



# **FRANCHISE DISCLOSURE DOCUMENT**



## FRANCHISE DISCLOSURE DOCUMENT

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company  
3948 Rancho Drive, Ann Arbor MI 48108  
1-800-824-8881  
info@protectpainters.com  
www.protectpainters.com



The franchise owner will provide painting services to residential and commercial customers, utilizing the ProTect Painters business system, which is sometimes referred to below as the “Franchise”, “Franchised Business”, or “ProTect Painters Franchise.”

The total investment necessary to begin operation of a ProTect Painters Franchise is from \$69,100-\$85,000. This includes \$49,100 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mr. Jonathan Koudelka at 3948 Rancho Drive, Ann Arbor, MI 48108, 734-822-6850.

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 the contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

**Issuance date: April 1, 2013**

[See state specific issuance dates, if different from the above date, on page 6.]



## 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 C 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:

1. WE WERE ORGANIZED IN JANUARY 2009 AND HAVE A BRIEF OPERATING HISTORY FOR YOU TO REVIEW. BECAUSE WE HAVE BEEN OPERATING ONLY A SHORT PERIOD OF TIME, WE HAVE LIMITED RESOURCES WITH WHICH TO SUPPORT THE FRANCHISE SYSTEM. YOU MAY WANT TO CONSIDER THESE FACTORS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.
2. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN MICHIGAN. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.
3. ANY DISPUTES WITH US THAT ARE NOT SUBJECT TO ARBITRATION MUST BE RESOLVED BY LITIGATION IN MICHIGAN. IT MAY COST YOU MORE TO LITIGATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.
4. THE FRANCHISE AGREEMENT STATES THAT MICHIGAN 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.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

**Effective Date: April 1, 2013**

[See state specific effective dates, if different from the above date, on page 6.]

## STATE ISSUANCE/EFFECTIVE DATES

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

This 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:	March 26, 2013
Florida:	March 16, 2013
Hawaii:	April 2, 2013
Illinois:	March 20, 2013
Indiana:	March 12, 2013
Maryland:	April 4, 2013
Michigan:	April 1, 2013
Minnesota:	March 21, 2013
New York:	April 12, 2013
North Dakota:	April 2, 2013
Rhode Island:	March 22, 2013
South Dakota:	April 4, 2013
Utah:	March 15, 2013
Virginia:	April 10, 2013
Washington:	March 20, 2013
Wisconsin:	March 15, 2013

## **ADDITIONAL DISCLOSURES FOR THE STATE OF MICHIGAN**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

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

1. A prohibition on the right to join an association of franchisees.
2. A requirement that a franchise 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.
3. 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.
4. 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 old 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 the franchisor's intent not to renew the franchise.
5. 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.
6. A provision requiring that arbitration or litigation is to 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.
7. 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:
  - a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

- d) 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.
8. 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 the subdivision (c).
9. 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 ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Attn: Franchise  
P.O. Box 30213  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

Michigan Effective Date:      **April 1, 2013**



**PROTECT PAINTERS INTERNATIONAL, LLC**

**TABLE OF CONTENTS**

<b>ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES. ....</b>	<b>11</b>
<b>ITEM 2. BUSINESS EXPERIENCE. ....</b>	<b>14</b>
<b>ITEM 3. LITIGATION. ....</b>	<b>16</b>
<b>ITEM 4. BANKRUPTCY.....</b>	<b>16</b>
<b>ITEM 5. INITIAL FEES. ....</b>	<b>16</b>
<b>ITEM 6. OTHER FEES. ....</b>	<b>18</b>
<b>ITEM 7: ESTIMATED INITIAL INVESTMENT .....</b>	<b>20</b>
<b>ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....</b>	<b>22</b>
<b>ITEM 9. FRANCHISEE’S OBLIGATIONS.....</b>	<b>27</b>
<b>ITEM 10. FINANCING.....</b>	<b>28</b>
<b>ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING. ....</b>	<b>30</b>
<b>ITEM 12. TERRITORY.....</b>	<b>39</b>
<b>ITEM 13. TRADEMARKS.....</b>	<b>44</b>
<b>ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....</b>	<b>46</b>
<b>ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....</b>	<b>47</b>
<b>ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL. ....</b>	<b>47</b>
<b>ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....</b>	<b>48</b>
<b>ITEM 18. PUBLIC FIGURES.....</b>	<b>51</b>
<b>ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS .....</b>	<b>52</b>
<b>ITEM 20. OUTLETS AND FRANCHISEE INFORMATION .....</b>	<b>55</b>
<b>ITEM 21. FINANCIAL STATEMENTS.....</b>	<b>62</b>
<b>ITEM 22. CONTRACTS.....</b>	<b>62</b>
<b>ITEM 23. RECEIPTS.....</b>	<b>63</b>

