditor's report and accompanying information.

F. C. FRANCHISING SYSTEMS, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUE	\$ <u>2,292,892</u>	\$ <u>1,631,154</u>	\$ <u>1,213,209</u>
EXPENSES			
Advertising	286,514	255,640	200,330
Bank and Payroll Charges	3,493	1,992	5,515
Depreciation	10,522	2,569	2,761
Dues and Subscriptions	82	435	2,182
Employee Related Expenses	6,976	3,369	5,507
Insurance	2,803	2,195	233
Leased Employees	978,283	839,366	527,272
Licenses and Permits	4,885	4,876	4,504
Non-Capitalized Equipment	2,922	3,844	5,303
Office Expense	29,696	7,462	12,042
Postage and Delivery	14,868	15,354	13,210
Professional Fees	38,247	22,745	36,687
Rent	42,991	36,617	29,767
Repairs and Maintenance	1,273	537	862
Sales Related Expenses	154,519	77,671	53,530
Seminar, Meetings, and Training	89,304	45,921	49,264
Telephone	10,781	6,954	4,654
Utilities	4,358	4,166	4,188
	<u>1,682,517</u>	<u>1,331,713</u>	<u>957,811</u>
TOTAL EXPENSES			
	<u>610,375</u>	<u>299,441</u>	<u>255,398</u>
OPERATING PROFIT			
	<u>610,375</u>	<u>299,441</u>	<u>255,398</u>
OTHER INCOME (EXPENSES)			
Interest Income	1,791	3,014	1,265
State and City Taxes	(10,408)	(3,774)	(2,507)
	<u>(8,617)</u>	<u>(760)</u>	<u>(1,242)</u>
TOTAL OTHER INCOME (EXPENSES)			
	<u>(8,617)</u>	<u>(760)</u>	<u>(1,242)</u>
NET INCOME	601,758	298,681	254,156
RETAINED EARNINGS, BEGINNING	604,707	456,026	201,870
DISTRIBUTIONS	<u>(380,000)</u>	<u>(150,000)</u>	<u>-</u>
RETAINED EARNINGS, ENDING	\$ <u><u>826,465</u></u>	\$ <u><u>604,707</u></u>	\$ <u><u>456,026</u></u>

See auditor's report and accompanying information.

F. C. FRANCHISING SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 601,758	\$ 298,681	\$ 254,156
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	10,522	2,569	2,761
Change In			
Other Current Assets	(50,915)	(43,954)	185,194
Deposit	-	(10,000)	(5,000)
Accounts Payable	13,390	44,987	14,731
Accrued Leased Employees	4,510	(16,672)	6,962
Unearned Franchise Fees	<u>(107,300)</u>	<u>100,300</u>	<u>33,000</u>
CASH PROVIDED BY OPERATIONS	471,965	375,911	491,804
CASH FLOWS FROM INVESTING ACTIVITIES			
Installment Notes Receivable	15,828	58,966	(12,096)
Note Receivable - Branding Fund	-	-	(241,085)
Acquisition of Fixed Assets	<u>(20,172)</u>	<u>(12,964)</u>	<u>(2,730)</u>
CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(4,344)	46,002	(255,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions	<u>(380,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(380,000)</u>	<u>(150,000)</u>	<u>-</u>
CHANGE IN CASH	87,621	271,913	235,893
CASH AT BEGINNING OF YEAR	<u>523,851</u>	<u>251,938</u>	<u>16,045</u>
CASH AT END OF YEAR	\$ <u>611,472</u>	\$ <u>523,851</u>	\$ <u>251,938</u>

See auditor's report and accompanying information.

THE F. C. FRANCHISING SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2013, 2012, AND 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

As of December 31, 2013, 2012 and 2011, the Company had ninety six (96), sixty five (65), and fifty three (53) franchises respectively operating in North America.

Use of Estimates

The process of preparing financial statements in conformity with accepted 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.

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 financial reporting. Maintenance and repairs costs are charged to operations when incurred.

Income Tax Status

The Company, with the consent of its shareholders, has elected under the Internal Revenue Service to be an S-Corporation. Therefore, the profits (losses) are passed thru to the shareholders (based on ownership percentage) that are liable for the federal and state income taxes on their individual returns. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

Advertising Expense

Advertising costs are expensed as incurred.

Leased Employees

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

Branding Fund

The Company administers a national branding fund (the Fund) on behalf of its franchisees. Each franchisee is required to contribute to the Fund, which is used to develop advertising and marketing materials and promote the Company's service marks and the franchisees' services on a local, regional, and national basis. Neither receipts nor expenditures of the advertising fund are recorded on the Company's financial statements

F.C. FRANCHISING SYSTEMS, INC.

NOTE B - INSTALLMENT NOTES RECEIVABLE

Installment notes receivable represent the financing from the Company to the franchisee. These notes bear interest ranging from 10% to 12% per annum and payments commence on the first day of the month immediately following the first full month in which a franchisee completes their initial training. No allowance for bad debt has been provided since management expects no material losses.

NOTE C - STOCKHOLDERS' EQUITY

Common Stock

Common stock (voting) of one thousand five hundred (1500) shares has been authorized and one hundred (100) shares were issued and outstanding at December 31, 2012 and 2011.

During 2013, common stock (voting) of seven hundred fifty (750) shares were converted to non-voting stock. At December 31, 2013, one hundred (100) shares of voting stock are issued and outstanding and zero (0) shares of non-voting stock are issued and outstanding. There is no par value for this stock.

NOTE D - INCOME RECOGNITION

The initial franchise fee from the sale of a franchise is recognized as revenue when the franchisee has completed the initial training for new franchisees and all of the Company's significant commitments under the franchise agreement have been completed. Franchisees are required to pay continuing royalties of 6% of their gross revenues on a weekly basis. Franchise agreements have a ten-year term and can be renewed for two additional ten-year terms at no cost.

The following are components of revenue:

	<u>2013</u>		<u>2012</u>		<u>2011</u>
Royalty Income	\$ 713,088	\$	480,024	\$	326,760
Franchise Fee Income	1,579,804		1,139,010		874,753
Other	<u>-</u>		<u>12,120</u>		<u>11,696</u>
Total	<u>\$ 2,292,892</u>	\$	<u>1,631,154</u>	\$	<u>1,213,209</u>

The initial franchise fee from the sale of a franchise is recognized as "Unearned Franchise Fees" on the balance sheet from the time when the money is deposited into the Company's bank account until the time when the franchisee has completed the initial training for the new franchisees and all of the Company's significant commitments under the franchise agreement have been completed. At December 31, 2013, 2012, and 2011, these amounts were \$47,900, \$155,200, and \$54,900 respectively.

NOTE E - 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, 2013, 2012 and 2011, the Company had cash in excess of insured limits of \$160,973, \$30,318, and \$-0-, respectively.

F.C. FRANCHISING SYSTEMS, INC.

NOTE F - RELATED PARTIES

The Company shares with other related parties (that are owned by the shareholders of F. C. Franchising Systems, Inc.) office space, leased employees, phone service, utilities, office supplies, and copier. Each month the company that pays an expense will bill the other entities what its portion of the expense was. The reimbursement of this has been recorded in the specific expense category.

The following activity occurred between the Company and its related parties:

<u>Purchased from Related Parties</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Advertising	\$ 1,441	\$ 10,683	\$ 1,064
Employee Related	650	671	121
Leased Employees	978,283	841,092	572,272
Non-Capitalized Equipment	-	300	739
Office Expenses	7,304	4,001	2,383
Postage and Delivery	200	36	42
Professional Fees	29,797	10,667	25,920
Rent	42,839	36,454	29,671
Repairs and Maintenance	1,144	445	340
Sales Related	1,565	488	2,420
Taxes	6,886	3,774	2,507
Telephone	3,610	943	814
Seminars, Meetings and Training	1,214	174	478
Utilities	<u>4,358</u>	<u>4,166</u>	<u>4,188</u>
	\$ <u>1,079,291</u>	\$ <u>913,894</u>	\$ <u>642,959</u>
<u>Due to Related Parties in</u> <u>Accounts Payable</u>	\$ <u>33,972</u>	\$ <u>33,972</u>	\$ <u>21,275</u>

NOTE G – CURRENT ASSETS

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Royalty Receivable	\$ 89,503	\$ 84,486	\$ 97,012
Receivable Other	32,900	10,000	2,304
Accounts Receivable - Cross Billing	61,175	36,031	-
Prepaid Expenses	<u>10,607</u>	<u>12,753</u>	<u>-</u>
	<u>\$ 194,185</u>	<u>\$ 143,270</u>	<u>\$ 99,316</u>

NOTE H – NOTE RECEIVABLE - BRANDING FUND

On December 31, 2011, the company accepted a promissory note from the National Branding Fund. The amount due on the note is \$241,085 and has an interest rate of 10%. Payments begin July 5, 2014.

NOTE I – UNCERTAIN TAX POSITION

The Company files income tax returns in the U. S. federal jurisdiction and local jurisdiction. As of December 31, 2013, 2012 and 2011, no authorities have commenced tax examinations. The Company's U. S. federal income tax returns prior to 2006 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, 2013, 2012 or 2011 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, 2013, 2012 or 2011.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated events through March 5, 2013 the date on which the financial statements were available for issue. The Company did not have any events subsequent to December 31, 2013 through March 6, 2014 to disclose.

FRESH COAT
FRANCHISE AGREEMENT

BETWEEN

F.C. FRANCHISING SYSTEMS, INC.
FRANCHISOR

AND

FRANCHISEE(S)

FRANCHISE LOCATION No. _____

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

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

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

C Franchisor claims the exclusive right to use the trademarks FRESH COATSM and FRESH COAT PAINTING DONE RIGHT any derivatives thereof, and certain other trade names, business names, trademarks, logos, designs and trade symbols (collectively, the “Marks”) as are now or may from time to time be designated by Franchisor for use in connection with the operation of the System.

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

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

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

THEREFORE, the parties agree as follows:

ARTICLE 1

APPOINTMENT

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

1.2 Territory Defined. The Territory is a geographical area delineated by postal ZIP Codes having an aggregate population of not more than 175,000. The Territory is described on an exhibit (“Exhibit B”) attached to, incorporated in, and made a part of this agreement. If for any reason the boundaries or numbers of any ZIP Code that comprises the Territory are moved, altered or eliminated, Franchisor shall re-define the boundaries of the Territory to correspond as nearly as possible, in Franchisor’s sole and absolute discretion, to Franchisee’s original Territory, and Franchisor’s decision shall be final and binding upon both Franchisor and Franchisee. Franchisee shall not relocate the franchised business from the Territory described in Exhibit B without the prior written approval of Franchisor. Except as may be otherwise permitted by this agreement, Franchisee shall operate the franchised business only within the Territory described on Exhibit B. If Franchisee transfers the Franchise pursuant to Article 12 of this Agreement, then Franchisor may modify the size of the Territory at the

time of transfer so that the Territory will be consistent with the size of franchise territories offered in Franchisor's then-current disclosure document.

1.3 Protected Territory. During the term of this agreement, Franchisor shall not establish or franchise another to establish a business substantially similar to the franchised business within Franchisee's Territory. Franchisee acknowledges that the franchise granted hereunder is otherwise non-exclusive and is granted subject to the terms and conditions of Sections 1.4 through 1.0 and 8.5 hereof. Except as expressly described in this paragraph, Franchisee does not have any "exclusive territory" or any "exclusive," "protected," or "reserved" territorial or similar rights, and there is and will be no limitation on Franchisor's rights to locate and consent to the location of other Fresh Coat Franchises or other distribution facilities of any type at any location, regardless of the distance from, impact on, or vicinity of, the franchised business or the number of Fresh Coat Franchises in an area or market. Franchisee shall not provide or sell products or services in a franchise territory granted to another franchisee of the System. The territorial protection granted under this section does not extend to the solicitation of employees, and nothing in this agreement prohibits other franchisees of Franchisor from advertising for and soliciting employees in Franchisee's Territory (subject to Section 15.2(c) below). Franchisee's right to exclusively operate the franchised business within Franchisee's Territory (subject to Sections 1.4 and 1.6 below) shall begin once Franchisee has completed Franchisor's initial training program (see Section 7.1 below), and the franchised business has become fully operational.

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

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

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

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

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

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

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

1.10 Marketing and Solicitation Restrictions. Franchisee will not directly or indirectly market to or solicit, or provide services to, clients whose principal residence is inside the protected territory of any other Fresh Coat franchisee. If Franchisee services such a client, then Franchisee will be in violation of this Franchise Agreement. Within 10 days of receiving written notice of such violation, Franchisee must submit all Gross Revenues earned from servicing such clients to Franchisor

ARTICLE 2

TERM AND RENEWAL

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

2.2 Renewal. Franchisee may, at its option, renew the license granted under this agreement for two additional consecutive terms of ten years each, if Franchisee complies with the following requirements:

(a) Franchisee shall give Franchisor written notice of its election to renew not less than six months, but not more than one year, prior to the tenth anniversary of the Effective Date;

(b) Franchisee is not in default under any provision of this agreement, any amendment hereof or successor hereto, or any other agreement or instrument

between Franchisor and Franchisee, and has substantially complied with all of the terms and conditions of all such agreements during the respective terms thereof;

(c) Franchisee shall execute Franchisor's then current form of Franchise Agreement (with appropriate modifications to reflect the fact that it relates to the renewal of a franchise), which will supersede in all respects this agreement, and the terms of which may differ from the terms of this agreement, including, without limitation, different rates for National Branding Fees and Royalties, except that Franchisee will not be required to pay an initial franchise fee or its equivalent;

(d) If permitted by the laws of the state in which Franchisee is located, Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees, in their corporate and individual capacities; and

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

2.3 Continued Operation Following Expiration. Unless Franchisee exercises its option to renew the license granted under this Agreement in accordance with this Article, Franchisee has no right to continue to operate the franchised business after the Expiration Date. If Franchisor permits Franchisee to continue to operate the franchised business after the Expiration Date, but before the execution by Franchisee of a new franchise agreement for a new term as required by Section 2.2(c) above, then the temporary continuation of the franchised business will be on a month-to-month basis, and will be terminable at the will of Franchisor by giving Franchisee written notice of termination at least thirty days before the termination is effective. If the laws of the jurisdiction in which the Franchisee is located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction. If Franchisor permits Franchisee to renew the license granted under this Agreement after a month-to-month continuation of the franchised business, then Franchisee must pay to Franchisor a fee of \$1,000 per month for every month of month-to-month operation after the Expiration Date, up to Franchisor's then-current initial franchise fee.

ARTICLE 3

LOCATION OF BUSINESS

Franchisee shall lease, purchase or otherwise secure suitable premises for the operation of the franchised business (the "Premises"). Franchisee may operate the franchised business from Franchisee's residence if permitted by, and so long as Franchisee fully complies with, all applicable building, zoning and licensing laws, ordinances, requirements and restrictions. If the residence used as the Premises is located outside the Territory, Franchisee shall, before opening the franchised business, obtain and maintain at all times during the Term a mailing address located in the Territory. If the Premises are not the residence of Franchisee or a principal of Franchisee, the Premises must be located in the Territory. Franchisee shall provide Franchisor with the address of the Premises prior to opening the franchised business, and shall promptly notify Franchisor in writing of any change in the location of the Premises, any change in Franchisee's business address, or any change in Franchisee's e-mail address.

ARTICLE 4

FRANCHISE FEE

4.1 Amount of Franchise Fee. Franchisee shall pay to Franchisor a Franchisee Fee of \$45,900.00¹. The Franchisee fee is fully earned, due and payable to Franchisor upon the execution of this agreement, in consideration of, among other things, the administrative and other expenses incurred by Franchisor in furnishing items to Franchisee as described in Article 6 and for Franchisor's lost or deferred opportunity to franchise to others. The Franchise Fee is not refundable.

4.2 Payment of Franchise Fee. The Franchise Fee is payable as follows:

(a) Franchisee shall pay the Franchise Fee to Franchisor at the time Franchisee executes the Franchise Agreement.

(b) If Franchisee meets Franchisor's credit standards, Franchisee may pay the balance of the Franchise Fee by executing a promissory note (the "Installment Note") and by paying Franchisor \$_____ in cash, check, money order or bank draft concurrently with the execution of this Agreement. The maximum principal amount of the Installment Note is \$18,000.00. The Installment Note for the balance of the Franchise Fee is \$_____ plus simple interest at the rate of 10% per year, and will be payable in ___ monthly installments of \$_____ each. The first installment shall be due and payable on the first day of the month immediately following the first full month in which Franchisee completes the initial training program.

(c) Franchisee may (or, if Franchisee fails to meet Franchisor's credit standards, shall) pay the entire amount in cash or by check, money order or bank draft at the time of executing this Agreement, in which event the Franchise Fee shall be discounted to \$39,900.00.

ARTICLE 5

PERIODIC FEES

5.1 Royalty. Franchisee shall pay Franchisor a monthly royalty fee of 6% of Franchisee's Gross Revenues (the "Royalty"), or \$300.00 per month (the "Minimum Royalty"), whichever is greater. All Royalties are payable on or before the fifth day of each month and are based upon Franchisee's Gross Revenues of the preceding month. Franchisee is not obligated to pay the Minimum Royalty until the fifth day of the third calendar month immediately following the month in which Franchisee or the Designated Individual completes the initial training program required by Section 7.1, unless (1) Franchisee has operated a Fresh Coat franchise under another franchise agreement with an effective date at least six months earlier than the Effective Date of this Agreement; or (2) Franchisee acquired the Territory from another Fresh Coat franchisee.

5.2 National Branding Fee. Franchisee shall pay, to the Fund established in accordance with Article 11 of this Agreement, a National Branding Fee of 2% of Franchisee's Gross Revenues for the preceding month, or \$350.00, whichever is greater. All National Branding Fees shall be payable on or before the fifth day of each month. Franchisee is not obligated to pay the National Branding Fee until the fifth day of the third calendar month immediately following the month in which Franchisee or the Designated Individual completes the initial training program required by Section 7.1, unless (1) Franchisee has operated a Fresh Coat franchise under another franchise agreement with an effective

¹ All dollar figures are in United States currency.

date at least six months earlier than the Effective Date of this Agreement; or (2) Franchisee acquired the Territory from another Fresh Coat franchisee. Franchisor has the right to increase the amount of the National Branding Fee at any time in its sole discretion. Any increase in the National Branding Fee shall be effective thirty (30) days after Franchisee's receipt of written notice thereof.

5.3 Late Payment. Franchisee shall pay (to Franchisor or to the Fund, as the case may be) a late fee of \$50.00 or 10% of the amount due, whichever is greater, on any payment (including, without limitation, amounts due for Royalties, National Branding Fees, or goods or services provided by Franchisor) that is not received by Franchisor within five days after the due date. Any payments that are not received by Franchisor within thirty days after the due date will bear interest at the rate of eighteen percent per annum, or the highest rate allowed by law, whichever is lower, from the date payment was due until the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of Royalties or National Branding Fees.

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

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

5.6 Electronic Funds Transfer.

- (a) Franchisee shall make all payments to Franchisor at such address as Franchisor may provide to Franchisee. Franchisor reserves the right to require Franchisee to make all payments to Franchisor, including Royalties, National Branding Fees, interest, late fees, and legal expenses, through an electronic depository transfer account ("EDT Account") established at a national banking institution approved by Franchisor. At such time as Franchisor may require, Franchisee shall establish the EDT Account and execute and deliver to Franchisor an authorization for electronic funds transfer for direct debits from the EDT Account. At all times thereafter during the term of this agreement, Franchisee shall ensure that Franchisor has access to Franchisee's EDT Account for purposes of receiving electronic funds transfer payments, and Franchisee shall comply with procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic funds transfer. Franchisee hereby authorizes Franchisor to initiate debit entries and credit correction entries to the EDT Account for payment of Royalties, National Branding Fees, interest, late fees, legal expenses, and any

other amounts payable to Franchisor or any affiliate of Franchisor. Franchisee shall make funds available to its EDT Account in sufficient amounts to meet its obligations as they become due. If any debit properly initiated by Franchisor from Franchisee's EDT Account is denied or charged back due to nonsufficient funds or the closing of the EDT Account, Franchisee shall (1) pay Franchisor a \$50 charge-back fee, (2) reimburse Franchisor for all bank and transaction charges incurred by Franchisor as the result of the charge-back, and (3) pay interest on the unpaid amount going back to the fifth day of the month in which the payment was due. Franchisee may not close the EDT Account without Franchisor's consent. Franchisor reserves the right to require Franchisee to remit payments in any manner other than through the EDT Account.