<b>EXHIBIT A-1 FRANCHISE AGREEMENT AND RELATED MATERIAL</b>	<b>64</b>
<b>EXHIBIT A-2: STATE ADDENDA AND RIDERS TO FRANCHISE AGREEMENT ....</b>	<b>117</b>
<b>EXHIBIT A-3: CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT .....</b>	<b>128</b>
<b>EXHIBIT A-4: DISCLOSURE AND ACKNOWLEDGMENT STATEMENT.....</b>	<b>129</b>
<b>EXHIBIT A-5 MUTUAL RELEASE – RENEWAL .....</b>	<b>130</b>
<b>EXHIBIT A-6: GENERAL RELEASE – ASSIGNMENT .....</b>	<b>133</b>
<b>EXHIBIT A-7: SAMPLE REGIONAL ADVERTISING COOPERATIVE ADDENDUM.....</b>	<b>137</b>
<b>EXHIBIT A-8: ELECTRONICS FUND TRANSFER AGREEMENT.....</b>	<b>141</b>
<b>EXHIBIT B: FINANCIAL STATEMENTS .....</b>	<b>142</b>
<b>EXHIBIT C: STATE ADMINISTRATORS.....</b>	<b>142</b>
<b>EXHIBIT D: AGENTS FOR SERVICE OF PROCESS.....</b>	<b>145</b>
<b>EXHIBIT E: STATE ADDENDA TO DISCLOSURE DOCUMENT.....</b>	<b>146</b>
<b>EXHIBIT K: RECEIPT .....</b>	<b>153</b>

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

### *1.1 Introduction*

ProTect Painters International, LLC., is a Michigan limited liability company formed January 8, 2009 for the sole purpose of franchising and licensing the ProTect Painters system (the "System") in the United States and internationally. Throughout this Disclosure Document "we," "our," and "us," means ProTect Painters International, LLC, and "you" and "your" means the Franchise Owner or Licensee. We maintain our principal business address at 3948 Ranchero Drive, Ann Arbor, MI 48108. Our agent for service of process is disclosed in Exhibit D of this Disclosure Document.

### *1.2 Our Business and the Franchises Offered in This State*

In January 2009, we purchased substantially all of the assets of ProTect Painters Development LLC, formerly a franchise company owned and operated by Mr. Wayne Scherger. Our purpose for this acquisition was to bring some of the personnel, experience, relationships and expertise of Service Brands International, LLC, a Michigan limited liability company and our affiliate, to the ProTect Painters System, with the intention to accelerate its growth and market presence, as well as to improve its operating systems. In April of 2009, we started offering ProTect Painters franchises (also referred to as the "Franchised Business") to provide professional and reliable residential and commercial painting services in the United States, using uniform methods, procedures, operating systems and techniques, as defined in our Operating Manuals (the "Manuals"), the ProTect Painters trademarks (the "Marks"), and methods and techniques for record keeping and reporting, sales promotion, marketing and advertising (the "System"). As of December 31, 2012 ProTect Painters International, LLC, had 31 franchises in the United States and an additional 5 signed but not opened. Additionally, ProTect Painters Development, LLC, now known as Next Steps Franchise Development, LLC, had 7 franchises in the United States as of December 31, 2012. We do not own or operate any ProTect Painters franchises or any other type of painting business. We do not anticipate offering franchises in any other line of business, although we reserve the right to do so.

Each Franchise will be awarded a Designated Marketing Territory (also referred to as the "DMT") where you may market residential and commercial painting services. We and/or other ProTect Painters Franchisee(s), ProTect Painters Company Stores, and the ProTect Painters National Service Team (collectively referred to as "ProTect Painters Affiliates") may perform services in your DMT (Item 12 and in Section 1 of the Franchise Agreement) but only as provided for in the Franchise Agreement and our then current Servicing Policy. We grant franchises only in accordance with our Franchise Agreement (the "Franchise Agreement"). A copy of it is attached as Exhibit A-1. We may change, improve, and develop the System periodically, including required and/or optional goods and services to be provided by the Franchised Business. We are a member of the International Franchise Association and abide by its Code of Principles and Standards of Conduct.

### *1.3 The ProTect Painters Marketing Outlook*

As a franchise owner, you will perform residential and commercial painting services. You will retain independent contractors to perform these services. ProTect Painters businesses can be operated from a home office, if allowed by your local laws, or as you grow, you may lease office space in a commercial or light industrial office park of your choice. We will not review your choice of office space.

The ProTect Painters system allows you to more effectively respond to the needs of your customers, by utilizing our computer systems, and personalized marketing approach, customer relationship management system, and by the use of highly identifiable ProTect Painters marketing vehicles in the communities we service.

To better enable you to focus on estimating jobs, securing customer contracts and retaining independent contractors to perform these painting services, we will provide you with sample marketing materials. From these materials, you will select the items which you wish to use to market to the zip codes listed in your DMT.

Within the residential and commercial painting market, ProTect Painters competes with other businesses, including other national and regional franchise programs as well as services provided by local painting establishments. ProTect Painters is a year-round business, but depending upon what state you are located in, sales may encounter seasonal fluctuations. We differentiate the System from our competitors in ways that are specifically designed to offer our customers accessibility, convenience, quality, flexibility, and peace of mind. We do this through distinctive service techniques, packaging and signs, delivery of services and products, comprehensive sales and marketing procedures and methods, specialized advertising, and our Franchise Management Software System (referred to as the “Software”), which is used for project estimating, managing customers, and scheduling.

#### *1.4 Our Predecessors, Parents and Affiliates*

Our predecessor, ProTect Painters Development LLC, a Massachusetts limited liability company, established on November 6, 2002, sold substantially all of its assets to us in January 2009, and changed its name to Next Steps Franchise Development, LLC (“NSFD”), a Massachusetts limited liability company. NSFD’s principal business address is 831 Beacon Street #322, Newton Center, Massachusetts, 02459. As part of the sale, NSFD retained its interest in (including its right to collect royalties and other payments and to otherwise service) the franchises existing as of January 15, 2009. At the same time we granted NSFD a limited license to use and sublicense the System and Marks in those franchises’ territories in Massachusetts, Georgia, Virginia, Minnesota, Florida, New Hampshire, North Carolina and South Carolina. In all other regards, NSFD has ceased franchising operations. NSFD never offered franchises in any other line of business and does not operate company-owned ProTect Painters businesses.

The predecessor of NSFD, ProTect Painters, Inc., a Massachusetts corporation, located at 831 Beacon Street #322, Newton Center, Massachusetts, 02459, offered franchises under the ProTect Painters name and conducted the same type of business since its incorporation on March 28, 1996. ProTect Painters, Inc. had 12 franchised businesses, which it transferred to ProTect Painters Development, LLC in 2003. ProTect Painters, Inc. has since ceased operations and was administratively dissolved on May 31, 2007. At no time did ProTect Painters, Inc. offer franchises in any other line of business.

We have no parent companies. We do have affiliates, and by “affiliate”, we mean there is some common ownership, and some utilization of common resources. However, each affiliate is a separate and distinct company, with no common liability, responsibility(ies), or authority.

The Managing Owners who hold majority ownership of ProTect Painters (the “ProTect Managing Members”) are also Owners of Molly Maid, Inc. (“Molly Maid”), a Michigan corporation formed May 8, 1984 to franchise the MOLLY MAID system in the United States. MOLLY MAID maintains its principal business address at 3948 Rancho Drive, Ann Arbor, MI 48108. It is a franchising company dedicated to offering the most professional and reliable residential cleaning system and service in the United States. As of December 31, 2012, MOLLY MAID has 439 franchises in the United States and Puerto Rico.

The ProTect Managing Members are also Managing Members of Mr. Handyman International, LLC (“Mr. Handyman”), a Michigan limited liability company formed on January 6, 2000, as well as Mr. Handyman Canada Company, a Nova Scotia company formed on March 30, 2010. Both companies are franchising companies dedicated to performing business and residential maintenance and repair services; Mr. Handyman in the United States and Mr. Handyman Canada Company in Canada. Both maintain their principal business address at 3948 Ranchero Drive, Ann Arbor, MI 48108. As of December 31, 2012, Mr. Handyman has 186 franchises, and Mr. Handyman Canada Company has 11.

In November of 2007, the ProTect Managing Members acquired some ownership in PuroSystems, Inc., (“PuroSystems”), a Florida corporation formed in 1990, which began franchising PuroFirst in 1991 and PuroClean in 2001. PuroSystems is a franchising company which provides property damage mitigation and restoration services to residential and commercial customers in the United States and Canada under the names PuroClean and PuroFirst. PuroSystems maintains its principal business address at 6001 Hiatus Road, Suite 13, Tamarac, FL 33321. As of December 31, 2012, PuroSystems has 6 PuroFirst franchises and 236 PuroClean Franchises in the United States. They also have 20 PuroClean Franchises in Canada.

The ProTect Managing Members are former Managing Members of 1-800-DryClean, LLC (“1-800-DryClean”), a Michigan limited liability company, formed January 14, 2000, to franchise the 1-800-DryClean System, dedicated to offering professional and reliable dry cleaning pickup and delivery service in the United States. On or about July 10, 2012, we sold our interest in 1-800-DryClean to Certified Restoration DryCleaning Network, LLC (“CRDN”). At the time of the sale, 1-800-DryClean had approximately 102 franchises. Currently, 1-800-DryClean maintains its principal business address at 2060 Coolidge Highway, Berkley, MI 48072.

Ductz International, LLC (“DUCTZ”), a Michigan limited liability company formed March 30, 2004, is a former affiliate of the majority owners of ProTect Painters which franchises the DUCTZ system in the United States. DUCTZ offers residential duct cleaning services, with the opportunity to perform commercial and industrial duct cleaning. The ProTect Managing Members were previously DUCTZ Managing Members, and on or about July 24, 2007, sold their interest in DUCTZ to DUCTZ Holdings, LLC, a subsidiary of Belfor USA Group, Inc. At the time of the sale, DUCTZ had approximately 74 franchises in the United States. Currently DUCTZ maintains its principle business address at 731 Fairfield Court, Ann Arbor, MI 48108.