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

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

ARTICLE 6

DUTIES OF FRANCHISOR

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

- (a) A schedule of all equipment necessary to operate the franchised business;
- (b) Initial training for up to two people, one of which has been approved by Franchisor as the person responsible for the day-to-day operation of the franchised business, at Franchisor's training facility;
- (c) A current set of advertising and promotional templates;

(d) Approved and readily available sources for purchasing supplies, advertising and marketing materials, computer hardware and software, and other items necessary for the operation of the franchised business;

(e) Periodic assistance from Franchisor's representatives via telephone or electronic mail to the extent Franchisor deems necessary; and

(f) Such other materials, information and assistance as Franchisor may from time to time deem necessary.

6.2 Products, Supplies and Materials. Franchisor shall furnish Franchisee with one copy of each of the business and reporting forms for use by Franchisee in the franchised business. Thereafter, Franchisee may purchase additional amounts of any of the business and reporting forms from any approved supplier. At its election, Franchisor may provide the forms in a digital format. Upon request, Franchisor shall provide Franchisee with specifications for the proper preparation of the business and reporting forms, which Franchisee may purchase from a supplier who has complied with Franchisor's supplier approval guidelines as described in section 7.5 of this agreement. Since all business and reporting forms will bear the Marks, each supplier is also required to execute a license agreement specifying the manner in which the Marks are to be imprinted, the required text on the materials, and other necessary specifications and standards for the preparation of the materials.

6.3 Manual. Franchisor shall loan Franchisee, at no charge to Franchisee, one copy of Franchisor's current Manual (which may consist of one or more volumes and may be provided digitally via a franchisee intranet, compact disk, or DVD) as described in article 9 of this agreement.

ARTICLE 7

DUTIES OF FRANCHISEE

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

7.2 System Standards. Franchisee acknowledges and agrees that every detail of the System is important, not only to Franchisee but also to Franchisor and other Fresh Coat franchisees, in order to develop and maintain uniform operating standards, increase the demand for the products and services offered by all franchisees, establish and maintain a reputation for quality services, and protect the goodwill of all Fresh Coat franchises. Franchisee further acknowledges and agrees that a fundamental requirement of the System, this agreement, and other Fresh Coat franchises is adherence by all franchisees to the uniform specifications, standards, operating procedures and rules prescribed by Franchisor for the development and operation of the franchised business ("System Standards"). Accordingly, Franchisee shall comply with each and every System Standard, as

periodically modified and supplemented by Franchisor in its sole and absolute discretion. System Standards prescribed from time to time in the Manual, or otherwise communicated to Franchisee in writing, constitute provisions of this agreement as if fully set forth in this agreement. All references to this agreement include all System Standards as periodically modified.

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

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

7.5 Supplier Approval. Franchisee shall purchase all marketing materials, business cards, business stationary, fixtures, furnishings, equipment and services used in the franchised business solely from suppliers who demonstrate to Franchisor's continuing reasonable satisfaction the ability to meet Franchisor's then current standards and specifications (including pricing) for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved, in writing, by Franchisor and not thereafter disapproved. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor, by certified mail, return receipt requested, a written request for approval or shall request the supplier itself to do so. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent certified laboratory designated by Franchisor, for testing, and the actual cost for the tests shall be paid by Franchisee or the supplier. Franchisor shall notify Franchisee of Franchisor's approval or disapproval within thirty days after Franchisor's receipt of all information requested by Franchisor. Franchisor has the right to condition its approval of any supplier upon benefits to Franchisor and/or its affiliates based upon purchases by Franchisee and/or other Fresh Coat franchisees. Franchisor and/or its affiliates may derive income or receive benefits as a result of Franchisee's and/or other Fresh Coat franchisees' purchase of items. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria. Franchisor may require Franchisee to purchase certain goods or services exclusively from one or more designated suppliers, or to purchase cooperatively with Franchisor or other franchisees of the System, in order to maintain Franchisor's quality standards or to take advantage of price discounts, benefits or other legitimate sales incentives. Franchisor and/or its affiliates have the right to receive rebates, discounts, allowances, and other payments from suppliers in respect of group purchasing programs and otherwise on account of the suppliers' dealings with Franchisee and other Fresh Coat franchisees, which Franchisor is entitled to retain and use without restriction for any purpose and without accounting to Franchisee.

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

mandatory training programs, who must devote his full time and energy to the operation of the franchised business.

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

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

- (a) Submit to Franchisor, on or before Wednesday of each week during the term of this agreement, a Sales Report in the form prescribed by Franchisor and certified by Franchisee or by the Designated Individual, accurately reflecting all Gross Revenues during the preceding week ending on Friday, and such other data or information as Franchisor may require. Franchisor may, after providing 30 days written notice, require the reporting of Sales Reports and other required data to be biweekly, monthly, or at such other interval as Franchisor designates;
- (b) Submit to Franchisor, within ninety days after the end of each calendar year, an income statement for the preceding calendar year, certified by Franchisee or by the Designated Individual as accurately reflecting the results of operations of the franchised business for the preceding calendar year, together with such other information as may be prescribed by Franchisor;
- (c) Submit to Franchisor signed copies of Franchisee's federal income tax return for the previous tax year, as filed with the Internal Revenue Service, on or before April 30 of each year, or, if Franchisee has received an extension of time to file and submits to Franchisor, by April 30, a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, then within fifteen days after the final due date for such return, but in no event later than October 30 of each year;
- (d) Submit to Franchisor, within ten days after request, such other forms, reports, bank statements, customer files, records, information, and data as Franchisor may reasonably request;
- (e) Use only the chart of bookkeeping accounts prescribed by Franchisor in the Manual or otherwise communicated to Franchisee;
- (f) Purchase and install such equipment as Franchisor may require to automate the reporting of financial information and the payment of recurring fees by Franchisee pursuant to

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

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

7.9 Indemnity and Insurance.

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

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

- (i) All-Risk Insurance covering Franchisee's business fixtures, furnishings and equipment for their full replacement cost against such hazards as are typically covered by a standard fire and extended coverage policy.
- (ii) Commercial General Liability Insurance on an occurrence basis covering claims for bodily and personal injury, death, and property damage with a minimum per occurrence limit of \$500,000 and a minimum general aggregate limit of \$500,000 per policy year.
- (iii) Automobile Liability Insurance covering owned, hired, and non-owned vehicles with a minimum combined single limit for each accident of \$500,000.
- (iv) Worker's Compensation Insurance that complies with the statutory requirements of the state in which the franchised business is located and Employers' Liability Insurance with a minimum limit of \$100,000 or, if greater, the statutory minimum

limit if required by state law, as well as such other insurance as may be required by statute or rule of the state or locality in which the franchised business is located and operated.

- (v) Employment Practices Liability Insurance with a \$500,000 minimum limit covering defense costs and damages (whether paid pursuant to judgment or settlement) for claims of sexual harassment, discrimination and wrongful termination, with a third-party endorsement to respond to client allegations of similar wrongful acts.
- (vi) A first-party and third-party Fidelity Bond (or Employee Dishonesty Insurance) with a minimum limit of \$25,000 per incident. The policy must NOT contain a Conviction Clause.
- (vii) An Umbrella Policy with a \$1,000,000 minimum limit.

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

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

7.10 Non-Individual Franchisee. If Franchisee is an individual(s), he, she or they shall, within ninety (90) days after signing this Agreement, form a business entity for the purpose of operating the franchised business. Such business entity shall comply with the requirements of subparagraphs (a) through (k) below. If Franchisee is other than an individual, Franchisee shall comply with the requirements of subparagraphs (a) through (k) below before its execution of this agreement.

(a) Franchisee must be newly organized and its charter, articles of organization, bylaws, or operating agreement must provide that its activities are confined exclusively to operating the franchised business.

(b) Franchisee shall provide Franchisor with written information about each shareholder, member, or partner of Franchisee (“Principal”), and the ownership interest of each, on Exhibit A to this agreement, shall promptly notify Franchisor of any changes in any of the information during the term of this agreement, and shall prescribe a maximum of ten Principals.

(c) Each Principal of Franchisee shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of Franchisee’s obligations to Franchisor.

(d) Each ownership certificate of Franchisee must have conspicuously endorsed upon its face the following legend:

“The transfer, sale or pledge of these shares is subject to the terms and conditions of a Franchise Agreement entered into with F.C. Franchising Systems, Inc.”

If Franchisee is a partnership or limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms of this agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this agreement.

(e) Franchisee shall furnish copies of its articles of incorporation or organization, by-laws, partnership agreement, operating agreement, and other governing documents, including the resolutions of its Principals or governing board authorizing the execution of this agreement, to Franchisor for approval.

(f) Franchisee’s name may not consist of or contain the words FRESH COAT, any colorable variation thereof, or any other word in which Franchisor has or claims a proprietary interest.

(g) Franchisee shall not operate any other business or engage in any other business activities except the operation of one or more Fresh Coat franchises.

(h) Franchisee shall not cause or permit any provision of its organizational and governing documents to be modified or restated without Franchisor’s prior written approval.

(i) Within ten days after Franchisor’s request or after any change in the Principals of Franchisee, Franchisee shall provide Franchisor with an updated list of Principals.

(j) Upon request Franchisee shall provide Franchisor with copies, certified by a Principal, of Franchisee’s organizational and governing documents.

(k) Each new Principal must execute an agreement, in a form prescribed by Franchisor, to be jointly and severally bound by all the provisions of this Agreement, including the post-termination Provisions.

7.11 Compliance with Law. Franchisee shall comply with all laws, regulations and requirements of federal, state, municipal, and other governmental entities and agencies (including, without limitation, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, state or local fictitious or assumed name registration requirements, and any federal, state or local employment laws), and shall obtain and maintain all licenses and permits required or necessary to conduct the franchised business in any jurisdiction in which it operates. Franchisee shall submit documented proof of its compliance with any local, state or federal law or licensing

regulation within five (5) days of Franchisor's request, unless Franchisor authorizes in writing a longer period of time for Franchisee's compliance. Franchisee is solely responsible for compliance with the obligations of this paragraph, and Franchisor has no obligation with respect thereto.

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

7.13 Background Review of Employees. Franchisee acknowledges and understands that Franchisee's employees will be entering customers' residences for the purpose of selling and providing Permitted Products and Services. Accordingly, in order to ensure the safety of Franchisee's customers, prior to hiring any prospective employee, Franchisee shall conduct a background review of each prospective employee's criminal and motor vehicle histories and any other histories (such as medical and/or credit histories) that may be required by the System Standards, as updated from time to time, and update each employee's background review at least every TWO YEARS. Franchisee shall not hire any prospective employee for any position involving entrance to a customer's residence if such prospective employee's background review indicates, in Franchisee's reasonable discretion, a propensity for violence, dishonesty, negligent, reckless or careless behavior, or a conviction for any crime within the past seven years. Franchisor shall not be liable to Franchisee, any employee or prospective employee of Franchisee, or any third party for any act or omission of Franchisee or any employee or agent of Franchisee, and Franchisee shall indemnify, hold harmless and defend Franchisor against and from any and all claims, demands or actions arising from any act or omission of Franchisee or any employee or agent of Franchisee (including, without limitation, refusal to hire or discrimination claims or claims asserted by third parties for intentional torts allegedly committed by any employee or agent of Franchisee).

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

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

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

(b) Franchisee shall lease and/or purchase its Communication and Information System only from such vendor or vendors or supplier that Franchisor has approved in writing pursuant to the provisions of section 7.5 above. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the Communication and Information System.

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

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

(e) Franchisee shall have the sole and complete responsibility for the manner in which Franchisee's Communication and Information System interfaces with other systems, including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's Communication and Information System is not properly operated, maintained, and upgraded.

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

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

(h) Franchisee shall maintain at least one dedicated telephone line for use exclusively by the franchised business, which must be answered by an employee of Franchisee or by an

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

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

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

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

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

7.16 Compliance with USA Patriot Act. Franchisee certifies that neither Franchisee nor any of its affiliates, principals, or employees is listed in the Annex to Executive Order 13224 ("the Annex," a copy of which may be available on-line at <http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>.) Franchisee shall not hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if

generally known, would result in Franchisee or any of its affiliates, principals, or employees being listed in the Annex. Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the anti-terrorism laws. In connection with such compliance, Franchisee certifies, represents, and warrants that none of its property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its affiliates and principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities include Franchisee's obligations under this paragraph. Any misrepresentation by Franchisee under this paragraph or any violation of the Anti-Terrorism Laws by Franchisee, its affiliates, principals, or employees, will constitute grounds for immediate termination of this agreement.

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

7.18 Disclosure of Franchisee Information. Franchisee acknowledges that Franchisor may from time-to-time be required or find it necessary to disclose to third parties certain information about Franchisee and Franchisee's Principals, including contact information such as names, addresses and telephone numbers, and other information collected by Franchisor under this agreement. Franchisee hereby consents to Franchisor's collection, use, and disclosure of any information pertaining to the Franchised Business (including contact information of Franchisee and Franchisee's Principals) for Franchisor's reasonable business purposes and for any purpose described in Franchisor's privacy policy (as may be amended from time-to-time), subject to the limitations of this paragraph. Without limiting the generality of the foregoing sentence, Franchisee hereby consents to (i) the collection, use and disclosure of any information about Franchisee and Franchisee's Principals (including contact information) to develop, modify and enhance the System, to conduct credit checks or other personal history investigations, to develop general franchisee profiles, to comply with applicable Franchise Laws, and to otherwise comply with any applicable law; (ii) the transfer of any information (including contact information) to any third party in order for Franchisor to fulfill its obligations under this agreement or attempt to obtain any benefit for Franchisor, Franchisee or the System as a whole; and (iii) the release to Franchisee's landlord, lenders or prospective landlords or lenders, of any financial or operational information relating to Franchisee and/or the Franchised Business (without obligating Franchisor to do so). Franchisor shall protect confidential data and contact information of Franchisee's employees and clients. If Franchisor discloses financial information of Franchisee in a franchise disclosure document, Franchisor shall not identify Franchisee or disclose any contact information of Franchisee in connection with the financial information without Franchisee's prior consent. "Contact Information" is any information about a person that can be used to uniquely identify, contact, or locate the person.

7.19 Operational Inspections by Franchisor. To provide assistance and guidance with respect to the operation and management of the Franchised Business, ensure quality standards and consistency within the System, and ensure that Franchisee is complying with this agreement and the System Standards, Franchisor or Franchisor's agents have the right, but not the obligation, at any time during business hours and without prior notice to Franchisee, to conduct field visits to: (1) inspect the Franchise Premises, equipment, furniture, fixtures, displays, signs, operating materials, inventory, and supplies; (2) observe the operations of the Franchised Business at the Premises and on-site with clients, for such consecutive or intermittent periods as Franchisor deems necessary; (3) photograph or video record the Premises and Franchisee's clients and personnel; (4) interview

Franchisee's personnel; (5) interview Franchisee's clients; (6) conduct written or telephonic surveys of Franchisee's clients or referral sources; (7) conduct an inspection described in section 7.8(g); and (8) inspect and copy any books, records and documents relating to the operation of the Franchised Business, including employment contracts, nondisclosure and noncompetition agreements, leases, and material and information generated by or contained in the Communication and Information System. Franchisee consents to the recording by Franchisor of any telephone conversations between Franchisor and Franchisee or its representatives. Franchisee shall cooperate fully with Franchisor in connection with each field visit and any inspection, observation, survey and interview in connection therewith. Franchisee shall present its clients with any evaluation forms Franchisor may periodically prescribe and ask them to participate in any surveys conducted by Franchisor on Franchisee's behalf. If Franchisee for any reason cancels a visit that was scheduled by agreement with Franchisee, then Franchisee shall reimburse Franchisor for all costs and expenses incurred by Franchisor in connection with the field visit or its cancellation.

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

- (a) requiring that all Confidential Information (as defined in section 10.1) that may be acquired by or imparted to the person in connection with their association with Franchisee (including the Manual, any proprietary software provided by Franchisor, and all information contained therein) be held in strict confidence and used solely for the benefit of Franchisee or Franchisor during their association with Franchisee and at all times thereafter;
- (b) prohibiting the person, during their association with Franchisee, from diverting or attempting to divert any business or customer of the Franchised Business or of any other Fresh Coat franchisee to any competitor of the franchised business, by direct or indirect inducement or otherwise;
- (c) prohibiting the person, during their association with Franchisee, from doing or performing, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks and the System;
- (d) prohibiting the person, during their association with Franchisee, from employing or seeking to employ any person who is at that time employed by Franchisor, Franchisee, or any other Fresh Coat Franchisee, or otherwise directly or indirectly inducing or attempting to induce such person to leave his or her employment; and
- (e) prohibiting the person, during their association with Franchisee and for a continuous period of one year (or the maximum period permitted or enforced by the laws of the state in which the Franchised Business is located, if such period is less than one year, but in no event less than six months) after the termination of their association with Franchisee, from operating, owning, maintaining, promoting, engaging in, or performing services for (as an employee or otherwise) any competitor of the franchised business.

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

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

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

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

ARTICLE 8

PROPRIETARY MARKS

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

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

8.3 Infringement by Franchisee. Franchisee acknowledges that the use of the Marks outside of the scope of this agreement or after the expiration or termination (regardless of the reason therefor) of this agreement without Franchisor's prior written consent is an infringement of Franchisor's rights,

title and interest in and to the Marks. Franchisee expressly covenants that during the term of this agreement and after the expiration or termination hereof, Franchisee shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof.

8.4 Infringement by Others. Franchisee shall promptly notify Franchisor of any use of the Marks, any other trademark, logo, or trade name in which Franchisor has or claims a proprietary interest, or any variation thereof, by any party other than Franchisor or any of its representatives, agents, or other franchisees. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any party against Franchisor or Franchisee involving the Marks. In the event Franchisor, in its sole discretion, undertakes the defense, prosecution, or settlement of any litigation relating to the Marks, Franchisee agrees to execute any and all documents, and to render such assistance as may, in the opinion of Franchisor, be reasonably necessary to carry out such defense, prosecution or settlement. Franchisee acknowledges that the nature of trademark law makes it impossible for Franchisor to guarantee or warrant the exclusivity of Franchisor's right to use any of the Marks, and that nothing in this agreement or in any other document or promotional material provided by Franchisor to Franchisee or to any other party shall be construed to guarantee, warrant, or imply that Franchisor's right to use any of the Marks is exclusive or superior to the rights of any other party. In the event that any party demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Marks, Franchisee shall, upon demand by Franchisor, discontinue its use of such Mark(s) and adopt, at Franchisee's sole cost and expense, any Mark(s), if any, selected by Franchisor to replace such discontinued Mark(s), and Franchisor shall have no liability therefor to Franchisee.

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

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

- (a) to grant other licenses for the use of the Marks, in addition to those already granted to existing franchisees and to Franchisee;
- (b) to develop and establish other systems and programs utilizing the same or similar Marks, or any other proprietary marks, and to grant franchises therein without granting Franchisee any rights therein; and
- (c) To identify clients or potential clients as National Accounts, to service National Accounts, and to award the right to service Special Accounts to any franchisee of the System, in Franchisor's sole and absolute discretion.