The ProTect Managing Members joined with Wayne Wudyka and Jeffrey Snyder on June 12, 2001 to establish Certified Restoration DryCleaning Network, LLC (“CRDN”), a Michigan limited liability company and also a former affiliate of the ProTect Managing Members, which franchises the Certified Restoration DryCleaning System in the United States, Canada and the United Kingdom. It offers restoration dry cleaning services for clothing and soft goods, from an insured casualty, through a franchised network of local drycleaners. On or about January 1, 2008, the ProTect Managing Members sold their interest in CRDN to their partners Wayne Wudyka and Jeffrey Snyder. At the time of the sale, CRDN had approximately 127 franchises in the United States, 8 in Canada, 11 in the United Kingdom, and operated one unit of the type being franchise. Currently CRDN maintains its principal business address at 2060 Coolidge Highway, Berkley, MI 48072.

Except as provided above, none of our affiliates have ever offered franchises for a business similar to ProTect Painters or any other line of business.

Except as provided above, we have no predecessors or affiliates required to be disclosed in this Item 1. Except as disclosed in this Disclosure Document, neither we nor any affiliate or any of our members/officers currently operate any other types of franchises.

## 1.5 *Laws and Regulations*

You must comply with all federal, state, and local laws, rules and regulations that apply to residential and/or commercial painting services in general. All businesses are subject to governmental regulations, and you should check with state and local authorities concerning regulations that will affect your business. In addition to laws that apply to businesses generally, there may be laws, rules, or regulations specific to the services and products offered by this type of business in the state or local area in which you will operate your business, including the requirement that you obtain a painting/general contractor license to operate the business. As of the date of this Disclosure Document, California and Florida require you to hold a painting/general contractors license or other special licenses, and you need work experience and to pass a test to secure the license. Other states or counties may require licenses as well. You must also comply with all federal, state and local laws, rules and regulations related to the handling and/or disposal of paint, lead paint, mold, and/or hazardous waste. Some of the laws, rules and regulations you will want to investigate include the Federal Hazardous Waste Management laws, Environmental Protection Agency (mold, lead, and other hazardous materials), and Occupational Safety and Health Administration's regulations. It is your sole responsibility to investigate and comply with these laws, rules and regulations, and keep apprised of changes that are made in areas that you service. You must maintain your license(s) in good standing with the licensing authority for the entire term of the Franchise Agreement and all Renewal Terms.

### **ITEM 2. BUSINESS EXPERIENCE.**

President: Christopher Ring: Mr. Ring joined ProTect Painters International in April 2010, where he has served in a variety of positions, including Regional Service Manager and Vice President of Operations and Training, culminating in his promotion to his current title in January 2013. Before this, Mr. Ring was Owner of Metro Coatings, in Perrysburg, Ohio from November 2006 to March 2010.

Vice President of Marketing and Development: Anne Nemer: Ms. Nemer was named Vice President of Marketing and Development in October 2011. Before this, Ms. Nemer served as Senior Director of Integrated Marketing from January 2010 to September 2011. Before this, Ms. Nemer served as the Director of Marketing for our affiliate Mr. Handyman from August 2004 to January 2010 (Ann Arbor, MI).

Concept Founder and Owner: Wayne Scherger: Mr. Scherger is the Founder of ProTect Painters and has been a Managing Member of ProTect Painters since its inception. From January 2009-June 2010, he also served as the President of ProTect Painters. Mr. Scherger has been a Managing Member of ProTect Painters Development, LLC., a Massachusetts limited liability company, since its inception in October 2003. In January 2009, ProTect Painters Development, LLC sold its assets to us and changed its name to Next Steps Franchise Development, LLC. Mr. Scherger now remains a Managing Member of Next Steps Franchise Development, LLC. Mr. Scherger was also the Managing Member of ColorAuto, LLC, a Massachusetts limited liability company, from April 2005 to June 2009. Mr. Scherger was also the Managing Member of ColorClub, LLC, a Massachusetts limited liability company, from September 2006-June 2009. ColorClub, LLC is a subfranchisor for Colorworks USA, Inc. for Georgia, North Carolina, and South Carolina.

Chief Financial Officer: David Taccolini: Mr. Taccolini joined us in our inception as Chief Financial Officer. He joined our affiliates MOLLY MAID, Mr. Handyman and 1-800-DryClean as Controller in January 2002, and was named Chief Financial Officer ("CFO") in July 2002, a position he continues to hold (all located in Ann Arbor, MI).

Vice President of Operations: John Eggenberger: Mr. Eggenberger first joined our affiliate MOLLY MAID in 1994 and since has served in a variety of positions. Mr. Eggenberger joined us

at our inception as Vice President of Training and was named Vice President of Operations in October 2009. Mr. Eggenberger continues to work with our new owners. Mr. Eggenberger joined our affiliate, Mr. Handyman, in 2000 as Vice President of Operations; while there he also served as Vice President of Corporate Development, and Vice President of Training (Ann Arbor, MI). From December 2007 to October 2009, he was also Vice President of Training for our affiliates, MOLLY MAID and 1-800-DryClean (Ann Arbor, MI).