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

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

8.8 Improvements Developed by Franchisee. If Franchisee or any of its Principals, affiliates, directors, officers, or employees conceives, develops, or acquires any improvements or additions to the System or the services or products offered by or the method of operation of a Fresh Coat Franchise, or any advertising or promotion ideas related to a Fresh Coat Franchise or the franchised business (collectively, "Improvements"), Franchisee shall, in each instance, promptly and fully disclose the Improvement to Franchisor without disclosure of the Improvement to others, and obtain Franchisor's written approval before using the Improvement. Any Improvement may be used by Franchisor and Fresh Coat franchisees without any obligation to Franchisee or its Principals, affiliates, directors, officers, or employees for royalties, licensing fees, or other compensation. Franchisee shall assign to Franchisor or Franchisor's designee(s), without charge, all rights, including the right to grant sublicenses, to all Improvements. If for any reason Franchisee and not Franchisor is deemed to own any right to an Improvement, then this agreement will operate as an agreement to irrevocably transfer and assign all rights in and to the Improvement. Franchisee shall take no steps to appropriate any Improvement for itself. Franchisee shall, at Franchisor's request, execute all assignments, certificates or other instruments (and, if necessary, require its Principals, affiliates, directors, officers, employees and independent contractors to execute such documents as well) as Franchisor may from time-to-time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend Franchisor's rights, title or interest in or to any Improvement or to otherwise carry out the provisions of this paragraph. In return, Franchisor shall authorize Franchisee to use any Improvement developed by Franchisor or another Fresh Coat franchisee that Franchisor makes part of the System. As used in this paragraph, the term "Improvements" includes intellectual property and all advertising, marketing, promotional, public relations or sales concepts, plans, programs, techniques, activities, materials, or Web sites proposed or developed by Franchisee for the franchised business, whether or not they bear the Marks.

ARTICLE 9

CONFIDENTIAL MANUAL

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

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

9.3 Modification. Franchisor shall have the right to add to or otherwise modify the Manual from time to time to reflect changes in any of the System Standards, provided that no such addition or

modification shall alter the Franchisee's fundamental status and rights under this agreement. Without limiting the generality of the foregoing, Franchisor may, during the term of this agreement, require Franchisee to modify, upgrade, update, enhance and/or replace all or any part of the Communication and Information System at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this agreement), within 30 days after receipt of written notice from Franchisor, the modified, upgraded, updated, enhanced or replacement component or version of the Communication and Information System specified by Franchisor. Franchisee further agrees to take all other actions as may be necessary to enable the modified, upgraded, updated, enhanced or replacement component or version of the Communication and Information System to operate as specified by Franchisor. Any such modifications, upgrades, updates, enhancements and replacements may require Franchisee to incur costs to purchase, lease, and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance, upgrades, updates, enhancements, modifications, and replacements to the Communication and Information System, or other items, and that such maintenance, enhancements, modifications, and replacements required by Franchisor may involve additional investment by Franchisee during the term of this agreement. Franchisee shall at all times insure that its copy of the Manual is kept secure, current, and up to date, and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office shall be controlling. Upon Franchisor's request, Franchisee will cooperate in the efficient return of all Manuals that have been identified by the Franchisor as obsolete.

ARTICLE 10

CONFIDENTIAL INFORMATION

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

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

10.3 Preservation of Confidentiality. Franchisee shall require Franchisee's Principals, directors, officers, and management employees, at the time of the commencement of their association with Franchisee, to execute confidentiality agreements, in a form approved by Franchisor, requiring that all information being proprietary or confidential hereunder that may be acquired by or imparted to such persons in connection with their association with Franchisee be held in strict confidence and used solely for the benefit of Franchisee and Franchisor, at all times during their association with Franchisee and thereafter. Franchisee shall require each prospective purchaser of the franchised business, the license granted under this agreement, or any interest in Franchisee, prior to disclosing

any confidential information to such person, to execute a confidentiality agreement, in a form approved by Franchisor, requiring that all proprietary or confidential information that may be disclosed to such person in connection with his or her investigation of Franchisee or the franchised business, will be held in strict confidence and used solely to evaluate the contemplated transaction. All confidentiality agreements described in this paragraph must include a specific identification of Franchisor as a third-party beneficiary with the independent right to enforce the agreement.

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

10.5 Client List. Upon written request from Franchisor, Franchisee shall prepare a Client List containing all information that Franchisor may specify so that ownership of the Client List and the information in it belongs to Franchisor. Franchisee will acquire no proprietary or ownership rights to its Client List or to service any of its clients other than the rights specifically granted under this agreement. Franchisee is permitted to use the Client List for the purposes of this agreement but for no other purpose. Without limiting the generality of the preceding sentence, Franchisee shall not disclose or transfer its Client List to any person except to Franchisor or as part of a Transfer that complies with Article 12. The Client List is considered Confidential Information and Franchisee shall treat it as such at all times. Franchisee shall provide Franchisor, not more frequently than monthly, with a current Client List in the format and by the means specified by Franchisor from time-to-time. Upon the expiration or termination of this agreement for any reason, Franchisor may notify Franchisee’s clients thereof and, without compensation to Franchisee, authorize one or more other Fresh Coat franchisees or any other person to provide Permitted Products and Services to Franchisee’s former clients.

ARTICLE 11

ADVERTISING

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

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

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

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

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

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

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

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

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

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

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

11.6 Delegation of Franchisor’s Duties. Franchisor shall have the right to delegate and redelegate its responsibilities and duties under this Article 11 to any designee(s) of its choosing; provided,

however, that the right of final approval of all advertising programs shall be retained at all times by Franchisor.

11.7 Approval of Advertising. All advertising by Franchisee in any medium shall be conducted in a dignified manner, shall be completely accurate and truthful, shall conform to such standards and requirements as Franchisor may specify from time to time in writing and to all applicable laws and regulations relating to consumer advertising, and shall give notice that the franchised business is independently owned and operated. Franchisee shall submit to Franchisor (by certified mail, return receipt requested), for Franchisor's prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials, including signs, and all other materials displaying the Marks that Franchisee desires to use and that have not been prepared or previously approved by Franchisor. Unless Franchisee receives a written objection thereto within thirty days after Franchisor's receipt thereof, Franchisor shall be deemed to have given the required approval. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the franchised business. Franchisee specifically acknowledges and agrees that the word "advertising" as used in this agreement includes, but is not limited to, signs (including signs on motor vehicles), URLs, e-mail addresses, Internet listings, banners, advertisements, or other services or links on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, and similar services. Franchisor reserves the exclusive right to control Internet promotion and online marketing of all Permitted Products and Services.

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

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

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

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

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

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

- (i) Franchisor is to own all rights to all domain names containing any of the Marks or relating to the franchised business, any Permitted Products and Services, or any business that offers or sells products or services that compete with any products or services offered by Fresh Coat franchises. Franchisee shall not register in its own name any domain name containing any of the Marks or relating to the franchised business, any Permitted Products and Services, or any business that offers or sells products or services that compete with any products or services offered by Fresh Coat franchises.
- (ii) In order to maintain the common identity of the System and the high quality standards associated with the System, Franchisee shall obtain Franchisor's prior written approval for any domain name and for the form and content of any Fresh Coat Web site before Franchisee uses it on the Internet. Unless Franchisor's prior written approval has been obtained, no element of the Marks or similar words may be used as part of the domain name or URL.
- (iii) Any Fresh Coat Web site established or maintained by Franchisee must contain a hyperlink to Franchisor's Web site and all other hyperlinks to third-party Web sites must be previously approved in writing by Franchisor.
- (iv) Any modifications to a Fresh Coat Web site established or maintained by Franchisee must first be approved in writing by Franchisor.
- (v) Before establishing a Fresh Coat Web site, Franchisee shall obtain appropriate legal advice regarding the content and to ensure that the Web site complies with all relevant legislation and regulations.
- (vi) Franchisee shall fully indemnify Franchisor against all and any claims arising out of any Web site established or maintained by Franchisee.
- (vii) Franchisee shall comply fully with its terms and conditions of business over the Internet and shall ensure that such terms and conditions of business receive Franchisor's prior written approval.

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

(g) Franchisee shall not open an account or profile on a social media site relating to the franchised business or using any of the Marks without Franchisor's prior written consent, which may be given subject to conditions, which may include the grant to Franchisor of

administrator rights, and subject to Franchisee's compliance with the provisions of the Manuals relating to social media sites.

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

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

11.9 Copyright to Advertising. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials bearing the Marks that are developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee, agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the franchised business or the System and approved by Franchisor may be used by Franchisor and other franchisees of Franchisor without any compensation to Franchisee.

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

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

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

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

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

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

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

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

ARTICLE 12

TRANSFERABILITY OF INTEREST

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

12.2 Transfer by Franchisee.

(a) Franchisee understands and acknowledges that the rights and duties set forth in this agreement are personal to Franchisee, and that Franchisor has entered into this agreement in reliance upon Franchisee's business skills and financial capacity. Accordingly, neither Franchisee, nor any Principal of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the franchise granted hereunder, shall sell, assign, transfer, convey, or give away any interest in this agreement, in the franchise granted hereunder, or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Article 13 herein. Franchisee may transfer only that Territory delineated by Postal ZIP Codes and described in Exhibit B to this Agreement. No purported or attempted assignment or transfer of Franchisee's right to operate the franchised business or use the System or the Marks in less than the entire Territory will be valid.

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

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

(including, without limitation, obligations under any promissory note in favor of Franchisor or its affiliates) have been satisfied.

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

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

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

(5) The transferee franchisee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the franchised business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to operate the business.

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

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

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

(9) Either Franchisee or the transferee franchisee shall pay to Franchisor a transfer fee of the greater of \$10,000.00 or three percent (3%) of all consideration of any kind payable to Franchisee in connection with the transfer, plus Franchisor's actual expenses, to cover Franchisor's administrative, legal, and other expenses in connection with the transfer. No transfer fee will be required in the case of a transfer (i) of any interest in the franchised business to Franchisee's spouse or direct lineal descendant of Franchisee or one of its Principals; (ii) of less than 50% of the ownership interest of a non-individual Franchisee; or (iii) of the entire franchised business to an entity formed solely for the convenience of ownership, as described in section 12.3 below, if, immediately after the transfer, Franchisee will beneficially own a controlling interest in the entity. For purposes of this subparagraph, all transfers of an ownership interest in a non-individual

Franchisee occurring since the date the entity first became a franchisee shall be aggregated to determine the ownership percentage being transferred.

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

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

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

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

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

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

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

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

12.3 Transfer to a Controlled Entity. Franchisee may transfer all of its interest in the franchised business to an entity formed solely for the convenience of ownership, without Franchisor's consent, upon Franchisee's prior written notice to Franchisor and compliance with the following requirements:

- (a) The transferee entity shall be newly organized and its articles of incorporation or organization, by-laws, operating agreement, or partnership agreement shall provide that its activities are confined exclusively to operating the franchised business.
- (b) Franchisee shall beneficially own a controlling interest in the transferee entity, shall not diminish his/her ownership interest therein, except as may be required by law, and shall act as its principal executive and operating officer or Principal.
- (c) Franchisee shall provide Franchisor, on a form satisfactory to Franchisor, with written information about each Principal of the transferee entity and the ownership interest thereof, and shall agree to promptly notify Franchisor of any changes in any such information during the term of this agreement.
- (d) The transferee entity shall designate a Designated Individual in compliance with section 7.14 above.
- (e) All Principals of the transferee entity shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor.
- (f) Each ownership certificate of the transferee entity shall have conspicuously endorsed upon its face the following legend:

"The transfer, sale or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with F.C. Franchising Systems, Inc."

If Franchisee is a partnership or limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms of this agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this agreement.

(g) Copies of the transferee entity's articles of incorporation or organization, by-laws, partnership or operating agreement, and other governing documents, including the resolutions of its governing board authorizing the execution of this agreement, shall be furnished to Franchisor for its approval prior to the transfer.

(h) The name of the transferee entity shall not consist of or contain the words FRESH COAT, any colorable variation thereof, or any other mark in which Franchisor has or claims a proprietary interest.

(i) Franchisee shall reimburse Franchisor for actual legal costs incurred by Franchisor in approving and effecting the transfer.

12.4 Franchisor's Right of First Refusal. If Franchisee or its owners shall at any time decide to sell, transfer or assign any right or interest under this agreement and/or the franchise granted pursuant hereto, Franchisee or its owners shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of thirty days after the date of delivery of such offer to Franchisor, Franchisor shall have the

right, exercisable by written notice to Franchisee or any of its owners, to purchase such rights or interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by Franchisor must be completed within sixty days after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale of such interest to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided in section 12.2 above; provided, however, that if the sale to such purchaser is not completed within one hundred twenty days after the delivery of the offer to Franchisor, Franchisor shall again have the right of first refusal herein provided.

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

ARTICLE 13

TERMINATION

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

- (a) Franchisee fails to pay when due any sum required to be paid by Franchisee under this agreement, the Installment Note described in article 4, or any other agreement or instrument to which Franchisor and Franchisee are parties;
- (b) Franchisee fails to furnish when due any report required by this agreement;
- (c) Franchisee understates its Gross Revenues in any report submitted to Franchisor;
- (d) Franchisee fails to operate the franchised business in compliance with the terms of this agreement, the Manual or the System Standards;
- (e) Franchisee sells, promotes, or provides for compensation any Permitted Products and Services in a franchise territory licensed to another Fresh Coat franchisee (except as may be

expressly permitted by this agreement or the Manual), or otherwise infringes upon rights granted under franchise agreements with other Fresh Coat franchisees;

(f) Franchisee fails to perform or breaches any provision of this agreement not otherwise enumerated in this section 13.1, or fails to perform or breaches any provision of any other agreement or instrument to which Franchisor and Franchisee are parties;

(g) Franchisee fails, for a period of ten days after receipt of notification of noncompliance (regardless of the source of the notice), to comply with any federal, state or local law or regulation applicable to the operation of the franchised business;

(h) Franchisee is declared bankrupt or insolvent or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code (this provision may not be enforceable under federal bankruptcy law);

(i) A receiver is appointed for Franchisee or for any part of its property, or Franchisee makes an assignment for the benefit of its creditors, if not dismissed within fifteen days;

(j) Franchisee fails to open the franchised business within ninety (90) days after Franchisee or Franchisee's designee completes the initial training program described in Section 7.1, or, after opening, fails to maintain the franchised business in continuous operation, fails to devote his/her/its full time, energy, and best efforts to the management and operation of the franchised business, or abandons the franchised business;

(k) Any attempted transfer or assignment that fails to comply with the provisions of article 12 of this agreement;

(l) The franchised business or Premises are seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, if a final judgment against Franchisee remains unsatisfied for thirty days (unless a supersedeas or other appeal bond has been filed); or a levy of execution is made upon the license granted by this agreement or upon any property used in the franchised business, which is not discharged within five days;

(m) Any conduct or activity by Franchisee, or any Principal, director, or officer of Franchisee, that Franchisor believes may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the franchised business, Franchisor, the System, the Marks, or the goodwill associated with any of the foregoing, including, without limitation, any criminal misconduct of which Franchisee, or any Principal, director, or officer of Franchisee, is convicted;

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

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

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

(q) Franchisee knowingly sells, promotes, or provides for compensation any Permitted Products and Services in a franchise territory licensed to another Fresh Coat franchisee (except as may be expressly permitted by this agreement or the Manual), or otherwise

knowingly infringes upon rights granted under franchise agreements with other Fresh Coat franchisees;

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

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

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

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

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

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

13.2 Notice; Termination.

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

(b) In addition to and without limiting any other remedies provided in this Agreement, if Franchisor at any time has the right to terminate this Agreement, then Franchisor, in its sole and unfettered discretion, also has the right to suspend Franchisee's non-exclusive license to use the Marks and the System granted by Section 1.1 until any and all breaches of this Agreement have been cured or this Agreement has been terminated.

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

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

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

ARTICLE 14

OBLIGATIONS UPON TERMINATION

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

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

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

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

(d) Make such modifications or alterations to the Premises (including, without limitation, the changing of all telephone numbers), including the improvements thereon, as may be necessary or requested by Franchisor to prevent the operation of any business on the Premises that might be deemed substantially similar to that of Franchisor or any other franchisee of Franchisor. If Franchisee fails or refuses to comply with the requirements of this section, Franchisor shall have the right to enter the Premises, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required at the expense of Franchisee.

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

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

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

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

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

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

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

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

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

ARTICLE 15

COVENANTS

15.1 Management of Franchised Business. At all times during the term of this agreement, Franchisee, or a person designated by Franchisee who has successfully completed the initial training program required by section 7.1 of this agreement and all other training programs designated by

Franchisor as mandatory, shall devote his/her full time, energy, and best efforts to the management and operation of the franchised business.

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

(a) divert or attempt to divert any business or customer of the franchised business or of any other franchisee of Franchisor to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(b) aid, assist, or provide goods or services to, any competitor of the franchised business, Franchisor, or any other franchisee in the System;

(c) employ or seek to employ any person who is at that time employed by Franchisor or any franchisee of Franchisor, or otherwise directly or indirectly induce, or attempt to induce, such person to leave his or her employment;

(d) own, maintain, engage in, consult with, advise, or have any interest in any business offering painting products or services, or any other products or services that are offered in the franchised business;

(e) promote, sell, or provide for compensation any Permitted Products and Services, or otherwise operate the franchised business, within a franchise territory licensed to another franchisee of Franchisor (except as may be expressly permitted by this agreement or the Manual), or otherwise infringe upon rights granted under franchise agreements with other franchisees of Franchisor;

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

15.3 Covenants After Termination of Franchise Agreement.

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

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

(2) promote, sell, procure, provide or solicit referrals for, or offer to sell, procure, provide or solicit referrals for, commercial or residential painting services, any Permitted Products and Services, or any other services that are offered in the franchised business, from any Shared Referral Sources (as defined in Section 8.7

above) or in or within 15 miles of the geographical boundaries of Franchisee's Territory or in or within 15 miles of any other Fresh Coat franchisee's Territory.

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

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

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

Franchisee shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this agreement (regardless of the cause for termination) and continuing for two years thereafter, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, own, maintain, operate, engage in, consult with, advise, or have any interest in any business offering painting products or services, or any other products or services that had been offered by the franchised business, anywhere in or within 15 miles of the geographical boundaries of Franchisee's Territory or in or within 15 miles of the geographical boundaries of any other Fresh Coat franchisee's Territory. The time period referred to in this section 15.3 will be stayed during any violation or breach of the terms of this section, and the provisions of this section 15.3 will survive the expiration, termination or cancellation of this agreement. The covenants contained in this paragraph are severable and contain different but overlapping restrictions that shall be enforced simultaneously whenever permitted by applicable law. If any provision of any covenant shall be held to be invalid or unenforceable in any respect, Franchisor and Franchisee agree that such provision shall be modified to the extent necessary to permit its enforcement, and the remaining provisions shall be unaffected thereby. Franchisee specifically acknowledges and agrees that the geographic and temporal restrictions on Franchisee's ability to compete with Franchisor and Franchisor's franchisees are reasonable and necessary to protect Franchisor's business interests in the relevant markets.

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

15.5 Independent Covenants; Severability. Each of the foregoing covenants is to be construed as independent of any other covenant or provision of this agreement. If all or any portion of a covenant in this Article 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Article 15.

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

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

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

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

ARTICLE 16

ENFORCEMENT

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

- (a) Franchisee's use of the Marks;
- (b) Franchisee's obligations upon the termination or expiration of this agreement;
- (c) Franchisee's obligations under section 15.2 or 15.3 of this agreement;

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

16.2 Arbitration.

(a) Except as otherwise provided in this Article 16, any and all disputes between the parties, whether or not arising out of or related to this agreement, shall be submitted to a panel of three arbitrators as provided in this paragraph. Each claim or controversy shall be arbitrated on an individual basis and shall not be consolidated in any arbitration action with the claim of any other franchisee. The arbitration proceeding shall be administered by the American Arbitration Association (AAA) in accordance with the Federal Arbitration Act and the then prevailing Commercial Arbitration Rules of the AAA. The award shall be in writing and shall be accompanied by a reasoned opinion. Within thirty days after receipt of the award (which shall not be binding if either party requests a new hearing as provided herein), either party, by notifying the AAA and the other party, may appeal the decision of the initial arbitration panel by requesting a hearing de novo before a second panel of three arbitrators, constituted in accordance with the Commercial Arbitration Rules of the AAA. None of the arbitrators who served on the original panel shall serve on the second tribunal. The second tribunal shall conduct a hearing de novo and may adopt the initial award as its own, modify the initial award, or substitute its own award for the initial award. The award of the second tribunal shall be binding upon both Franchisor and Franchisee upon the confirmation of the award by a court of competent jurisdiction. Each party shall bear its own costs and expenses in connection with the arbitration, including travel expenses, out-of-pocket expenses such as copying and telephone charges, court costs, witness fees, and attorney and accounting fees. The administrative fees and arbitrators' fees shall be allocated equally between the parties. The arbitration proceedings shall take place in Hamilton County, Ohio.