Director of Franchise Development: Michael Riegel: Mr. Riegel joined us in October 2012 as the Director of Franchise Development. Prior to this, he was the Director of Franchise Development for Quiznos from March 2012 until September 2012 (Denver, CO). Before this, he was a Franchise Development Manager for Strategic Franchising Systems from November 2011 through March 2012 (Cincinnati, OH). Before this, he served as the Director of Franchise Development for Wirelesszone from September 2009 through September 2011 (Middletown, CT). Before this, he was a Realtor for Remax Integrity Realty from July 1999 through September 2009 (Mansfield, OH). He also serves Molly Maid, Mr. Handyman, and Mr. Handyman Canada in the same capacity, all located in Ann Arbor, MI.

Franchise Development Manager: Holly Owens: Ms. Owens joined our affiliates MOLLY MAID and Mr. Handyman in August 2008 (Ann Arbor, MI), and began serving ProTect Painters in the same role in July 2010. Since then she has served in a variety of positions including Lead Qualifier, Franchise Development Resale Manager and Franchise Development Manager. From 1993 to August 2008, Ms. Owens was a stay-at-home mom.

Co-Chairman and Managing Member: David G. McKinnon: Mr. McKinnon has been a Managing Member and Co-Chairman of our Board since ProTect Painters' inception. In 1984, Mr. McKinnon co-founded our affiliate MOLLY MAID, Inc (Ann Arbor, MI). He currently is Chairman, CEO and Shareholder of MOLLY MAID; Chairman and Managing Member of Mr. Handyman (since January 2000); Chairman and Shareholder of Mr. Handyman Canada Company (since March 2010), all are located in Ann Arbor, MI. He has been Treasurer, Director, and a Managing Member of PuroSystems since November 2007 (Tamarac, FL). Since April 2000, he has been a Managing Member and Co-Chairman of Service Brands International, LLC, (Ann Arbor, MI). From May 2001 to January 2008, he served as Chairman and Managing Member for CRDN (Ann Arbor, MI). From January 2000 to July 2012, he was a Chairman, CEO, and Managing Member for 1-800-DryClean (Ann Arbor, MI).

Co-Chairman and Managing Member: Robert P. Ufer, Esquire: Mr. Ufer has also been a Managing Member and Co-Chairman of our Board since ProTect Painters' inception. He has been a Director and Shareholder of MOLLY MAID since April 2000 (Ann Arbor, MI). He has been a Managing Member of Mr. Handyman since 2000 (Ann Arbor, MI), PuroSystems since 2007 (Tamarac, FL) and a Shareholder of Mr. Handyman Canada Company since March 2010 (Ann Arbor, MI). He has been Co-Chairman and a Managing Member of Service Brands International, LLC, located in Ann Arbor, MI since April 2000. Mr. Ufer has been a Shareholder of Ufer & Spaniola, P.C., located in Troy, MI since 1987. Formerly, he was a Managing Member of CRDN from May 2001 to January 2008 (Ann Arbor, MI). Also, he formerly was a Managing Member of 1-800-DryClean from January 2000 to July 2012 (Ann Arbor, MI).

Managing Member: Craig Donaldson- Mr. Donaldson has been a Managing Member of ProTect Painters since June 2012 (Ann Arbor, MI). He is also a Managing Member of Mr. Handyman since June 2012 (Ann Arbor, MI); and a Shareholder of both MOLLY MAID and Mr. Handyman Canada since June 2012 (Ann Arbor, MI). Mr. Donaldson served as the President for Harris Research, Inc. located in Logan, Utah from November 1997 to November 2011.

Managing Member: Lynn Drayton: Mr. Drayton has been a Managing Member of ProTect Painters since its inception. He has been a Director and Shareholder of MOLLY MAID since March 1991 (Ann Arbor, MI). He has also been a Managing Member of Mr. Handyman since 2000 (Ann Arbor, MI); of PuroSystems since 2007 (Tamarac, FL) and a Shareholder of Mr Handyman Canada Company since April 2010 (Ann Arbor, MI). He formerly was a Managing Member of CRDN from May 2001 to January 2008 (Ann Arbor, MI). Also, he formerly was a Managing Member of 1-800-DryClean from January 2000 to July 2012 (Ann Arbor, MI).

### **ITEM 3. LITIGATION.**

No litigation is required to be disclosed in this Disclosure Document.

### **ITEM 4. BANKRUPTCY.**

Neither the franchisor, its parents, predecessors, affiliates, officers, general partners nor any individuals who have management responsibility relating to the sale or operation of franchises, has during the 10-year period immediately preceding the Disclosure been involved as a debtor in proceedings under the U.S. Bankruptcy Code or any Foreign Nation's Bankruptcy Code, that are required to be disclosed in this Item.

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

### **ITEM 5. INITIAL FEES.**

#### *5.1 Initial Fees for Franchises*

Upon signing the Franchise Agreement, you must pay us the following Initial Fees (the "Initial Fees")<sup>1</sup>:

1. a fixed Licensing Fee of \$14,900.
2. a fixed Territory Fee of \$25,000. Your DMT will be exclusive for direct marketing and contain approximately 25,000 targeted households within a contiguous area, as described in Item 12. We reserve the right to charge more in situations where a larger territory is granted.
3. a fixed Initial Package Fee of \$9,200 that includes our proprietary Franchise Management Software System, a laptop/tablet computer, accompanying software, printer, marketing materials, certain equipment, products, and supplies, and a \$1,000 Convention Allowance (the "Convention Allowance").<sup>2</sup> The items included in the Initial Package may change to reflect the changing needs of the Franchised Business in accordance with System procedures and changes in suppliers and/or product specifications; and;

If you need to arrange for financing in certain programs, (ex. 401k roll-over) we may allow you to pay the Initial Fees (up to \$49,100) in two installments, with the first installment of \$25,000 due with your signed Franchise Agreement. There is a \$250 fee for this service, due with the second installment, although in special circumstances, we reserve the right to waive that fee.

---

<sup>1</sup> All fees, unless otherwise noted, are due and payable to ProTect Painters.

<sup>2</sup> If you attend the first Convention that is scheduled to occur after your successful completion of the Initial Training Program, \$1,000 will be rebated to you as the Convention Allowance (the "Convention Allowance"). If you do not attend the Convention, it will not be rebated to you. Alternatively, we may rebate a portion of the Convention Allowance after attendance at a Regional Meeting.



There is no interest assessed if the balance is paid within 30 days of your signing the Franchise Agreement; however, if it is not paid within this timeframe, interest will be assessed at a rate of 9.9% a year. The second installment of \$24,100 must be paid in full at least one week before you attend Initial Training.

ProTect Painters is a member of the International Franchise Association (“IFA”) and participates in the IFA's VetFran Program. Under this program, veterans of U.S. Armed Forces who otherwise meet the requirements of the VetFran program are provided with a \$6,000 discount on the Initial Franchise Fee. This is only applicable for the first ProTect Painters Franchise awarded to you.

We may offer reduced or deferred Initial Franchise Fees in special circumstances, such as in connection with sales incentives, economic development programs, minority franchise programs, or to penetrate new and/or unique markets for our Franchise System (the “Programs”), to third parties which otherwise meet our financial and other qualifications and enter into a franchise agreement with us. The Programs are intended to promote economic renewal or development in economically impoverished areas and/or to assist minority franchisees. These special incentives may be offered to new franchisees and/or to established franchisees in the future. From time to time, we may also offer promotional offers, such as a marketing or vehicle credit, to all who purchase an initial franchise during a specific time period.

#### *5.2 Initial Fees for Additional Franchises, Renewals and Transfers*

The ProTect Painters business system is built around marketing to a specific geographic territory. The sale of additional franchises to a new owner is challenging, because it requires the new owner to double his/her efforts in several critical regards. It may also cause a new owner not to focus adequately on each of the purchased business DMTs. For this reason, our Manuals have specific requirements and timelines to safeguard against these challenges in the case of a new owner buying additional franchises.

However, you may apply for an additional franchise and, if we approve your request, you may be awarded an additional franchise (Item 12). For additional franchises awarded to you, you must agree to sign our then-current Franchise Agreement and Territory Fee. Currently we waive the Initial Package Fee for additional franchises awarded to you. These fees are non-refundable.

If this is a Renewal Term, the Initial Franchise Fee and the Initial Package Fee are waived. You must pay, however, the Renewal Fee.

If this is a Transfer, at the time of signing the Franchise Agreement, you (or the Seller) must pay the then current Transfer Fee, and you must purchase the then current Transfer Initial Package. Currently the Transfer Fee is \$9,900 and the cost of the Transfer Initial Package Fee is \$5,650. The Initial Franchise Fee is waived. If the agreement that you have with the Seller includes a tradeshow display and/or computer that meets our specifications, which is less than 2 years old, then the cost of the Transfer Initial Package will be decreased by the cost of the tradeshow display and/or computer included in the Initial Package. None of the Transfer Fees are refundable, except for the Convention Allowance as described in footnote 3 above.

Except for the Convention Allowance listed in Item 5.1.2 and 5.2, there are no other refunds under any circumstances.