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

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

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

16.5 Punitive Damages. The parties agree to waive, to the fullest extent permitted by law, the right to or claim of any multiple, punitive, or exemplary damages against the other and agree that, in the

event of a dispute between them, each will be limited to the recovery of actual damages sustained by it.

16.6 Limitation of Claims. Except for:

- (i) claims against Franchisee concerning the underreporting of Gross Revenues and corresponding underpayment of Royalties or National Branding Fees,
- (ii) claims against Franchisee by Franchisor relating to third party claims or suits brought against Franchisor as a result Franchisee's operation of the franchised business, and
- (iii) claims for injunctive relief to enforce the provisions of this agreement relating to Franchisee's use of the Marks, Franchisee's obligations upon the termination or expiration of this agreement, Franchisee's obligations under articles 9, 10 or 15 of this agreement, or an assignment of this agreement or any ownership interest therein,

any and all claims arising out of or relating to this agreement or the relationship between the parties shall be barred unless an arbitration or legal proceeding is commenced within one year from the date Franchisee or Franchisor knew or should have known of the facts giving rise to such claims.

ARTICLE 17

INDEPENDENT CONTRACTOR AND INDEMNIFICATION

It is understood and agreed that nothing in this agreement shall create a partnership, employment or agency relationship between Franchisor and Franchisee, or authorize Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor shall not be liable to any third party for any act or omission of Franchisee in any of its operations hereunder (including, without limitation, any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefor against Franchisee. Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee's operation of the franchised business, and shall pay all costs (including, without limitation, attorney and accounting fees) incurred by Franchisor in defending against and/or responding to them. FRANCHISEE SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.

ARTICLE 18

MISCELLANEOUS

18.1 Nature of Agreement. This agreement, together with its exhibits, constitutes the entire agreement between the parties with respect to the subject matter of this agreement, and any prior agreements and understandings between the parties relating to the same subject are superseded and merged into this agreement. This agreement may not be modified or amended except by a written instrument signed by each of the parties. No failure by either party to exercise, and no delay in exercising, any right, power or remedy under this agreement is a waiver thereof; nor does any single or partial exercise of any right, power or remedy under this agreement preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Nothing in this

agreement is intended to disclaim any representation in the franchise disclosure document provided to Franchisee prior to Franchisee's purchase of the Franchise.

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

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

18.4 Jurisdiction and Venue. Subject to the provisions of Section 16.2 relating to the arbitration of disputes, each party hereby irrevocably agrees that all lawsuits between the parties and/or their affiliates shall be litigated only in courts having situs in Hamilton County, Ohio. Each party agrees that the following courts have personal jurisdiction over it in all lawsuits between the parties and/or their affiliates, irrevocably submits to the jurisdiction of these courts, and irrevocably waives any defense based upon lack of personal jurisdiction in any lawsuit filed in these courts: (a) all courts included within the state court system of the State of Ohio; and (b) all courts of the United States of America sitting within the State of Ohio, including, without limitation, all United States District Courts within the State of Ohio. Each party agrees that venue shall be proper in any of the following courts in all lawsuits between the parties and/or their affiliates and irrevocably waives any right to transfer or change the venue in any lawsuit filed in these courts: (a) the state court of the county where Franchisor has its principal place of business (presently Hamilton County, Ohio); and (b) the United States District Court for the Southern District of Ohio, Western Division. If any of these courts are abolished, venue shall be proper in the state or federal court in Ohio that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not abolished. All lawsuits filed by either party or its affiliate against the other or its affiliate (whether or not in breach of the arbitration provisions of this agreement) must be filed exclusively in one of these courts, except that claims for injunctive relief may be brought where the defendant is located. These exclusive choice of jurisdiction and venue provisions shall not restrict the ability of the parties to confirm or enforce arbitration awards in any appropriate jurisdiction. In all lawsuits between the parties and/or their affiliates, Franchisee and its Principals consent to be served with process outside the State of Ohio in the same manner that service may be made within the State of Ohio by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee and its Principals hereby waive any defense they may have based upon insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits, but shall be available in addition to any other method of service allowed by law.

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

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

(a) Address of Franchisor:

F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, Ohio 45242

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

(b) Address of Franchisee:

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

18.7 Severability.

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

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

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

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

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

18.11 Acknowledgment of Franchisee.

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

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

(c) FRANCHISEE ACKNOWLEDGES THAT THERE HAVE BEEN NO REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, SALESMEN, DIRECTORS, OFFICERS, OR EMPLOYEES, OR ANY OTHER SALESMEN OR OTHER PERSON OR ENTITY REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC FRESH COAT FRANCHISE, NOR HAS FRANCHISEE RELIED UPON ANY REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, DIRECTORS, OFFICERS, EMPLOYEES OR SALESMEN OR OTHER ASSOCIATES REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC FRESH COAT FRANCHISE OR WITH RESPECT TO ANY OTHER MATERIAL FACT RELATING TO THE DEVELOPMENT OF FRANCHISOR'S FRANCHISES IN THE AREA WHEREIN THE FRANCHISEE INTENDS TO LOCATE ITS FRESH COAT FRANCHISE OR ANY OTHER MATTER PERTAINING TO FRANCHISOR.

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

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

Franchisee's obligations to Franchisor. If two or more individuals are the "Franchisee" under this Agreement, their liability to Franchisor is joint and several.

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

F.C. FRANCHISING SYSTEMS, INC., Franchisor

By: _____ Date: _____

Its: _____

INDIVIDUAL/PARTNERSHIP FRANCHISEE(S):

Signature Date: _____

Signature Date: _____

CORPORATE/LIMITED LIABILITY COMPANY FRANCHISEE:

[Name of Franchisee]

By: _____ Date: _____

Its: _____

EXECUTION BY FRANCHISEE(S) MUST BE NOTARIZED

STATE OF _____, COUNTY OF _____, Ss.

On _____, before me, the undersigned, a Notary Public in and for said County and State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged that they executed the same.

WITNESS my hand and official seal.

NOTARY PUBLIC

FRANCHISE AGREEMENT
Exhibit A

IDENTIFICATION OF FRANCHISEE(S)

INDIVIDUAL FRANCHISEE(S)

Name: _____ Date of Birth: _____

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

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

Name: _____ Date of Birth: _____

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

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

ORGANIZATION FRANCHISEE

Check One: Corporation Limited Liability Company Partnership

Name of Organization: _____

Address: _____

City: _____ State: _____ ZIP: _____

Telephone: _____ EIN: _____

Date of Organization: _____ State of Organization: _____

Statutory/Registered Agent: _____

Address of Agent: _____

City: _____ State: _____ ZIP: _____

Officers

President: _____ Vice President: _____

Treasurer: _____ Secretary: _____

Shareholders/Members/Partners

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

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

Signature

Signature

Print Name

Print Name

Date: _____

Date: _____

Signature

Signature

Print Name

Print Name

Date: _____

Date: _____

FRANCHISE AGREEMENT
Exhibit B

FRANCHISE LOCATION NO. _____

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

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

The parties are signing this Exhibit on the dates below.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Print Name

Date: _____

Signature

Print Name

Date: _____

ADDITIONAL TERRITORY RIDER
FRANCHISE LOCATION NO. _____

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

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

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

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

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

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

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

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

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

F.C. FRANCHISING SYSTEMS, INC., Franchisor

By: _____

Date: _____

Its: _____

INDIVIDUAL/PARTNERSHIP FRANCHISEE(S):

Signature

Date: _____

Signature

Date: _____

CORPORATE/LIMITED LIABILITY COMPANY FRANCHISEE:

[Name of Franchisee]

By: _____

Date: _____

Its: _____

EXECUTION BY FRANCHISEE(S) TO BE NOTARIZED

STATE OF _____, COUNTY OF _____, Ss.

On _____, before me, the undersigned, a Notary Public in and for said County and State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged that they executed the same.

WITNESS my hand and official seal.

NOTARY PUBLIC

INSTALLMENT NOTE

Principal Amount: \$ _____

Date: _____

For value received, the undersigned promises to pay to the order of F.C. FRANCHISING SYSTEMS, INC. ("Payee"), the principal amount of \$ _____, together with interest thereon from the date hereof at the rate of ten percent per annum on the unpaid principal amount until all amounts due hereunder are paid in full. This Note is payable in _____ monthly installments of \$ _____ each. The first installment shall be due on the first day of the month immediately following the first full month in which Franchisee completes the Payee's initial training program. Successive installments are due on the first day of each subsequent month thereafter, until all principal and interest have been paid in full. All payments received after the fifth day of the month will incur a late fee of \$50.00. All payments due under this Note are payable at 10700 Montgomery Road, Suite 300, Cincinnati, Ohio, 45242, or at such other place as the holder hereof may designate in writing. Each payment made under this Note will be credited first against late fees, if any, second against accrued interest, and third against unpaid principal. All payments under this Note are payable in lawful money of the United States of America.

If the undersigned is in default of any of its obligations under its Franchise Agreement with Payee, including, without limitation, its obligation to submit Weekly Sales Reports to Payee by Wednesday of each week, or if the undersigned's Fresh Coat Franchise is terminated, or if any installment due hereunder is not paid when due, the entire unpaid principal amount of this Note, together with accrued interest and late fees, if any, becomes immediately due and payable at the option and upon demand of the holder of this Note.

The undersigned shall pay all costs, including reasonable attorneys' fees, incurred by the holder to collect or otherwise enforce the terms of this Note, and hereby waives presentment for payment, demand, protest, and/or further notice of dishonor of any kind. This Note has been delivered in the State of Ohio, and Ohio law governs all aspects hereof. Jurisdiction and venue in any action to enforce this Note are proper in any state or federal court within the State of Ohio in the judicial district where the holder hereof has its principal place of business. The undersigned consents to the exercise of personal jurisdiction by any such court and waives any defense of lack of personal jurisdiction or improper venue.

FRANCHISEE

FRANCHISEE

PERSONAL GUARANTY

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

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

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

Guarantor (signature)

Guarantor (signature)

 Print Name

 Print Name

Franchisee: _____ Franchise Location No. _____

RESTRICTIVE COVENANT AGREEMENT

This agreement is between _____ (“Franchisee”), a [corporation] [partnership] [limited liability company] organized under the laws of the State of _____, and _____ (“Covenantor”), an individual resident of the State of _____.

Pursuant to a[n] [Assignment Agreement dated evenly herewith,] or [Franchise Agreement dated _____,] F.C. Franchising Systems, Inc. (“Franchisor”) licensed Franchisee to operate a painting business (the “Franchise”), using Franchisor’s unique franchise system and Franchisor’s trade name and service mark FRESH COATSM and other proprietary marks.

Covenantor is the owner of _____% of the total outstanding voting stock of Franchisee.

[or Covenantor is the _____ [President, Vice President, Treasurer, Secretary, or other officer] of Franchisee.]

[or Covenantor is the owner of a _____% general partnership interest in Franchisee.]

[or Covenantor is the owner of a _____% membership interest in Franchisee.]

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

In connection with the operation of the Franchise, Covenantor will have access to such confidential and proprietary information.

As a condition precedent to granting the Franchise to Franchisee, all shareholders, officers, partners or members of Franchisee must execute the covenants contained herein.

Covenantor hereby agrees as follows:

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

2. Proprietary Marks. Covenantor acknowledges Franchisor’s right, title, and interest in and to the service mark FRESH COATSM, Franchisor’s logo, and certain other proprietary service marks, logos, symbols, and trade names presently used by Franchisor or that Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor’s franchise system (the “Marks”). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor’s prior written consent would be an infringement of Franchisor’s rights

in the Marks. Covenantor expressly covenants that he/she shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. Non-solicitation. Covenantor covenants that he/she shall not, during the term of the Franchise Agreement, either directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation:

(a) divert or attempt to divert any business or customer of Franchisee's business or of any other franchisee of Franchisor to any competitor or to Covenantor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that may be injurious or prejudicial to the goodwill associated with the Marks and Franchisor's franchise system; or

(b) employ or seek to employ any person who is at that time employed by Franchisee, Franchisor, or any other franchisee of Franchisor, or otherwise directly or indirectly attempt to induce such person to leave his or her employment.

4. Non-competition. Covenantor covenants that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for two years thereafter, directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation, own, maintain, operate, engage in, or have any interest in, any business offering painting products or services or other products or services that had been offered by Franchisee, which is or is intended to be located in or within 15 miles of Franchisee's Territory (as defined in the Franchise Agreement). This restriction does not apply to the beneficial ownership by Covenantor of less than one percent of the outstanding equity securities of any corporation whose securities are registered under the Securities and Exchange Act of 1934.

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

6. Severability. Each of the covenants in this agreement is to be construed as independent of any other covenant or provision of this agreement. If all or any portion of a covenant contained herein is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this agreement.

7. Effect. This agreement is binding upon and inures to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

8. Construction. This agreement has been entered into in, and is governed by the laws of, the State of _____.

9. Jurisdiction. Any action based upon this agreement brought by any party against any other party may be brought within the State of Ohio in the judicial district in which Franchisor has its principal place of business, and each party hereby consents to the exercise of personal jurisdiction

by any such court and waives all objections or defenses of lack of personal jurisdiction or improper venue for the purpose of carrying out this provision.

10. Franchisor Third-Party Beneficiary. Each of the parties acknowledges and intends that the covenants in this agreement directly benefit Franchisor, and Franchisor is a third-party beneficiary of this agreement, entitled to enforce the provisions hereof in its own name without Franchisee as a party, and further entitled to all remedies provided in section 5 hereof.

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

FRANCHISEE:

Date: _____

By: _____

Title: _____

Date: _____

COVENANTOR

DURABLE IRREVOCABLE POWER OF ATTORNEY
[Individual Franchisee]

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

PREAMBLE:

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

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

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

--	--	--

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

Each Principal hereby grants Franchisor full power and authority to transfer, modify, cancel or remove any service, listing, link, registration or posting described above and to execute and deliver

on the Principal's behalf any Transfer of Service Agreement and all other transfer documentation required by any telephone service provider, Internet service provider, electronic mail service, domain registrar, online directory, communication provider, search engine, regulatory agency or other provider of services, or any other party.

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

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

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

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

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

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

PRINCIPALS

Signature

Signature

Print Name

Print Name

Date: _____

Date: _____

EXECUTION OF THIS INSTRUMENT BY EACH PRINCIPAL MUST BE NOTARIZED

STATE OF _____, COUNTY OF _____

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

NOTARY PUBLIC

STATE OF _____, COUNTY OF _____

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

NOTARY PUBLIC

F.C. FRANCHISING SYSTEMS, INC.,
Franchisor

By: _____

Title: _____

Date: _____

OPTION TO PURCHASE FRANCHISE¹

This agreement is between F.C. FRANCHISING SYSTEMS, INC. an Ohio corporation ("Franchisor"), and _____ and its individual Principal(s) _____ (collectively "Franchisee").

RECITALS:

- A. Pursuant to a FRESH COAT franchise agreement effective on or about _____ and identified as Franchise Number _____ (the "Franchise Agreement"), Franchisor licensed Franchisee to operate franchised businesses (collectively, the "Franchise") using Franchisor's trademarks and unique business format in the geographical area described in Exhibit B to the Franchise Agreement (the "Territory").
- B. Franchisee desires to sell its Franchise.
- C. Franchisor is willing to permit Franchisee to suspend the operation of the Franchise upon the terms of this agreement until the Franchise is sold to a third party or until the Franchise Agreement expires, whichever occurs first.
- D. Franchisee is willing to grant Franchisor an option to purchase Franchisee's rights under the Franchise Agreement upon the terms of this agreement.

THEREFORE the parties agree as follows:

1. Definitions. In order to make this agreement easier to read and understand, certain terms have been defined below and will be capitalized throughout this agreement. Capitalized terms not defined below are defined in the section in which they are first used.

(a) "Business Numbers" means all telephone numbers (whether landline or mobile) controlled by Franchisee and either used for incoming calls in connection with the operation of the Franchise or listed under any of the Marks in any online or printed telephone directory or promotional materials.

(b) "Business Organization" means an organization formed for a commercial purpose, and includes corporations, limited liability companies, limited liability partnerships, limited companies, partnerships of any kind, joint ventures and unincorporated associations.

(c) "Claims" means debts, claims (including tort claims), demands, damages (including actual, consequential, punitive, or exemplary), fines, losses, liabilities, rights, actions, causes of action, expenses, judgments, awards, suits, and costs reasonably incurred in the defense of any of the foregoing, including reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs and fees, other litigation expenses, and travel and living expenses related to any of the foregoing.

(d) "Competitive Business" means a business: (1) that offers or provides any painting services; (2) that offers or sells any products or services similar to those offered as part of Franchisor's franchise system; (3) in which Franchisor's confidential or proprietary information or trade secrets could be used to the disadvantage of Franchisor or its franchisees; (4) that is competitive with the goods or services offered by Franchisor or its franchisees; or (5) that franchises or licenses others to operate a business that does any of the foregoing.

¹ This Agreement is included for exemplary purposes only and may be modified at any time.

(e) “Marks” means the registered service marks FRESH COAT and all other trade names, business names, service marks, trademarks, slogans, designs, logos and commercial symbols presently used by Franchisor to identify its business, the businesses of its franchisees, or the goods or services offered by Franchisor or its franchisees.

(f) “Ownership Interest” means: (1) a share of capital stock in any corporation, a partnership interest in any partnership, or a membership interest in any limited liability company, or a right to a share of the revenues, profits, or assets of any other Business Organization (other than Franchisor’s right to receive Royalties from its franchisees under a franchise agreement); (2) direct or indirect community property rights in an asset or property; and (3) with respect to Franchisee, in addition to the foregoing, any other equitable or legal right in the revenues, profits, rights or assets of Franchisee or the Franchise (other than Franchisor’s right to receive Royalties from Franchisee under the Franchise Agreement).

(g) “Person” (whether or not capitalized) includes a corporation, limited liability company, partnership of any kind, joint venture, unincorporated association, estate, trust, charitable organization, government, governmental body and agency, commission, and any other entity and organization, as well as an individual.

(h) “Principal” means a legal or beneficial owner of an Ownership Interest in a Business Organization, and includes the partners of a partnership, the members of a limited liability company, and the shareholders of a for-profit corporation.

(i) “Released Parties” means Franchisor and its affiliates, shareholders, directors, officers, employees, agents, legal representatives, insurers, successors and assigns.

(j) “Time of Transfer” means the moment when all of Franchisee’s rights and interest under the Franchise Agreement are conveyed to Franchisor under section 2(d) or 9. The Franchise Agreement will be deemed to be terminated automatically at the Time of Transfer.

2. Irrevocable Option.

(a) Franchisee hereby grants Franchisor an option (the “Option”) to purchase all of Franchisee’s rights and interest under the Franchise Agreement. Franchisor has the right to exercise the Option at any time by notifying Franchisee in writing in accordance with section 19(e). The Option is irrevocable except as provided in sections 3 and 4.

(b) The “Option Price” equals the Franchise Fee paid by Franchisee under Article 4 of the Franchise Agreement (which the parties agree was \$23,900 (U.S.)), less the following amounts: (1) the transfer fee and other amounts payable by Franchisee upon a transfer under section 12.2 of the Franchise Agreement; (2) all outstanding Royalties and National Branding Fees owed by Franchisee under Article 5 of the Franchise Agreement; (3) the unpaid balance of the Franchise Fee payable under Article 4 of the Franchise Agreement; (4) the unpaid balance of any instrument payable by Franchisee to Franchisor; (5) any fees or other amounts owed to Franchisor by Franchisee under this agreement; (6) late charges and interest on any of the foregoing; (7) any commission paid to Franchisor’s sales personnel and marketing expenses incurred by Franchisor in connection with the sale of the Franchise to another person; and (8) any amounts owed by Franchisee to Franchisor under any other agreement or instrument.