**ITEM 6. OTHER FEES.**

<i>Type of Fee (Note 1 )</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Royalty see Note 2	5% of Gross Sales for Franchisees' in good standing; otherwise 7% of Gross Sales.	Due by automatic debit each Thursday for Gross Sales achieved the preceding week see Note 3	Royalties are payment for the use of the Marks, System, DMT, and Manuals. "Gross Sales" means all revenue you derive from the business less any sales tax. In Renewals, the Royalty remains the same. A Franchisee is in good standing so long as they are compliant with the Franchise Agreement.
Sales and Technology Fund	2% of Gross Sales.	Due by automatic debit each Thursday for Gross Sales achieved the preceding week	For use of the Call Center, Telephone Service, Online Business Accounting Service, Software, Internet Home Page and/or other technology services (see Item 11)
General Marketing Fund	1% of total Gross Sales.	Due by automatic debit each Thursday for Gross Sales achieved the preceding week	See Note 4.
Local Marketing Program	\$35,000 in Year 1. Greater of 8% of the previous or the current year's Gross Sales in Year 2. Greater of 6% of the previous or current year's Gross Sales in Year 3. Greater of 4% of the previous or current year's Gross Sales in years 4 or more.	Payable per suppliers' terms.	Your local advertising expenses for advertising and promotional programs in your DMT; Regional Advertising Cooperative fees are considered part of your local marketing expenditures and are not an additional requirement.
Communications	The then-current fee. Presently \$139 -\$219 per month for 1 account/ user.	Payable per supplier's terms.	DSL, cable, or satellite high speed internet connection, electronic mail monthly service, anti-virus, and broadband wireless service built into the computer. To be operable before Initial Training.
Conventions and Regional Meetings; Initial Training for Additional Personnel	Our then current fee. At present, \$250 per person per event. Two free Initial Training fees are included. Plus travel, lodging and meals, estimated at \$550-\$1,750 per person.	Before the start of meeting.	Meeting room space, some meals, audio visual rental, workbooks, speakers, etc. Travel, lodging and meals will vary based on physical distance to the conference/meeting/ training & accommodations chosen. Travel estimates are per person and assume double occupancy.

<i>Type of Fee (Note 1 )</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Renewal	Our then-current fee. At present: \$10,000	When you sign your Renewal Franchise Agreement.	Neither the Royalty nor DMT will change in the Renewal Term Franchise Agreement.
Transfer	Our then-current fee, presently \$10,000.	Due upon your signing of the Franchise Agreement.	No charge if the Transfer is to an entity controlled by you or to a spouse, parent, or child.
Broker Fee	Only due if you request a broker's assistance. The then current fee, presently this is \$17,000.	Due upon closing of the sale of the Franchised Business.	Optional. Only due if you request that we enlist a third party broker to locate a buyer for your business and they find one.
Product / Vendor / Supplier Approval	Will vary under circumstances. Currently \$0 - \$2,000, but not to exceed our cost to conduct the requested examination	Due when billed	To be paid by you or the supplier / vendor. See Note 5.
National and Regional Accounts	Will vary, depending on our contract with third party vendors. Currently \$0.	Due when billed	Due if you choose to participate in a national or regional account program that charges participation or administrative fees. Currently there are no programs that require this fee to be paid.
Interest	12%	Due by automatic debit each Thursday.	Due on all overdue amounts from the date the amounts were originally due.
Late Royalty Report and Payment Fee	The then-current fee. At present: \$20 per week the payment is late; Non-sufficient funds are \$33.	Due by automatic debit each Thursday for the past week.	Due for each Royalty Report or Royalty Payment that is not submitted when due, or if there are non-sufficient funds.
Insurance	Cost of insurance.	As required by insurer or broker.	See Note 6.
Audit	Amount of understated Royalty, General Marketing Fund and S & T Fund contributions, and local marketing program contributions, late fees & interest; Cost of inspection or audit, presently estimated at \$2,500-\$3,000; and additional penalty fee equal to 10% of understated Gross Sales	15 days after billing.	If an audit of your business discloses understated Gross Sales, you must pay us these amounts. Cost of inspection or audit only due if an inspection or audit is made necessary by your failure to furnish reports, supporting records, or other information as required or if an understatement of Royalty by you is greater than 5% for any period reviewed. Penalty Fee only due if an understatement of Royalty is greater than 5% for any period reviewed.
Costs and Attorney's Fees	Will vary under circumstances.	As incurred.	Due when you do not comply with the Franchise Agreement.

<i>Type of Fee (Note 1 )</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Indemnification	Will vary under circumstances.	As incurred.	You must reimburse us if we are held liable for claims from your Franchised Business's operation.
Warranty Fee	Will vary under circumstances.	Upon expiration or termination	You must pay us the greater of \$4,000 or the warranty fees you have collected from your customers over the past two (2) years.

Note 1: The above table describes other recurring or isolated fees or payments that you must pay to us or our affiliates, or which we or our affiliates may impose or collect for a third party. All fees, unless otherwise specified, are uniformly imposed and collected by and payable to us. All fees are non-refundable.

Note 2: At any time after 12 months in operation, if you do not achieve the required average Minimum Gross Sales measured over a period of 3 consecutive weeks, we may collect a Royalty equal to what you would have been assessed had you achieved the Minimum Gross Sales. In those geographic areas of the country where outdoor painting is seasonal, we will not assess minimums in the months of January-March. If you have been awarded more than one Franchise Agreement, you will be required to meet the Minimum Gross Sales separately for each individual Franchise Agreement.