(c) If Franchisor exercises the Option in connection with the sale by Franchisor of all or part of the Territory to a third-party purchaser (other than an affiliate of Franchisor), then Franchisor shall pay Franchisee the Option Price within thirty days after Franchisor receives the entire then-current initial franchise fee from the purchaser. If the purchaser purchases less than the entire Territory, the amount payable under this paragraph will be pro-rated based upon the ratio that the population of the portion of the Territory acquired by the purchaser bears to the population of the entire Territory. The balance of the Option Price (or, if less than the entire

remaining Territory is sold, a pro-rated portion in accordance with the preceding sentence) will be payable within thirty days after Franchisor receives the then-current initial franchise fee from third-party purchaser(s) of the remainder of the Territory. If Franchisor exercises the Option in any other case, Franchisor shall pay Franchisee the entire Option Price simultaneously with the written notice in section 2(a).

(d) If Franchisor exercises the Option, the Time of Transfer will be when Franchisee receives the notice required by section 2(a).

(e) Franchisee hereby consents to the sale by Franchisor of all or any part of the Territory directly to any person after Franchisor exercises the Option. Franchisee acknowledges that Franchisor has the right to exercise the Option at any time (even after Franchisor has procured a ready, willing and able purchaser for all or any part of the Territory) unless Franchisor's right to exercise the Option is suspended under section 3. Franchisor has no obligation to refer to Franchisee any prospective purchaser of the Franchise or any part of the Territory. Franchisee shall cooperate and assist Franchisor as necessary to complete the sale of the Territory to a third party.

3. Sale of Franchise by Franchisee. After the Effective Date, Franchisee shall make continuous good faith efforts to sell the Franchise to a third party. At a minimum, Franchisee shall advertise the Franchise for sale no less frequently than monthly and provide Franchisor with proof of the publication of each advertisement. So long as Franchisor has not exercised the Option, Franchisee has the right to offer, sell and contract to sell the Franchise. Before selling or entering into a contract to sell the Franchise, Franchisee shall provide Franchisor with written notice thereof, the name, address and telephone number of the proposed purchaser, and a complete copy of the proposed purchase contract. Upon Franchisor's receipt of the notice, Franchisor's right to exercise the Option will be suspended pending the sale of the Franchise to the proposed purchaser. If Franchisee fails to close the sale to the purchaser identified in the notice within 60 days after Franchisor received the notice (unless the failure is due to circumstances beyond the control of either Franchisee or the purchaser, in spite of their diligent, good faith efforts to close, in which case Franchisor, upon Franchisee's request, shall grant Franchisee an additional thirty days to close), or if the purchase contract is terminated or cancelled for any reason, whichever occurs first, then Franchisor's right to exercise the Option automatically will be revived and Franchisor will again have the right to exercise the Option. The Option will automatically terminate upon the closing of Franchisee's sale of the Franchise to a third party. Any sale or other transfer of the Franchise by Franchisee must comply with the provisions of Article 12 of the Franchise Agreement.

4. Term. This agreement and the Option granted in section 2 will expire simultaneously with the Franchise Agreement. The expiration of this agreement will simultaneously cancel Franchisor's obligation to pay any outstanding portion of the Option Price, except for pro-rated portions attributable to parts of the Territory already included in franchise agreements executed before the expiration of this agreement.

5. Cancellation of Franchisee's Renewal Option. The parties hereby cancel, as of the Effective Date, Franchisee's right under section 2.2 of the Franchise Agreement to renew the Franchise Agreement or the licenses granted thereunder.

6. Closure of Franchise. Franchisor hereby waives Franchisee's obligation under section 7.6 of the Franchise Agreement to maintain the Franchise in continuous operation after the Effective Date. If Franchisee closes the Franchise, then:

(a) In lieu of Franchisee's obligation to pay the Minimum Royalty under section 5.1 of the Franchise Agreement, Franchisee shall pay Franchisor \$200 on the first day of every month while this agreement is in effect.

(b) Subject to the performance of Franchisee's obligations under this agreement, Franchisor hereby waives Franchisee's obligation under section 5.2 of the Franchise Agreement to pay National Branding Fees. However, in the event of a Default by Franchisee, Franchisor's waiver under this paragraph will be revoked effective upon notice to Franchisee and all previously waived National Branding Fees will immediately become payable and due.

(c) Franchisor will have no obligation to provide Franchisee with any operational assistance, including identification on Franchisor's Website, access to Franchisor's intranet site, and access to franchisee meetings, conventions and training.

(d) Other franchisees of Franchisor will have the right to offer and sell goods and services to clients in the Territory without any payment or obligation to Franchisee.

(e) If Franchisee offers or sells any goods or services to any client or otherwise conducts business after closing the Franchise, then the provisions of sections 6(a) and 6(b) will not apply thereafter and Franchisee again shall comply with sections 5.1 and 5.2 of the Franchise Agreement.

7. Compliance with Franchise Agreement. Except as explicitly waived or suspended by section 6 or other sections of this agreement, Franchisee shall pay all Royalties required by the Franchise Agreement and comply with all of Franchisee's other obligations thereunder.

8. Default by Franchisee. Any one or more of the following events will constitute a breach of this agreement by Franchisee (a "Default"):

(a) Franchisee fails to make, within five days after the due date, any payment required under this agreement, the Franchise Agreement, or any instrument payable by Franchisee to Franchisor;

(b) Franchisee fails to comply with any of its other obligations under this agreement, and the failure is not cured within fifteen days after Franchisee receives written notice thereof;

(c) Franchisor notifies Franchisee that a representation made by Franchisee in this agreement is false or incomplete; or

(d) a default by Franchisee under the Franchise Agreement (other than a default for nonpayment as described in section 8(a)) after being given notice and an opportunity to cure if required by Article 13 thereof.

9. Conveyance of Franchise to Franchisor Upon Default. In the event of a Default, all of Franchisee's interest in the Franchise Agreement will automatically be conveyed to Franchisor. The Time of Transfer for purposes of this paragraph will be 12:01 a.m. Eastern Time on the day after Franchisee's default (or after the last day of any applicable cure period, if Franchisee fails to cure the Default). Unless applicable law requires otherwise, no further notice will be necessary to effect the conveyance, and the terms of this section are to be strictly enforced. As consideration for the conveyance, Franchisor will be deemed to have waived all claims against Franchisee for Royalties and National Branding Fees becoming due after the date of the conveyance. Franchisee will receive no other consideration for the conveyance of its interest in the Franchise Agreement to Franchisor under this paragraph. Franchisee shall remain liable for all payment obligations that accrued before the Time of Transfer. The conveyance of Franchisee's interest in the Franchise Agreement to Franchisor under this paragraph will not affect any of Franchisor's rights and remedies upon Default, including the right to collect any outstanding obligations of Franchisee.

10. Release of Claims.

(a) Franchisee, for itself and for its agents, employees, legal representatives, shareholders, members, heirs and assigns, and the successors, heirs and assigns of each of them, hereby

releases the Released Parties, individually and collectively, from and waives any and all Claims that Franchisee now has or may hereafter have against any of the Released Parties, individually or collectively, based upon, arising from, or relating to: (1) Franchisor's sale of the Franchise to Franchisee or any Principal of Franchisee; (2) Franchisor's breach or nonperformance of any provision of the Franchise Agreement; (3) any right, duty or obligation granted or imposed by the Franchise Agreement; or (4) Franchisee's sale of, opportunity to sell, or failure to sell the Franchise to a third party.

(b) The parties intend this release, as it pertains to Claims by Franchisee or to anyone claiming through or under Franchisee, to cover, encompass, relinquish, and extinguish all Claims against the Released Parties. Without limiting the generality of the preceding sentence or section 10(a), the released Claims include all Claims arising from, based upon, or derived from: (1) any action of Franchisor or its agents that causes a prospective purchaser not to purchase the Franchise or to default on any purchase of or agreement to purchase the Franchise; (2) Franchisor's refusal to approve the sale of the Franchise to any person; (3) any misrepresentation in or omission from any disclosure document received by Franchisee or any Principal of Franchisee; or (4) a violation of the Arthur Wishart Act, the Federal Trade Commission Act, the Federal Trade Commission Trade Regulation Rule entitled Disclosure Requirements and Prohibitions Concerning Franchising (16 C.F.R. 436), the Ohio Business Opportunity Plans Act, any predecessor, amendment, or successor to any of the foregoing statutes or regulations, any other statute, regulation, or rule that regulates the sale of franchises, franchise investments, or business opportunities, or any other federal or state securities, franchise, business opportunity, antitrust, consumer protection, or unfair or deceptive trade practices law or regulation.

(c) Franchisee acknowledges and agrees that the Claims it is releasing include any and all claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected, foreseen or unforeseen, accrued or contingent, intentional or unintentional, and liquidated or unliquidated. Franchisee specifically waives the protection afforded by any statute or law in any jurisdiction, the purpose, substance, or effect of which is to provide that a general release does not extend to claims, material or otherwise, which do not exist or which the person giving the release does not know or suspect to exist at the time of executing the release. Franchisee intends for this release to be as broad as is permitted by law intends and unqualifiedly general in scope and effect, and that any Claims against any of the Released Parties are hereby forever canceled and forgiven.

(d) Franchisee expressly assumes the risk: (1) of a mistake of fact, (2) of a fact of which it may be unaware, or (3) that the true facts may be other than any facts now known or believed to exist by Franchisee. It is Franchisee's intention to forever settle, adjust and compromise any and all present and future disputes with respect to all matters from the beginning of time to the effective dates of this release, finally and forever, and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by Franchisee are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action that exist, or might have existed, on the effective dates of this release. Franchisee represents and warrants that it has made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this release as Franchisee, in its independent judgment, believes necessary or appropriate. Franchisee has not relied on any statement, promise, or representation, whether of fact or law, or lack of disclosure of any fact or law, by any of the Released Parties or anyone else, not expressly set forth herein, in executing this document and the related releases.

(e) The releases granted in this section 10 will be deemed effective as of the date this agreement is signed by Franchisee and again as of either the Time of Transfer, the termination of the Option under section 3, or the expiration of the Option under section 4, whichever is

applicable. Franchisee acknowledges that the releases given by Franchisee in this section 10 are material parts of the consideration for Franchisor's obligations under this agreement.

(f) Notwithstanding anything to the contrary in this agreement, the Claims released by Franchisee in this section 10 do not include Claims based upon Franchisor's express obligations under this agreement.

(g) All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

11. Franchisee's Representations and Warranties. Franchisee represents and warrants that: (1) its interest under the Franchise Agreement is free and clear of all security interests, liens and encumbrances; (2) there are no claims, actions or other proceedings pending or threatened against Franchisee by any person relating to the Franchise or that might affect Franchisee's interest in the Franchise Agreement; (3) all information provided to Franchisor by Franchisee in or in connection with this agreement is true and correct; (4) such information does not include any information that is misleading and does not fail to disclose any information necessary to render the remaining information non-misleading; and (5) Franchisee has used its best efforts to provide true and meaningful disclosure of such information. All representations made by Franchisee in this agreement will be deemed to be repeated at the Time of Transfer with the same force and effect as if made at that time, and will be true and correct in all respects as though made at and as of the Time of Transfer.

12. Indemnification. Franchisee shall indemnify and defend Franchisor and its affiliates against, hold them harmless from, and reimburse them for, any and all Claims brought or asserted by any prospective third-party purchaser of the Franchise or in any other action in which Franchisor or any of its affiliates is named as a defendant by reason of, arising from, or in connection with the sale of the Franchise by Franchisee or any statement or representation made by Franchisee in connection therewith.

13. Covenants of Franchisee. Franchisee hereby agrees as follows:

(a) Franchisee acknowledges Franchisor's exclusive right, title, and proprietary interest in and to (1) the Marks; (2) all standards, specifications, lists, procedures, processes, methods, techniques, ideas, and concepts used or embodied in Franchisor's franchise system; (3) the initial management training program for new franchisees attended by Franchisee or by any designee of Franchisee, together with all information provided therein; and (4) all training, instruction, or operating manuals, guides and policies (collectively, the "Manuals") provided to Franchisee by Franchisor. Franchisee disclaims any right, title, or interest in, and shall not use, for his own benefit or for the benefit of others, or disclose to any other person or entity, any of the foregoing or, in the case of the Marks, any confusingly similar derivatives or variations thereof.

(b) Because of the confidential and proprietary information and unique and specialized training received by Franchisee, Franchisee shall not, for a period of two years after the Time of Transfer or the date of the consummation of the sale of the Franchise to a third party, whichever occurs first, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person (including the spouse or children of Franchisee or any Principal of Franchisee), own, maintain, operate, engage in, have any interest in, or act as a consultant to a Competitive Business that is located or operates in or within 15 miles of the Territory or the protected territory of any other franchisee of Franchisor.

(c) At the Time of Transfer, Franchisee shall comply with all of its obligations under Article 14 of the Franchise Agreement within the time periods specified therein.

(d) If Franchisee sells the Franchise to a third party, Franchisee shall, at the purchaser's option, either cancel the Business Numbers or transfer Franchisee's right to use them to the purchaser. If Franchisor acquires the Territory under section 9 or exercises the Option, Franchisee shall transfer its right use the Business Numbers to Franchisor or any person designated by Franchisor. The transfer will become effective automatically at the Time of Transfer without any further action by either party, however, Franchisee shall execute all documents and take all steps necessary to effect the transfer. Franchisee shall take all necessary steps to permanently discontinue its use of any of the Marks in all telephone directories after the Time of Transfer.

14. Disclaimer of Franchisor's Obligations. Franchisor is not an agent, broker, or representative of Franchisee in connection with this agreement or the offer or sale of the Franchise. Franchisor has no duty of disclosure or loyalty to Franchisee. Franchisor has no obligation to make any effort to sell the Franchise or to procure a prospective purchaser of the Franchise, other than responding to inquiries in its normal course of business. Franchisor does not guarantee or warrant that it will procure a prospective purchaser for the Franchise, that Franchisee will be able to sell the Franchise, or that Franchisor will exhaust its sales leads in attempting to sell the Franchise. Any prospective purchaser of the Franchise must demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards, possesses good moral character, business reputation, and credit rating, and has the aptitude, ability and adequate financial resources and capital to operate the Franchise, and the sale must otherwise comply with section 12.2 of the Franchise Agreement.

15. Non-disparagement. Neither party shall make any disparaging remarks about the other party or the other party's employees, officers, directors, agents, owners, affiliates, products or services. Each party shall use its best efforts to ensure that its representatives, agents, officers, directors, subsidiaries and employees, refrain from making negative or disparaging comments about the other party or the other party's employees, officers, directors, agents, owners, affiliates, products or services. Neither party shall provide any information or make any statement that, in the mind of a reasonable person, may be construed to be disparaging or critical of the other party or the other party's employees, officers, directors, agents, owners, affiliates, products or services.

16. Legal Representation. The parties acknowledge and represent that they have consulted independent legal counsel, or have waived the opportunity to be represented by independent legal counsel, in connection with their review and execution of this agreement, that they have read and understand the terms of this agreement, and that they sign the same willingly and without undue influence.

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

18. LIMITATION OF ACTIONS. ANY ACTION BASED UPON AN ALLEGED BREACH OF THIS AGREEMENT MUST BE COMMENCED WITHIN ONE YEAR AFTER THE BREACH, WITHOUT REGARD TO THE DATE THE BREACH IS DISCOVERED. ANY ACTION NOT BROUGHT WITHIN THE ONE-YEAR TIME PERIOD WILL BE BARRED, WITHOUT REGARD TO ANY OTHER LIMITATION PERIOD ESTABLISHED BY STATUTE OR CASE LAW.

19. Miscellaneous

(a) If any provision of this agreement is held invalid or unenforceable for any reason, the remainder of this agreement will not be affected and will remain in full force and effect in accordance with its terms.

(b) The language of this agreement is to be construed according to its plain meaning as if the parties had drafted it jointly, not strictly against a party because it was responsible for drafting one or more provisions of this agreement.

(c) No waiver of any provision of this agreement will be valid unless in writing and signed by the person against whom it is sought to be enforced. The failure by either party to insist upon strict performance of any provision will not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same provision at any other time, or any other provision of this agreement.

(d) Franchisor has the unrestricted right to assign, subcontract, or transfer this agreement and any or all of Franchisor's rights and obligations hereunder to any person. This agreement is binding upon and inures to the benefit of the parties and their successors, assigns, heirs and legal representatives, except that Franchisee may not assign this agreement or any of Franchisee's rights and obligations hereunder without Franchisor's prior written consent.

(e) All notices or consents must be in writing to be effective. Notices will be deemed received by the addressee when actually delivered, if delivered in person, or 3 days after being deposited in the United States mail, certified mail, return receipt requested, postage prepaid, or with a reputable airborne courier (e.g. Federal Express) and addressed to the receiving party as follows:

To Franchisor: F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, Ohio 45242
FAX: 513-563-2691
Attn: Legal Dept.

To Franchisee: _____

(f) The laws of the State of Ohio, without regard to its conflict of laws principles, govern all aspects of this agreement. The federal and state courts located within Hamilton County, Ohio have exclusive jurisdiction in any controversy relating to or arising out of this agreement. Each party hereby submits to the personal jurisdiction of any such court and waives any and all defenses based upon lack of personal jurisdiction or venue for the purpose of carrying out this provision.

(g) This written agreement, together with the Franchise Agreement, any exhibits and amendments thereto, and any agreements and instruments ancillary to the Franchise Agreement executed simultaneously therewith, constitute the entire agreement between the parties relating to the subject matter of this agreement. All other prior agreements, proposals, representations, arrangements and commitments, whether written or oral, are hereby superseded and merged into this agreement. This agreement may only be amended by a written instrument signed by all the parties.

(h) All obligations of the parties that expressly or by their nature survive the expiration or termination of this agreement will continue in full force and effect after and regardless of the expiration or termination of this agreement, until they are satisfied or by their nature expire.

(i) Franchisor will not, because of this agreement or by virtue of any approvals, advice or services provided, be liable to any person who is not a party to this agreement. No third party will have any rights because of this agreement.

(j) Any and all remedies available to the parties in the event of the breach of this agreement by the other party will be cumulative. The exercise of any particular remedy will not be exclusive to the ability to seek other remedies for any breach of this agreement.

(k) The section headings in this agreement are for reference purposes only and do not affect the meaning or interpretation of any provision of this agreement. All references to section numbers mean section numbers of this agreement unless another document (such as the Franchise Agreement) is specified. References to sections and articles of the Franchise Agreement include any successor section or article.

(l) This agreement may be executed in separate parts and photocopies or facsimile copies are to be deemed as legally binding and enforceable as original signed copies.

(m) Throughout this agreement, the words "includes" and "including" are to be construed to include the words "without limitation."

20. Effective Date. This agreement becomes effective when signed by all the parties, and the date it is signed by the last party to do so is the "Effective Date".

The parties are signing this agreement on the dates below.

F.C. FRANCHISING SYSTEMS, INC.

FRANCHISEE:

By: _____

Signature

Date: _____

Date: _____

DISCLAIMER OF REPRESENTATIONS

F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, OH 45242

Sir or Madam:

Concurrently herewith we are entering into a Franchise Agreement with you. By means of this letter, we certify that no representations, warranties or promises concerning the franchise we are acquiring have been made by F.C. Franchising Systems, Inc. or anyone acting on its behalf, other than those contained in the Franchise Agreement and the Franchise Disclosure Document for Prospective Franchisees. In particular, without limiting the foregoing, no representations or promises have been made to us concerning the financial prospects of the franchise we have acquired and we have received no information from F.C. Franchising Systems, Inc. or anyone acting on its behalf concerning financial results of other franchisees. Also, in particular, without limiting the foregoing, no representations or promises have been made to us concerning the amount of money necessary for our initial investment to acquire and operate our franchise other than those contained in the Franchise Agreement and the Franchise Disclosure Document for Prospective Franchisees.

Very truly yours,

FRANCHISEE(S):

Date: _____

Signature

Signature

Print Name

Print Name

Address:

Address:

RIGHT OF FIRST REFUSAL
FOR FRANCHISE LOCATION NO. _____

This agreement is dated _____ (the “Effective Date”) between F.C. FRANCHISING SYSTEMS, INC. (“Fresh Coat”), an Ohio corporation, and _____ (“you”).

Pursuant to a franchise agreement dated _____ (the “Franchise Agreement”), Fresh Coat licensed You to operate a painting business (a “Franchise”) using the trade name and service mark FRESH COATSM and Fresh Coat’s unique business format within the territory described in Exhibit B to the Franchise Agreement.

You intend to purchase an additional Franchise within one year after the Effective Date of this agreement.

Therefore, Fresh Coat and You agree as follows:

1. Grant of Right of First Refusal. Fresh Coat hereby grants you a right of first refusal (the “Right of First Refusal”) to purchase a Franchise for the Territory described in Section 3 upon the terms and conditions contained in this agreement.
2. Right of First Refusal Fee. In consideration of the Right of First Refusal granted to you by Fresh Coat, you agree to pay Fresh Coat a non-refundable fee (the “Right of First Refusal Fee”) of \$3,000.00. Fresh Coat shall credit this amount to the initial franchise fee you must pay in order to exercise this Right of First Refusal. However, if you do not exercise this Right of First Refusal before it expires, Fresh Coat shall keep the Right of First Refusal Fee.
3. Territory. This Right of First Refusal and the Franchise you will purchase by exercising this Right of First Refusal have a territory delineated by the Postal ZIP Codes listed below (the “Territory”):

You and Fresh Coat agree that the total population of the Territory is approximately _____.

4. Exercise of Right of First Refusal. If a bona fide prospective franchisee selects a franchise territory that includes all or any part of the Territory described in section 3 above, Fresh Coat shall notify you by electronic mail, ordinary mail, or overnight delivery (the “Notice”). You may exercise this Right of First Refusal only as follows:
 - (a) Fresh Coat must receive your signed Intent to Exercise Right of First Refusal (a copy of which is attached to this agreement) by 17:00 hours Eastern Time on the seventh day after you receive the Notice;
 - and
 - (b) Fresh Coat must receive the balance of the then-current franchise fee for the Territory size described in section 3 above (determined in accordance with Fresh Coat’s then current pricing policy less the amount of the Right of First Refusal Fee already

paid) and one signed copy of our then-current franchise agreement and all ancillary agreements by the later of either (i) 17:00 Eastern Time on the seventh day after you receive your Notice or, (ii) if you have not previously received a copy of our then-current franchise disclosure document, 17:00 hours Eastern Time on the sixteenth day after you receive a copy of our then-current franchise disclosure document.

A “bona fide prospective franchisee” is one who has shown a definite interest, as determined by Fresh Coat in our sole discretion, in all or any part of the Territory.

5. Failure to Exercise Right of First Refusal. If Fresh Coat does not receive your signed Intent to Exercise Right of First Refusal within the time period described in Section 4(a), then your Right of First Refusal will automatically terminate at 17:00 hours Eastern Time on the last day of that time period, and Fresh Coat thereafter will have the right to offer and sell a Franchise anywhere in the Territory to the bona fide prospective franchisee or to any other party, without your consent and without any further notice, obligation, or liability to you. If Fresh Coat does not receive the entire Franchise Fee and a signed copy of its then-current franchise agreement and ancillary agreements within the time period described in Section 4(b), then your Right of First Refusal will automatically terminate at 17:00 hours Eastern Time on the last day of that time period, and Fresh Coat thereafter will have the right to offer or sell another Franchise anywhere in the Territory to the bona fide prospective franchisee or to any other party, without your consent, and without any further notice, obligation, or liability to you.

6. Sale of Territory to Third Party. If Fresh Coat grants a Franchise within the Territory to another party at any time after you decline or fail to exercise the Right of First Refusal, or at any time after the expiration of the Right of First Refusal, you shall immediately cease to operate or promote your Franchise anywhere in that franchisee’s territory and, within thirty days after you receive notice thereof, you will remove all advertising and promotional materials from that franchisee’s territory.

7. Breach of Franchise Agreement. You cannot exercise the Right of First Refusal at any time after the occurrence of an Event Allowing Termination, as that term is defined in section 13.1 of your Franchise Agreement, unless the Event Allowing Termination was cured within the applicable time period, if any, provided in section 13.1 of your Franchise Agreement.

8. Expiration. This Right of First Refusal will automatically expire one year after the Effective Date.

9. Separate Records. You acknowledge Fresh Coat’s need to compile and maintain accurate sales records for each Franchise in our franchise system. For this reason, you shall maintain separate sales records for each Franchise that you own. You may consolidate your royalty fees you owe for all of your Fresh Coat Franchises and you may consolidate your branding fees you owe for all of your Fresh Coat Franchises by sending a single monthly payment in satisfaction of all the royalty fees and by sending a single monthly payment for all branding fees you owe for all of your Fresh Coat Franchises, but you must submit separate sales reports for each Fresh Coat Franchise that you own.

10. Arbitration. Any claim or dispute between us must be settled in accordance with Article 16 of the Franchise Agreement, the terms of which are incorporated herein by this reference.

11. Entire Agreement. This agreement and its exhibits constitute the entire agreement between us with respect to the Right of First Refusal, and any and all discussions, negotiations, commitments or understandings relating to the Right of First Refusal that occurred before the Effective Date of this agreement are hereby superseded and merged herein.

12. Binding Effect. This agreement will be binding upon and will inure to the benefit of you and Fresh Coat, and our respective representatives, heirs, successors and assigns.

13. Construction. This agreement was accepted by Fresh Coat in Cincinnati, Ohio, and the laws of the State of Ohio govern all aspects of this agreement.

14. Jurisdiction. Subject to Fresh Coat's sole and absolute election, any and all suits, actions or other proceedings between us may be litigated only in courts having situs within Hamilton County, Ohio. The following courts will have personal jurisdiction over you in all lawsuits between us, and you hereby submit to the jurisdiction of the following courts and irrevocably waive any defense you may have of lack of personal jurisdiction in any lawsuits filed in these courts: (a) all courts included within the state court system of the State of Ohio; and (b) all courts of the United States of America sitting within the State of Ohio, including, without limitation, all United States District Courts within the State of Ohio. Venue will be proper in any of the following courts in all lawsuits between us, and you irrevocably waive any right you may have to transfer or change the venue in any lawsuits filed in these courts: (a) the state court of the county where Fresh Coat has its principal place of business (presently Hamilton County, Ohio); and (b) the United States District Court for the Southern District of Ohio, Western Division. If any of these courts are abolished, venue will be proper in the state or federal court in Ohio that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not abolished. Any and all lawsuits that you may file against Fresh Coat (whether in breach of the arbitration provisions of this agreement or not) may be filed only in one of these courts. Any and all lawsuits filed by Fresh Coat against you may be filed in any of these courts or in any court in which jurisdiction and venue are proper. You consent and agree that you may be served with process outside the State of Ohio in the same manner of service that may be made within the State of Ohio by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in that jurisdiction. you waive any defense you may have of insufficiency of service of process relating to such service. This method of service will not be the exclusive method of service available in such lawsuits and will be available in addition to any other method of service allowed by law.

15. Headings. The section headings in this agreement are for reference purposes only and are not intended to affect the meaning or interpretation of any provision of this agreement.

15. Assignment. You may not assign this agreement or the Right of First Refusal to any other party (even if you sell your Franchise) without Fresh Coat's prior written consent, which Fresh Coat may withhold for any reason. Fresh Coat may only assign this agreement to a party who agrees to assume all of Fresh Coat's obligations to its franchisees in connection with a merger or a sale of substantially all of Fresh Coat's assets.

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

17. Notices. All notices, demands and other communications between you and Fresh Coat must be in writing, must be addressed as provided in this section, and must be made by either (i) personal delivery, (ii) certified mail, postage prepaid, return receipt requested, (iii) electronic mail, or (iv) overnight delivery service with proof of delivery, and will be effective upon receipt or refusal thereof. All notices, demands and other communications must be addressed as follows:

(a) if to Fresh Coat:

F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, Ohio, 45242

or to such other person or address as Fresh Coat may from time to time furnish to You in writing;

(b) if to you:

or to such other person or address as you may from time to time furnish to Fresh Coat in writing.

You and Fresh Coat are signing this agreement on the Effective Date in the first paragraph.

F.C. FRANCHISING SYSTEMS, INC.

YOU:

By: _____

Signature

Print Name

INTENT TO EXERCISE RIGHT OF FIRST REFUSAL

F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, Ohio 45242

Gentlemen:

RE: EXERCISE OF RIGHT OF FIRST REFUSAL FOR FRANCHISE LOCATION NO. _____

In response to your Notice that a bona fide prospective franchisee has selected a territory, all or a portion of which is subject to my Right of First Refusal dated _____, I hereby elect as follows:

- I decline to exercise my Right of First Refusal. By doing so, I acknowledge that: (a) I relinquish any and all rights to such portion of the Right of First Refusal Territory as you may subsequently grant to such bona fide prospective franchisee; (b) you may grant a franchise within the Right of First Refusal Territory immediately upon your receipt of, and in reliance upon, this election; (c) I must immediately cease to operate or market my franchised business in any area which becomes part of another franchisee's territory; and (d) I must remove all advertising and marketing materials from such area within thirty days after being notified thereof.
- I intend to exercise my Right of First Refusal. I understand and acknowledge that my Right of First Refusal can only be exercised by your receipt of:
- (a) this INTENT TO EXERCISE RIGHT OF FIRST REFUSAL, signed and dated by me, by 17:00 hours Eastern Time on the seventh day after I received your Notice; and
 - (b) the entire Franchise Fee and a signed copy of your then-current franchise agreement and ancillary agreements by the later of either (i) 17:00 hours Eastern Time on the seventh day after I received your Notice or, (ii) if I have not previously received a copy of your then-current franchise disclosure document, 17:00 hours Eastern Time on the sixteenth day after I received a copy of your then-current franchise disclosure document.

Date: _____

Signature

Print Name

NOTE: Must be signed by the person, or by an authorized officer on behalf of the entity, in whose name the RIGHT OF FIRST REFUSAL was granted

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F.C. FRANCHISING SYSTEMS, INC.

Franchisee List

December 31, 2013

As of the above date, there are a total of 96 franchises of a type substantially similar to those offered in this disclosure that are operational. The names, addresses, and telephone numbers are listed below.

ALBERTA

Alfred Toelle
9704-101a
Morinville, AB T8R 0C8
780-235-5202

CALIFORNIA

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

Justin Engelbach
15521 Moorpark St
Encino, CA 91436
510-290-7447

Jennifer Elliott
34145 Pacific Coast Hwy #181
Dana Point, CA 92629
949-391-4856

COLORADO

Brad Jennings
16748 E. Smokey Hill Rd.
Centennial, CO 80015
720-961-5295

Fred Crowe
2423 Targhee Point
Lafayette, CO 80026
720-890-7479

CONNECTICUT

Joseph Rossitto
109 Bayberry Rd
Glastonbury, CT 06033
860-659-2826

Eric Stavropoulos
1131 Tolland Turnpike
Manchester, CT 06042
860-481-4370

FLORIDA

Larry Griffin
P.O. Box 33107
Pensacola, FL 32508
678-988-4823

Javier Harrington
5200 NW 43rd Street
Gainesville, FL 32606
352-262-8137

Gary Davine
4300 S. U.S. Hwy #1 Ste 203-174
Jupiter, FL 33477
Phone: 561-348-9926

Todd Lamberton
1000 S. Ocean Blvd., No 8B
Pompano Beach, FL 33062
954-804-5563

Ross Childers
8316 Manor Club Circle
Tampa, FL 33647
813-532-8136

Allison Taraska
5077 Fruitville Rd #109
Sarasota, FL 34232
Phone: 941-225-8162

Ricky Taylor
4915 Rattlesnake-Jammock Rd.
Ste. 228
Naples, FL 34113
856-906-1515

GEORGIA

David Richter
3482 Keith Bridge Road
Cumming, GA 30041
404-386-8251

Alan Carleton
4295 Cami Way
Buford, GA 30519
678-724-7134

Walt Hoskins
7621 River Crest Drive
Columbus, GA 31904
706-570-5788

Karen Byars
1000 Whitlock Avenue
Marietta, GA 30064
770-424-3200

Ted Pearse
1050 Providence Drive
Lawrenceville, GA 30044
770-789-4447

HAWAII

Gelene Welch
5070 Likini Street
Honolulu, HI 96818
808-342-1769

IDAHO

Christopher Lockhart
8532 S Chugiak Pl
Meridian, ID 83642
208-577-1450

ILLINOIS

Steven Juveland
21393 Burgundy Drive
Frankfort, IL 60423
815-992-9980

Jay Ramshaw
505 W. University
Champaign, IL 61820
217-359-6400

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List
December 31, 2013

As of the above date, there are a total of 96 franchises of a type substantially similar to those offered in this disclosure that are operational. The names, addresses, and telephone numbers are listed below.

Allan Moss
1852 Ellington Drive
Aurora, IL 60503
630-405-6171

Jerry Guidry, Jr
1243 Lincoln Drive
Elizabethtown, KY 42701
502-338-7301

Rick Eisenacher
5004 Honeygo Center Dr
Perry Hall, MD 21128
443-320-0856

INDIANA

Pam Pedigo¹
6009 Cadillac Drive
Speedway, IN 46224
317-372-1308

Mark Smith
100 Thoroughbred Lane
Raceland, KY 41169
606-465-7458

MICHIGAN

Troy Tissue
4370 Chicago Dr. SW, Ste B123
Grandville, MI 49427
616-773-2439

Randy Ferrie
10042 North Point Drive
Granger, IN 46530
574-361-7657

MASSACHUSETTS

Matt Veteto
110 West Street
Hyde Park, MA 02136
339-226-2336

MINNESOTA

Jerold Fancher
11622 Mount Curve Road
Eden Prairie, MN 55347
612-260-3905

Steven Bingman
8287 Sweetclover Drive
Indianapolis, IN 46256
317-213-9922

Ron Imposimato
1337 Massachusetts Ave
Arlington, MA 02476
(781) 646-0177

Eric Heipel
16984 County 94
Sauk Centre, MN 56378
320-281-1232

IOWA

Ryan Fredregill
107 E. Fox
Baxter, IA 50028
515-249-7066

MARYLAND

William Greenwell
5 Park Place
Annapolis, MD 21401
443-994-5294

MISSISSIPPI

Carlis Faler
181 Woodland Drive
Madison, MS 39110
601-826-7780

Rick Petersen
2200 13th Avenue S
Clinton, IA 52732
563-259-3336

Lawrence Green
2712 Beech Orchard Lane
Upper Marlboro, MD 20774
817-689-2425

NORTH CAROLINA

Nick Filippides³
1289 Fordham Blvd
Chapel Hill, NC 27514
919-948-7210

KENTUCKY

Terry Williams²
572 North Limestone
Lexington, KY 40508
859-314-0099

Matthew McKay
2138 Generals Highway
Annapolis, MD 21401
443-282-1202

Suzan Ziegler
1979 Mathis Church Road
Catawba, NC 28609
704-235-8183

Robert Durnwald
8459-F US 42
Florence, KY 41042
(859) 384-2877

Adrian Nagel
5011 First Flight Court
Frederick, MD 21702
301-620-2342

Mike Fogleman
6102 Great Oak Drive
Summerfield, NC 27358
336-908-5257

¹ Owns 2 Franchises

² Owns 2 Franchises

³ Owns 2 Franchises

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List

December 31, 2013

As of the above date, there are a total of 96 franchises of a type substantially similar to those offered in this disclosure that are operational. The names, addresses, and telephone numbers are listed below.

	NEW YORK	OREGON
Peggy McNeil 285 Prospect Street Southern Pines, NC 28387 910-783-4713	Erik Steiner 93 New Castle Court Williamsville, NY 14221 716-689-8151	Randy Ramos 6808 SE 74th Avenue Portland, OR 97206 503-218-3918
	OHIO	PENNSYLVANIA
Jim Yaeger 1822-6 S. Glenburnie Road Ste. 355 New Bern, NC 28562 Phone: 866-748-2777	Stephen Hopkins 1421 Lexington Avenue Mansfield, OH 44907 419-612-3352	Jerry Moyer 104 Paul Street Bedford, PA 15522 814-889-9003
NEBRASKA	Jerry Cowley ⁵ 4487 Country Club Lane Stow, OH 44224 330-612-3216	Robert McMonagle 3003 GreenRidge Drive Jeffersonville, PA 19403 610-382-6181
	Chris Holtmeier 1896 Heidelberg Dr Loveland, OH 45140 (513) 200-2932	Patrick Boyle 108 Woodridge Drive Cranberry Twnshp, PA 16066 724-651-1968
NEVADA	Anthony Butler 3530 Snouffer Road #100 Columbus, OH 43235 614-448-0206	Kathryn Boyd 148 Greenview Drive Lancaster, PA 17601 717-207-7615
Eric Rouleau 10300 W. Charleston Blvd Las Vegas, NV 89138 702-410-6991	Joseph Reese 1014 Westchester Way Cincinnati, OH 45244 513-535-1751	Anthony Campanella 2714 Wellington Road Erie, PA 16505 814-882-1841
NEW HAMPHIRE	Chris Lebling 7723 Tylers Place Blvd. #104 West Chester, OH 45069 513-618-8181	SOUTH CAROLINA
Mark Russell 67 Rockingham Road Windham, NH 03087 603-321-7239	Steve Gloyer 520 South State St., Suite 285B Westerville, OH 43081 Phone: 614-448-1303	James Zeski 10070 Dorchester Road, #51023 Summerville, SC 29485 843-696-9565
NEW JERSEY		SOUTH DAKOTA
Robert Covino PO Box 546 Allenwood, NJ 08720 732-223-1389		Kory Jons 6401 S. Ventia Ave Sioux Falls, SD 57108 605-728-2694
Kristopher Noyes ⁴ 425 Hurffville-Cross Keys Rd Blackwood, NJ 08012 856-228-9100		

⁴ Owns 2 Franchises

⁵ Owns 2 Franchises

F.C. FRANCHISING SYSTEMS, INC.

Franchisee List

December 31, 2013

As of the above date, there are a total of 96 franchises of a type substantially similar to those offered in this disclosure that are operational. The names, addresses, and telephone numbers are listed below.

TENNESSEE

Chris Hurt
514 West Tigrett St.
Halls, TN 38040
731-836-7597

Danny Richardson
1808 Water Mill Trail
Knoxville, TN 37922
615.678.0189

Merle Ottenberg
6923 Maynardville Pike, #363
Knoxville, TN 37918
865-978-6645
John Hamilton
5026 Paddy Trace
Spring Hill, TN 37174
615-445-5625

Richard P. Whitaker
1158 Buggy Cove
Clarksville, TN 37043
253-820-8055

TEXAS

Jac Saliba
12608 Beech Tree Lane
Eules, TX 76040
817-510-7042

Sarah Ross
706 Clear Springs Hollow
Buda, TX 78610
512-787-2379

Jesus Walls
3411 Preston Rd
Frisco, TX 75034
(214) 618-3620

Paul Timmons
8528 Davis Blvd
N. Richland Hills, TX 76182
817-479-8100

Rebecca Clukey
5105 Lake Highlands
Waco, TX 76710
214-450-7188

Karen Wagner
2710 Melba Pass
Cedar Park, TX 78613
512-796-6371

Eric Ascenio
5535 Hazel Berry Way
Katy, TX 77494
713-405-1167

Carlos De La Luz Aranda
20900 FM 1093
Richmond, TX 77407
713-885-1531

Alan Dorothy
24165 I H 10W
San Antonio, TX 78257
(210) 595-1744

Darrell Hale
3705 Amon Carter Drive
McKinney, TX 75070
214-471-3584

VIRGINIA

MaryEllen Smalls
303 White March Court
Hampton, VA 23669
757-850-0122

Nelson Norris
20332 Beechwood Terrace #301
Ashburn, VA 20147
314-750-3392

Matthew Sutton
306 Laketree Drive
Staunton, VA 24401
540-885-2401

WISCONSIN

Paul Archambault
15417 W Natonal Ave #303
New Berlin, WI 53151
414-921-0875

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

EXHIBIT O

FRANCHISEES WHO HAVE LEFT THE SYSTEM

Below are Franchisees who have left the system as of the fiscal year ending December 31, 2013 or who have not communicated with us within 10 weeks of the issuance of the disclosure document. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Christopher Lehr
Branford, FL
610-360-2333

Ralph Harris
Costa Mesa, CA
949-945-8852

Greg Taylor
Haines City, FL
863-557-5153

Steve Bowen
Woodbury, MN
651-621-3153

Michael Solberg
Belvidere, IL
815-544-6999

Brad Yaeger
Davenport, IA
563-209-9695

Mark Benoit
Westminster, MA
978-571-7192

Anne Long
Minneapolis, MN
612 385 0215

Steve Moody
Monroe, OH
513-615-8005

Ike Tarver
Germantown, TN
901-496-2187

David Schaub
Dallas, TX
214-762-9756

Saidou Konkobo
Lake Ridge, VA
571-216-4851

Christy Cooper
Richmond, VA
804-335-0556

FRESH COAT ASSIGNMENT AGREEMENT¹

THIS ASSIGNMENT AGREEMENT, executed this ____ day of _____, 20____ by and among **F.C. FRANCHISING SYSTEMS, INC.**, an Ohio corporation (“Franchisor”), _____, individual residents of the State of _____ (“Assignor”), and _____, a(n) _____ corporation [or limited liability company](“Assignee”);

W I T N E S S E T H:

WHEREAS, Franchisor and Assignor entered into a Franchise Agreement on _____, 20____ (the “Franchise Agreement”), pursuant to which Franchisor licensed Assignor to operate an interior/exterior painting using Franchisor’s service mark and trade name “*Fresh Coat*” and Franchisor’s business format; and

WHEREAS, Assignor owns ____% of the issued and outstanding stock [or ownership units] of Assignee; and

WHEREAS, Assignor desires to assign, transfer, and delegate to Assignee all of Assignor’s rights and obligations under the Franchise Agreement; and

WHEREAS, Assignee desires to assume all of Assignor’s rights and obligations under the Franchise Agreement;

NOW THEREFORE, in consideration of the mutual promises and conditions contained herein, the parties agree as follows:

1. **Assignment.** Assignor assigns, conveys, and transfers to Assignee all of Assignor’s rights, title, and interest in and to the Franchise Agreement and the franchise granted therein. Assignee assumes and undertakes to perform all of Assignor’s obligations and liabilities under the Franchise Agreement and agrees to comply with and be bound by all the terms and conditions thereof.

2. **Consent of Franchisor.** Franchisor consents to the assignment, in accordance with the terms contained herein, to Assignee of Assignor’s interest in the Franchise Agreement and the franchise granted therein.

3. **Guaranty by Assignor.** The assignment to Assignee of Assignor’s interest in the Franchise Agreement shall not relieve Assignor from any liability or obligation contained therein. Assignor specifically guarantees to Franchisor the prompt payment of all royalty and other fees required to be paid by the Franchisee under the Franchise Agreement, and the performance of all the provisions of the Franchise Agreement for and during the term thereof (including any renewals or extensions thereof). Assignor acknowledges that he/she shall continue to be bound by all covenants, obligations, and commitments of the Franchisee contained in the Franchise Agreement including, without limitation, those covenants contained in Article 15 of the Franchise Agreement.

4. **Representations of Assignee.** In order to induce Franchisor to consent to the assignment by Assignor, Assignee represents as follows:

¹ This Assignment Agreement is required only if you sign your franchise agreement individually rather than in the name of a business entity.

(a) The assumption of Assignor's obligations under the Franchise Agreement and the execution of this Assignment Agreement have been duly authorized and approved by Assignee's Board of Directors [*or* Managing Member]; and

(b) Assignor is the owner of _____% of the issued and outstanding capital stock [*or* ownership units] of Assignee.

IN WITNESS WHEREOF, the parties executed this Assignment Agreement, or caused it to be executed by their duly authorized agent, as of the date first set forth above.

F.C. FRANCHISING SYSTEMS, INC.

By: _____

ASSIGNOR(S)

[Individual(s)]

[Individual(s)]

ASSIGNEE

Print Corporation or Company Name

President [*or* Managing Member]

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you are aware, you have or are preparing to enter into a Franchise Agreement with F.C. FRANCHISING SYSTEMS, INC. (Franchisor) for the operation of a Fresh Coat franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either verbally or in writing, that the Franchisor did not authorize and that may be untrue, inaccurate, or misleading. Please read each of the following questions carefully and provide honest and complete responses to each question.

1. Did you receive a copy of Franchisor's Franchise Disclosure Document at least 14 days before you signed the Franchise Agreement or paid any money for the franchise?

Yes _____ No _____

2. Did you read the franchise contracts and their exhibits?

Yes _____ No _____

3. Did you understand everything in the franchise contracts and their exhibits?

Yes _____ No _____

If "No," what parts of the franchise contracts or their exhibits do you NOT understand?
(Attach additional pages if necessary.)

4. Have you discussed your purchase of a Fresh Coat franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

5. If "No," do you understand that you may do so?

Yes _____ No _____

6. Do you understand the risks of investing in and operating a Fresh Coat franchise?

Yes _____ No _____

7. Do you understand that the success or failure of your Fresh Coat franchise will depend in large part upon your skills and abilities, the number of hours you are willing to work, competition from other businesses, interest rates, the general state of the economy, inflation, labor and supply costs, and other general economic and business factors?

Yes _____ No _____

NOTE: QUESTIONS 8 THROUGH 13 DO NOT APPLY TO ANY INFORMATION YOU WERE GIVEN DIRECTLY BY A FRESH COAT FRANCHISEE.

Has any employee of Franchisor or other person speaking on behalf of Franchisor made any written or oral statement or promise regarding:

8. . . . the actual revenue or profits of a Fresh Coat franchise that is contrary to or different from that disclosed in the Franchise Disclosure Document?

Yes _____ No _____

9. . . . the amount of money you can earn operating a Fresh Coat franchise that is contrary to or different from that disclosed in the Franchise Disclosure Document?

Yes__ No__

10. . . . the amount of sales revenue you can earn operating a Fresh Coat franchise that is contrary to or different from that disclosed in the Franchise Disclosure Document?

Yes _____ No _____

11. . . . your initial investment to open a Fresh Coat franchise or the costs you may incur in operation Fresh Coat franchise, that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

12. . . . the advertising, marketing, training, support services, or assistance that Franchisor will provide you that is contrary to or different from the information in the Franchise Disclosure Document?

Yes _____ No _____

13. . . . any other aspect of a Fresh Coat franchise that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

If you answered "Yes" to any of Questions 8 through 13, please provide a full explanation of your answer in the following space (attach additional pages if necessary and refer to them in the space below). If you answered "No" to every Question 8 through 13, please leave the following space blank.

You understand that your answers are important to us and that we will rely on them in entering into the Franchise Agreement with you.

NOTHING IN THIS DOCUMENT IS TO BE CONSTRUED AS A RELEASE, ESTOPPEL OR WAIVER OF ANY LIABILITY OR OBLIGATION IMPOSED BY A STATE FRANCHISE OR INVESTMENT LAW.

By signing below, you represent that you have responded truthfully to the above questions.

Date: _____

Signature

Date: _____

Signature

STATE-SPECIFIC ADDITIONAL DISCLOSURES AND RIDERS

The following are additional disclosures and/or riders required by certain state franchise laws. A particular state's disclosures/riders only apply if you are covered by that state's franchise law.

California State Addendum disclosures:

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.
2. No person or franchise broker listed in Item 2 above is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling these persons from membership in any association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination nor non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The franchise agreement requires binding arbitration. The arbitration will occur at Hamilton County, Ohio with the costs being borne as incurred by either party.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
9. The franchise agreement requires application of the laws of Ohio. This provision may not be enforceable under California law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release if you renew or transfer your franchise. California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code sections 31000 through 31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code sections 20000 through 20043).
12. The earnings claims figures, if any, 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 franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

13. The following URL address is for the franchisor's web site: www.freshcoatpainters.com

14. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS at www.corp.ca.gov.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

Disclosure Regarding California Contractors License Law

Under the California Contractors License Law (California Business and Professions Code sections 7000 through 7199), you must have a C-33 Painting and Decorating Contractors License (a "C-33 License") to paint structures or hang wallpaper. To obtain a C-33 License, you must have more than \$2,500 of operating capital (your current assets minus your current liabilities), post a \$12,500 contractor's bond or cash deposit with the California Contractors State License Board ("CSLB"), and either you or a "qualifier" must be at least 18 years old, pass a written examination, and have at least 4 years of practical painting experience as a journeyman, foreman, supervisor, or contractor. A "qualifier" is an individual who meets the experience requirements and passes the examination for the license. The qualifier will be responsible for your painting and wallpapering services. The qualifier may be an individual franchisee, an officer of a corporate franchisee (called a "Responsible Managing Officer," or "RMO"), or an employee of the franchised business (called a "Responsible Managing Employee," or "RME"). If your qualifier is an RME, he or she must be regularly employed by the franchised business and actively engaged in the operation of the business at least 32 hours per week or 80% of the total business operating hours, whichever is less.

Technical training, apprenticeship training, or education may qualify for part (up to 3 years) of the 4 years of practical experience required for a C-33 License. The CSLB will grant you up to 3 years of credit for a 4-year college degree in architecture, construction technology, or any field of engineering that is directly related to house painting, or for a certificate of completion of apprenticeship in house painting from an accredited apprenticeship program or a certified statement of completion of apprenticeship training in house painting from a union. The CSLB will grant you up to 2 years of credit for a law degree, or for substantial college work in accounting, architecture, business, economics, mathematics or physics, or for a 4-year college degree in accounting, business, construction technology, drafting, economics, engineering, mathematics, physics, or areas related to house painting. The CSLB will grant you up to 1½ years of credit for an associate's degree in building or construction management.

The current fees for a C-33 License are a \$250 non-refundable application processing fee and a \$150 initial license fee. The current renewal fee is \$300. A license is issued for a 2-year period. Licenses are issued only to individuals, partnerships, or corporations—they are not issued to limited liability companies.

If you do not have a C-33 License, all painting and wallpapering services must be performed by a licensed painting and decorating contractor who contracts directly with and is paid directly by your customers. In addition, you may not advertise that you offer painting or wallpapering services unless the advertisement clearly states that you are not licensed under the California Contractors License Law.

FOR RESIDENTS OF THE STATE OF GEORGIA

The following additional disclosures are required by the Georgia Sale of Business Opportunities Act:

We may collect no more than 15 percent of the purchase price when you sign the Franchise Agreement. The balance of the purchase price must be paid into an escrow account established with a bank or an attorney agreeable to both parties. The balance in escrow will be paid to us 60 days after the date you open the business, or upon our complete compliance with the terms of the Franchise Agreement, whichever happens first.

To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

ILLINOIS

The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

815 ILCS 705/41 provides that any condition, stipulation or provision in the franchise agreement that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.

Nonrenewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.

Any provision in the franchise agreement that requires you to assert a claim within a specified period of time is void with respect to an action to enforce any liability created by the Illinois Franchise Disclosure Act.

Any provision in the franchise agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to any cause of action that otherwise is enforceable under the Illinois Franchise Disclosure Act.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

- a. Termination and nonrenewal of this agreement must comply with 815 ILCS 705/20.
- b. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.
- c. Section 16.6 does not apply to any action to enforce any liability created by the Illinois Franchise Disclosure Act.
- d. Any provision in this agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.
- e. Subparagraphs (a) and (c) of section 18.11 are deleted in their entirety.
- f. To the extent this addendum is inconsistent with any provision of the Franchise Agreement or exhibits or attachments thereto, the terms of this addendum control.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

INDIANA

The following additional disclosures are required by the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law:

THE STATE OF INDIANA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE [INDIANA CODE §§23-2-2.5-1 THROUGH 23-2-2.5-50]. THIS STATE ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF INDIANA HAS A STATUTE WHICH RESTRICTS OR PROHIBITS THE IMPOSITION OF LIQUIDATED DAMAGE PROVISIONS [INDIANA CODE §23-2-2.7(10)]. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101.

A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

The franchise agreement does not expressly give you the right to terminate, but Indiana law may give you the right to terminate if we commit a substantial breach of the franchise agreement.

Any provision in the franchise agreement or franchise development agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this Addendum is attached is amended as follows to comply with the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

2. Any provision in this Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

3. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law shall prevail.

4. Section 10.2 is replaced with the following:

“Franchisee acknowledges that any failure to comply with Section 10.1 of this Agreement will cause Franchisor irreparable injury. Accordingly, Franchisor shall have the right to seek specific performance of, or an injunction against a violation of, the requirements of Section 10.1. Franchisee agrees to pay all court costs and reasonable attorneys’ fees incurred by Franchisor in successfully obtaining any such specific performance or injunctive relief.”

5. Section 15.9 is replaced with the following:

“Franchisee acknowledges that Franchisee’s violation of the terms of this Article 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisor shall have the right to seek specific performance of, or an injunction against a violation of, the requirements of this Article 15. Franchisee agrees to pay all court costs and reasonable attorneys’ fees incurred by Franchisor in successfully obtaining any such specific performance or injunctive relief.”

6. Section 16.1 is replaced with the following:

“Franchisor shall be entitled, without bond, to seek temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (a) Franchisee’s use of the Marks; (b) the obligations of Franchisee upon the termination or expiration of this Agreement; (c) the obligations of Franchisee under Sections 15.2, 15.3, or 15.4 of this Agreement; or (d) an assignment of this Agreement or any ownership interest therein; or (e) as necessary to prohibit any act or omission by Franchisee or its employees: (i) that would constitute a violation of any applicable law, ordinance, or regulation; (ii) which is dishonest or misleading to Franchisor and/or Franchisor’s other franchisees; or (iii) which, in Franchisor’s reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the franchised business, Franchisor, the System or the Marks.”

7. The fourth sentence of Article 17 is replaced with the following:

“Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee’s operation of the franchised business (excluding, however, liabilities caused by (i) Franchisee’s proper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor’s negligence), and shall pay all costs (including, without limitation, attorney and accountant fees) incurred by Franchisor in defending against and/or responding to them.”

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

MARYLAND

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

ITEM 17

The general release required as a condition of renewal and/or assignment/transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

The following terms amend the Franchise Agreement to which this addendum is attached, for the purpose of complying with the Maryland Franchise Registration and Disclosure Law, and are hereby incorporated into the Franchise Agreement by this reference. The terms in this addendum control in the event of conflicting terms in the Franchise Agreement.

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Maryland Franchise Regulation and Disclosure Law.
2. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Section 16.6 is deleted in its entirety, and in its place is substituted the following:

“16.6 Statute of Limitations. Franchisor and Franchisee acknowledge that, pursuant to Section 227 of the Maryland Franchise Registration and Disclosure Law, any claims arising thereunder must be brought within three years after the grant of the Franchise.”
4. The representations contained in Section 18.11 are not intended to act, nor shall they act, as a release, estoppel, or waiver of any liability arising under the Maryland Franchise Registration and Disclosure Law.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

MICHIGAN

The following additional disclosures are required by the Michigan Franchise Investment Law:

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00 the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

MINNESOTA

The following additional disclosures are required by the Minnesota Franchise Act:

1. GOVERNING LAW, CHOICE OF FORUM, JURISDICTION AND VENUE

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit F.C. Franchising Systems, Inc. from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. NOTICE OF TERMINATION AND NON-RENEWAL

With respect to franchises governed by Minnesota law, F.C. Franchising Systems, Inc. will comply with Minn. Stat. Sec. 80C14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

3. RIGHT TO USE TRADEMARKS, SERVICE MARKS TRADE NAMES, LOGOTYPES OR OTHER COMMERCIAL SYMBOLS

F.C. Franchising Systems, Inc. will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

4. WAIVING OF RIGHTS, POSTING BOND

Minnesota law prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties, or judgment notes. The franchisee cannot consent to F.C. Franchising Systems, Inc. obtaining injunctive relief. However, F.C. Franchising Systems, Inc. may seek injunctive relief. A court will determine if a bond is required. Any language to the contrary in the disclosure document or franchise agreement is null and void.

5. GENERAL RELEASE

Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. Any provision in the Franchise Agreement to the contrary is void.

6. STATUTE OF LIMITATIONS

Minn. Stat. Sec. 80C.17, Subd. 5 provides that an action may be commenced to enforce any provision of the Minnesota Franchise Act (Minn. Stat. Secs. 80C.01 to 80C.22, inclusive) or any rule or order thereunder within three years after the cause of action accrues. Any language to the contrary in the Franchise Disclosure Document or the Franchise Agreement is null and void.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

This addendum is attached to and incorporated in the F.C Franchising Systems, Inc. ("FCFS") Franchise Disclosure Document and Franchise Agreement as required by the Minnesota Franchise Act and the administrative rules and regulations relating thereto. The terms of this addendum shall control in the event of conflicting terms in the Franchise Disclosure Document or Franchise Agreement.

1. GOVERNING LAW, CHOICE OF FORUM, JURISDICTION AND VENUE

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit F.C. FRANCHISING SYSTEMS, INC. from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. NOTICE OF TERMINATION AND NON-RENEWAL

With respect to franchises governed by Minnesota law, F.C. FRANCHISING SYSTEMS, INC. will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

3. RIGHT TO USE TRADEMARKS, SERVICE MARKS TRADE NAMES, LOGOTYPES OR OTHER COMMERCIAL SYMBOLS

F.C. FRANCHISING SYSTEMS, INC. will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

4. WAIVING OF RIGHTS, POSTING BOND

Minnesota law prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties, or judgment notes. The franchisee cannot consent to F.C. FRANCHISING SYSTEMS, INC. obtaining injunctive relief, however, F.C. FRANCHISING SYSTEMS, INC. may seek injunctive relief. A court will determine if a bond is required. Any language to the contrary in the disclosure document or franchise agreement is null and void.

5. GENERAL RELEASE

Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. Any provision in the Franchise Agreement to the contrary is void.

6. STATUTE OF LIMITATIONS

Minn. Stat. Sec. 80C.17, Subd. 5 provides that an action may be commenced to enforce any provision of the Minnesota Franchise Act (Minn. Stat. Secs. 80C.01 to 80C.22, inclusive) or any rule or order thereunder within three years after the cause of action accrues. Any language to the contrary in the Franchise Disclosure Document or the Franchise Agreement is null and void.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

NEW YORK

The following provisions supersede any contrary provisions of the Franchise Disclosure Document as required by New York law:

ITEM 3. LITIGATION

Except as disclosed in Item 3 of the disclosure document, neither Fresh Coat, its predecessor, any of the persons identified in Item 2, nor any affiliate offering franchises under Fresh Coat's principal trademark:

A. Has an administrative, criminal or civil action pending against them 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: Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this disclosure document, 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.

C. 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.

ITEM 4. BANKRUPTCY

Neither Fresh Coat, nor any affiliate, predecessor, officer or general partner of Fresh Coat, during the ten-year period immediately before the date of this disclosure document: (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 U.S. Bankruptcy Code; or (c) was a principal officer of a company or 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 the officer or general partner of the franchisor held this position in the company or partnership.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

You may terminate the franchise agreement upon any grounds available by law.

THE STATE OF NEW YORK MAY HAVE STATUTES WHICH SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF NEW YORK ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. A PROVISION IN THE FRANCHISE

AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE SECTION 101. THE STATE OF NEW YORK MAY HAVE COURT DECISIONS RESTRICTING THE IMPOSITION OF LIQUIDATED DAMAGES. THE IMPOSITION OF LIQUIDATED DAMAGES IS ALSO RESTRICTED BY FAIR PRACTICE LAWS, CONTRACT LAW, AND FEDERAL COURT DECISIONS. THE STATE OF NEW YORK HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED.

The Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

The following terms amend the Franchise Agreement to which this addendum is attached, for the purpose of complying with the New York General Business Law and the New York State Franchise Regulations, and are hereby incorporated into the Franchise Agreement by this reference. The terms in this addendum control in the event of conflicting terms in the Franchise Agreement.

1. Section 2.2(d) of the Franchise Agreement shall be amended by adding the following language:

“Provided, however, that all rights arising in Franchisee’s favor from the provisions of Article 33 of the General Business Laws of the State of New York (“GBL”) and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, sections 687.4 and 687.5 be satisfied.”

2. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The addendum is signed concurrently with the attached Franchise Agreement.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

NORTH CAROLINA

The State of North Carolina has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

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

NORTH DAKOTA

The following additional disclosures are required by the North Dakota Franchise Investment Law:

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Non-competition covenants such as the one mentioned in Item 17(r) are generally considered unenforceable in the State of North Dakota.

The release required as a condition of renewal and/or assignment/transfer will not apply to any liability arising under the North Dakota Franchise Investment Law.

Any provision of the franchise agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

Any provision of the franchise agreement requiring you to waive the right to a trial by jury is void.

Any provision of the franchise agreement requiring you to waive exemplary or punitive damages is void.

Any provision of the franchise agreement requiring you to consent to a statute of limitations that is shorter than the applicable North Dakota statute of limitations is void.

Notwithstanding any provision of the franchise agreement, the payment of the initial franchise fee owed to Franchisor is deferred until such time as all initial obligations owed to the Franchisee under the Franchise Agreement or other agreements have been fulfilled by the Franchisor and Franchisee has commenced doing business pursuant to the Franchise Agreement.

RHODE ISLAND

The following additional disclosures are required by the Rhode Island Franchise Investment Protection Act:

The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Rhode Island Franchise Investment Act.

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

To the extent this Addendum is inconsistent with any terms or conditions of the Franchise Disclosure Document, the Franchise Agreement, or any exhibits or attachments thereto, the terms of this Addendum shall control.

The following terms amend the Franchise Agreement to which this addendum is attached, for the purpose of complying with the Rhode Island Franchise Investment Act, and are hereby incorporated into the Franchise Agreement by this reference. The terms in this addendum shall control in the event of conflicting terms in the Franchise Agreement.

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the Rhode Island Franchise Investment Protection Act.
2. Any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Protection Act.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

Signature

Signature

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

By: _____

Its: _____

FOR RESIDENTS OF THE STATE OF SOUTH CAROLINA

The following additional disclosures are required by the South Carolina Business Opportunity Sales Act:

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

To the extent this addendum is inconsistent with any terms or conditions of the offering circular, the franchise agreement, or any of their exhibits or attachments, the terms of this addendum control.

SOUTH DAKOTA

The following additional disclosures are required by the South Dakota Franchise Act:

Covenants not to compete upon the termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act. Issues regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, all provisions of the franchise agreement will be subject to the governing law of the State of Ohio.

Pursuant to SDLC 37-5B, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order thereunder is void. Any acknowledgement provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the South Dakota Franchise Act, South Dakota Codified Laws, Title 37, Chapter 37-5B:

1. Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.
2. In the event that either party shall make demand for arbitration, the arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.
3. The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Ohio. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.
4. To the extent this addendum is inconsistent with any terms or conditions of the Franchise Agreement or exhibits or attachments thereto, the terms of this addendum shall govern.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

VIRGINIA

THE FOLLOWING DISCLOSURES ARE REQUIRED UNDER THE VIRGINIA RETAIL FRANCHISING ACT, AND SHALL SUPERSEDE ANY INCONSISTENT DISCLOSURES CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

In addition to the other curable defaults listed in row (g) of the table in Item 17 of the franchise disclosure document, you also have 30 days to cure any failure to comply with the franchise agreement, operations manual, or operating standards.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for F.C. Franchising Systems, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

The following additional disclosures are required by the Washington Franchise Investment Protection Act:

With respect to franchises governed by Washington law, the payment of all initial fees is deferred until after Fresh Coat completes its pre-opening obligations to you, which include providing the initial training program (see Item 11 of the disclosure document for a description of our pre-opening obligations and the initial training program), and you open the franchised business. At that time, you must pay the entire initial franchise fee in full or, if you meet our credit standards, you may pay part of the initial franchise fee and sign a promissory note for the amount we agree to finance.

The State of Washington has a statute, R.C.W. 19.100.180, which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration 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 R.C.W., shall prevail.

A release or waiver of rights executed by a franchisee 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 the Franchisor's reasonable estimated or actual costs in effecting a transfer.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

The parties hereby amend the following provisions of the Franchise Agreement to which this addendum is attached to comply with the Washington Franchise Investment Protection Act:

- 1. Any provision of the Franchise Agreement restricting jurisdiction or venue to a forum outside the State of Washington or requiring the application of the laws of a state other than Washington is void with respect to a claim otherwise enforceable under the Washington Franchise Investment Protection Act.
- 2. Sections 16.4, 16.5, and 16.6 of the Franchise Agreement are deleted in their entirety.
- 3. Termination and renewal of the Franchise Agreement shall comply with the Washington Franchise Investment Protection Act, Chapter 19.100 RCW.
- 4. 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 arbitration, or as determined by the arbitrator.
- 5. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- 6. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel.
- 7. Transfer fees are collectable to the extent that they reflect Franchisor’s reasonable estimated or actual costs in effecting a transfer.
- 8. To the extent this addendum is inconsistent with the Franchise Agreement or its exhibits or attachments, the terms of this addendum control.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

Signature

By: _____

Signature

Its: _____

WISCONSIN

The following additional disclosures are required by the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

THE WISCONSIN FAIR DEALERSHIP LAW SUPERSEDES ANY PROVISION OF THE FRANCHISE AGREEMENT THAT IS INCONSISTENT WITH THAT LAW. THE STATE OF WISCONSIN MAY ALSO HAVE COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE RELATIONSHIP IN RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS WHICH RESTRICT THE IMPOSITION OF LIQUIDATED DAMAGES. THE IMPOSITION OF LIQUIDATED DAMAGES IS ALSO RESTRICTED BY FAIR PRACTICE LAWS, CONTRACT LAW, AND STATE AND FEDERAL COURT DECISIONS. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATED THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED.

We may revoke our approval of any previously approved supplier at any time if the quality of the product or the supplier's financial condition or ability to satisfy your requirements do not continue to meet our satisfaction.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

The parties hereby amend the following provisions of the Franchise Agreement to which this addendum is attached to comply with the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

1. Franchisor and Franchisee agree that Chapter 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement inconsistent with that law.
2. To the extent this addendum is inconsistent with the Franchise Agreement or its exhibits or attachments, this addendum controls.
3. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISEE(S):

Signature

Signature

FRANCHISOR:

F.C. FRANCHISING SYSTEMS, INC.

By: _____

Title: _____

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$							***

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Any item above containing "****" has been omitted due to text length limitations.

Borrower:

Lender:

Principal Amount: \$

Date of Note:

PROMISE TO PAY. _____ ("Borrower") jointly and severally promise to pay to COMPANY ("Lender"), or order, in lawful money of the United States of America, the principal amount of _____ Dollars (\$ _____), together with interest on the unpaid principal balance from _____, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 7.000% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in _____ payments of \$ _____ each payment and an irregular last payment estimated at \$ _____. Borrower's first payment is due _____, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on _____, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs; then to any late charges; then to any accrued unpaid interest; and then to principal. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

FEE. Borrower shall pay Company a fee of \$150.00 due at closing.

PREPAYMENT PENALTY. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. **Upon prepayment of this Note, Lender is entitled to the following prepayment penalty: Prepayment of this note in its entirety or in part during the First through Fifth loan years will result in the following prepayment premium becoming due and payable to the holder:**

FIRST LOAN YEAR is	5% of the principal amount prepaid
SECOND LOAN YEAR is	4% of the principal amount prepaid
THIRD LOAN YEAR is	3% of the principal amount prepaid
FOURTH LOAN YEAR is	2% of the principal amount prepaid
FIFTH LOAN YEAR is	1% of the principal amount prepaid.

Prepayment is defined as receipt by the holder prior to the Maturity Date of all or a part of the principal balance and the outstanding interest due under the note irrespective of the source of such payment and irrespective of whether same was paid by the undersigned "voluntarily" or "involuntarily." Without limiting the generality of the foregoing, prepayment shall include prepayment from the undersigned, irrespective of whether before or after the occurrence of an Event of Default. Notwithstanding the foregoing, in the event that all of or part of any Mortgaged Property (as may be defined in a hereafter referenced Mortgage) shall be taken by any governmental authority by exercise of eminent domain, or shall be conveyed to a grantee in lieu of such taking, and the holder exercises its option that the award, proceeds or compensation for such taking or conveyance be paid to the holder as prepayment of this Note, such shall not be considered a prohibited prepayment, provided there does not exist an Event of Default. Similarly, in the event of damage to the collateral, which damage is covered by fire and other insurance required to be maintained by the undersigned pursuant to the Business Loan Agreement and/or Commitment Letter, any insurance proceeds which are paid to the holder and are applied by the holder to reduce this Note shall not be deemed to be a prohibited prepayment hereunder, provided there does not exist an Event of Default. The monthly payments hereunder shall remain unaffected by any partial prepayment pursuant to this paragraph, the effect of which shall be, rather, to reduce the principal balance remaining upon maturity, or, if there be no such principal balance remaining, the term of this Note.

Notwithstanding anything to the contrary contained herein, the undersigned may prepay up to 10% of the loan principal without incurring any penalties on an annual basis during the term of the loan. Except for the foregoing, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain

obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: STOCK YARDS BANK & TRUST COMPANY, P. O. BOX 39511 LOUISVILLE, KY 40233.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment or \$30.00, whichever is greater.**

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 5.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Ohio without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Ohio.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Hamilton County, State of Ohio.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

COLLATERAL. Borrower acknowledges this Note is secured by the following collateral described in the security instrument listed herein: deposit accounts described in an Assignment of Deposit Account dated _____.

FINAL AGREEMENT. The undersigned represents and agrees that: (A) this agreement, together with the other documents executed in connection herewith and/or referred to herein collectively, the "Loan Documents" which represent the final agreement between the undersigned and the lender with respect to the subject matter thereof; (B) there are no unwritten oral agreements between the parties; and (C) the loan documents may not be contradicted by evidence of any prior, contemporaneous, or subsequent oral agreements or understandings of the parties. The term "Parties" means Stock Yards Bank & Trust Company and any and all entities or individuals who are obligated, directly or indirectly to repay the indebtedness represented by the Note or any applicable guaranty agreements or have pledged property as security for the

indebtedness represented by the Promissory Note.

ATTORNEYS' FEES: EXPENSES. Borrower shall be liable for and must reimburse Lender for any and all costs incurred (A) by Lender to collect from and enforce payment of any and all amounts owed on the Note or any other loan document, (B) by Lender to defend itself in any and all legal proceedings from claims alleged by Borrower or any Guarantor against Lender relating to the Note, and (C) by Lender in any and all legal proceeding related to the Note. The costs incurred by Lender that Borrower shall be liable for and must reimburse Lender shall include any and all costs incurred before, during, in and after any and all legal proceeding in any forum, including but not limited to legal proceedings in state, federal and bankruptcy courts, both for trial and appeal. The costs incurred by Lender shall include attorneys' fees, court fees, and other expenses, taxable and non-taxable, incurred by or on behalf of the Lender, including but not limited to expenses for service of subpoenas transcripts and documents, and expert witnesses, both consulting and testifying.

BORROWER'S FINANCIAL STATEMENTS. Borrower agrees to furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than one-hundred-twenty (120) days after the end of each fiscal year, Borrower's balance sheet and profit and loss statement for the year ended, (prepared / compiled / reviewed / audited) by (the Borrower / a tax professional / a certified public accountant) satisfactory to Lender.

Interim Statements. As soon as available, but in no event later than thirty days (30) days after the end of each (quarter / month), Borrower's balance sheet and profit and loss statement for the (quarter / month) ended, (prepared / compiled / reviewed / audited) by (the Borrower / a tax professional / a certified public accountant) satisfactory to Lender.

Business Tax Returns. As soon as available, but in no event later than one-hundred-twenty (120) days after the applicable filing date for the tax reporting period ended, Federal and other governmental tax returns, prepared by (the Taxpayer / a certified public accountant / an accountant / a tax professional) satisfactory to Lender.

All financial reports required to be provided above shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Ohio (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Each Borrower understands and agrees that, with or without notice to Borrower, Lender may with respect to any other Borrower (a) make one or more additional secured or unsecured loans or otherwise extend additional credit; (b) alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of any indebtedness, including increases and decreases of the rate of interest on the indebtedness; (c) exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any security, with or without the substitution of new collateral; (d) apply such security and direct the order or manner of sale thereof, including without limitation, any non-judicial sale permitted by the terms of the controlling security agreements, as Lender in its discretion may determine; (e) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; and (f) determine how, when and what application of payments and credits shall be made on any other indebtedness owing by such other Borrower. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. EACH BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

X _____

X _____

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

F.C. FRANCHISING SYSTEMS, INC. ("we," "us," "our," or "Franchisor") and the undersigned franchise, _____ ("you," "your," or "Franchisee"), currently are parties to a certain franchise agreement dated _____ (the "Franchise Agreement") for the operation of a Fresh Coat franchised business designated Fresh Coat franchise no. _____. You have asked us to take the following action or to agree to the following request: *[insert as appropriate for renewal or transfer situation]*

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action nor agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Franchisor Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now have, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties (1) arising out of or related to the Franchisor Parties' performance of their obligations under the Franchise Agreement before the date of your signature below or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signature below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

The following language applies only to transaction governed by the Maryland Franchise Registration and Disclosure Law

Notwithstanding the above, nothing contained herein shall act as a release, estoppel or waiver of any claim or liability arising under the Maryland Franchise Registration and Disclosure Law.

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

The undersigned depositor ("DEPOSITOR") hereby authorizes F.C. FRANCHISING SYSTEMS, INC. ("PAYEE") to initiate debit entries and/or credit correction entries to the DEPOSITOR's checking account designated below, and authorizes the financial institution designated below ("BANK") to debit such account pursuant to PAYEE's instructions.

Name of Financial Institution

Branch

Address of Financial Institution

City

State

ZIP Code

Account Number

Bank Transit/Routing Number

This authority will remain in effect until BANK receives a written cancellation notification from DEPOSITOR in such time as to afford BANK a reasonable opportunity to act on it. DEPOSITOR may stop payment of any entry by notifying BANK at least three (3) business days before the entry is charged to DEPOSITOR'S account. DEPOSITOR may have the amount of any erroneous entry immediately credited to DEPOSITOR'S account by notifying BANK within fifteen (15) calendar days after BANK issues DEPOSITOR'S account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. These rights are in addition to any rights DEPOSITOR may have under federal and state banking or consumer protection laws.

Name of DEPOSITOR: _____

By: _____ Date: _____

Title: _____

A voided check must be attached to this form.

DEPOSIT REMITTANCE FORM
(Keep this copy for your records)

F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, Ohio 45242

Date: _____

Sir or Madam:

I am enclosing my check in the amount of \$5,000 as a deposit to be applied toward the initial franchise fee for a Fresh Coat franchise. I understand and agree that you will reserve, for 30 days after your receipt of my deposit, all portions of the territory I have selected below not previously sold or otherwise reserved as of the date you receive my deposit. I further understand and agree that this deposit is fully earned and non-refundable, in consideration of your removal of the territory from the market for 30 days and your lost or deferred opportunity to franchise it to others.

Please reserve the following territory for me: _____
County and State

I understand and agree that the final boundaries of my territory will be determined within the next 30 days after your receipt of this Deposit Remittance Form accompanied by my deposit, and that the final territory will be subject to availability as of the date you receive this deposit and the population guidelines described in Item 5 of your Franchise Disclosure Document (FDD), a copy of which I have already received. I agree that if I do not enter into a Franchise Agreement with you within 30 days after your receipt of this deposit, you may keep my deposit and sell the territory described above without further obligation to me. I also understand that my territory will include up to an additional 30,000 in population at no additional charge if you receive this by the close of business on the sixteenth day after I received your FDD. This Deposit Remittance Form constitutes the entire agreement between us relating to my deposit, and supersedes any prior understandings and agreements, oral or otherwise. This agreement is governed by the laws of the state of Ohio, without regard to its conflict of laws principles. The federal and state courts located within Hamilton County, Ohio have exclusive jurisdiction in any controversy relating to or arising out of this agreement. I understand and certify that no representations concerning the franchise we are acquiring have been made by F.C. Franchising Systems, Inc. other than those contained in the FDD. In particular, no representations have been made to us concerning the financial prospects of the franchise I am acquiring. Nothing contained in this remittance form shall act as a release, estoppel, or waiver of any liability arising under any state franchise registration or disclosure law.

Signature

Signature

Print Name

Print Name

DEPOSIT REMITTANCE FORM

F.C. Franchising Systems, Inc.
10700 Montgomery Road, Suite 300
Cincinnati, Ohio 45242

Date: _____

Sir or Madam:

I am enclosing my check in the amount of \$5,000 as a deposit to be applied toward the initial franchise fee for a Fresh Coat franchise. I understand and agree that you will reserve, for 30 days after your receipt of my deposit, all portions of the territory I have selected below not previously sold or otherwise reserved as of the date you receive my deposit. I further understand and agree that this deposit is fully earned and non-refundable, in consideration of your removal of the territory from the market for 30 days and your lost or deferred opportunity to franchise it to others.

Please reserve the following territory for me: _____
County and State

I understand and agree that the final boundaries of my territory will be determined within the next 30 days after your receipt of this Deposit Remittance Form accompanied by my deposit, and that the final territory will be subject to availability as of the date you receive this deposit and the population guidelines described in Item 5 of your Franchise Disclosure Document (FDD), a copy of which I have already received. I agree that if I do not enter into a Franchise Agreement with you within 30 days after your receipt of this deposit, you may keep my deposit and sell the territory described above without further obligation to me. I also understand that my territory will include up to an additional 30,000 in population at no additional charge if you receive this by the close of business on the sixteenth day after I received your FDD. This Deposit Remittance Form constitutes the entire agreement between us relating to my deposit, and supersedes any prior understandings and agreements, oral or otherwise. This agreement is governed by the laws of the state of Ohio, without regard to its conflict of laws principles. The federal and state courts located within Hamilton County, Ohio have exclusive jurisdiction in any controversy relating to or arising out of this agreement. I understand and certify that no representations concerning the franchise we are acquiring have been made by F.C. Franchising Systems, Inc. other than those contained in the FDD. In particular, no representations have been made to us concerning the financial prospects of the franchise I am acquiring. Nothing contained in this remittance form shall act as a release, estoppel, or waiver of any liability arising under any state franchise registration or disclosure law.

Signature

Signature

Print Name

Print Name

Item 23. RECEIPT
(Keep this copy for your records)

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Fresh Coat offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island or South Dakota law, if applicable, Fresh Coat must provide this disclosure document to you at your first personal meeting to discuss the franchise, if earlier.

If Fresh Coat does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit B.

The name, principal business address, and telephone number of each franchise seller offering the franchise are: Bernard Brozek (President); Wes Sattler (VP Franchise Development); _____ (Franchise Consultant); and _____ all at 10700 Montgomery Rd., Ste. 300, Cincinnati, Ohio 45242, 513-587-4974; and

The issuance date of this Franchise Disclosure Document is April 15, 2014.

We authorize the respective state officials listed on Exhibit A to receive service of process for us in each particular state.

I have received a Franchise Disclosure Document dated April 15, 2014 that included the following Exhibits:

- | | |
|---|--|
| A Agents for Service of Process | K Disclaimer of Representations |
| B State Franchise Regulators | L Right of First Refusal |
| C Financial Statements | M Table of Contents of Operations Manual |
| D Franchise Agreement | N Franchisee List |
| E Additional Territory Rider | O Franchisees Who Have Left the System |
| F Installment Note | P Assignment Agreement |
| G Personal Guaranty | Q Disclosure Questionnaire |
| H Restrictive Covenant Agreement | R State-Specific Additional Disclosures/Riders |
| I Irrevocable Power of Attorney | S Promissory Note |
| J Agreement Granting Option to Purchase | T Form of General Release |
| | U EFT Authorization Form |
| | V Deposit Remittance Form |

Date: _____

Signature of Prospective Franchise Owner

Print Name

Signature of Prospective Franchise Owner

Print Name