Note 3: Before attending training, you must sign and deliver to us the documents we require to debit your business checking account automatically for the Royalty, General Marketing Fund ("Marketing Fund") contributions, S & T Fund contributions, and any Late Payment and/or Interest Fees. Our Royalty Week currently begins on Sunday and ends on Saturday. The Gross Sales Report is due on Tuesday for the preceding week; and the Royalty payment is due on Thursday for the preceding week. We reserve the right to change the due date at any time with 7 days notice to you.

Note 4: The Marketing Fund may be used to pay the costs, including personnel, associated with preparing and producing video, audio, and written materials, administering and placing national, regional, and/or multi-regional marketing and advertising programs, administering and placing cross-promotion programs with third parties, and employing outside advertising and public relations agencies to provide assistance and support for public relations, market research, and other advertising, promotion, and marketing activities. We will furnish to our Franchise Owners, upon request, a monthly statement of monies collected and costs incurred by the Marketing Fund.

Note 5: If you request that we review a product for approval, you will be assessed the cost we are assessed to review and research the product; as well as to inspect the vendor/ supplier's facilities and/or test/demo the product if needed. The cost for this service will not exceed our cost to conduct the requested examination. As we have not yet conducted an examination of this type, we cannot more precisely estimate these costs.

Note 6: See Item 8 for information regarding our insurance requirements.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b><i>TYPE OF EXPENDITURE (1)</i></b>	<b><i>AMOUNT ESTIMATED</i></b>	<b><i>METHOD OF PAYMENT</i></b>	<b><i>WHEN DUE</i></b>	<b><i>TO WHOM PAYMENT IS TO BE MADE</i></b>
Initial Licensing Fee <sup>1</sup>	\$14,900	Lump Sum	Upon signing the Franchise Agreement	Us
Territory Fee <sup>1</sup>	\$25,000	Lump Sum	Upon signing the Franchise Agreement	Us
Initial Package <sup>2</sup>	\$9,200	Lump Sum	Upon signing the Franchise Agreement	Us
Office Equipment <sup>3</sup>	\$0-750	Lump Sum	As Incurred	Outside suppliers
Vehicle (3 months) <sup>4</sup>	\$1,500-\$2,500	Periodic	As Incurred	Outside suppliers
Licenses/Deposits <sup>5</sup>	\$1,050 - \$2,400	Lump Sum	As Incurred	State/Local Agencies, Utilities and Vendors
Travel and Living Expenses while Training <sup>6</sup>	\$2,500 - \$3,500	Lump Sum	As Incurred	Airlines, Hotels, Restaurants, & Car Rentals
Prepaid Insurance Premiums (3 months) <sup>7</sup>	\$1,200 - \$3,000	Lump Sum	As Incurred	Outside suppliers
Additional Funds (3 months) <sup>8</sup>	\$13,750 - \$23,750	Periodic	As Incurred	Various persons, including contractors, vendors, and employees
<b>TOTALS</b>	<b>\$69,100-85,000</b>			

Note 1: Your DMT will include approximately 25,000 targeted households within a contiguous area, as described in Item 12. If you need to arrange for financing through a program such as a 401k roll-over, we may allow you to pay the Initial Franchise Fee and Initial Package in two installments, with the first installment of \$25,000 due with your signed Franchise Agreement. There is a \$250 fee for this service, although in special circumstances, we reserve the right to waive that fee. There is no interest assessed if the balance is paid within 30 days of your signing the Franchise Agreement; however, if it is not paid within this timeframe, interest will be assessed at a rate of 9.9% a year. The balance must be paid in full at least one week before your attendance of Initial Training. All Initial Fees must be paid seven (7) days before you attend Initial Training (Item 10 of the Disclosure Document).

Note 2: You must purchase the Initial Package from us, which includes our proprietary Franchise Management Software System, marketing materials, tradeshow display items, public relations package, laptop/tablet computer, printer, trademarked office supplies, stationery, and the \$1,000 Convention Allowance. If this is a transfer, you must purchase a Transfer Initial Package from us at a price of \$5,650. If the agreement that you have with the Seller does not include a tradeshow display and/or computer that meets our specifications or it is more than 2 years old, the cost of the Transfer Initial Package will be increased by the price of the tradeshow display and/or computer.

There are no refunds, except if you attend the first Convention that is scheduled to occur after your successful completion of the Initial Training Program, \$1,000 will be rebated to you as the Convention Allowance (the “Convention Allowance”). If you do not attend the Convention, it will not be rebated to you. Alternatively, we may rebate a portion of the Convention Allowance after attendance at a Regional Meeting.

Note 3: The amount estimated for office equipment, fixtures, and furnishings includes desks, chairs, a file cabinet, wastebaskets, and other equipment and supplies necessary to begin the operation of the Franchised Business. The low estimate is if you already have these items and the high end if you need to purchase them.

Note 4: Franchised Businesses begin operation with one vehicle that meets System Standards and specifications. The approved vehicle list is available on the Intranet website, although we reserve the right to revise the approved model and vendor for any future purchases/leases at any time. As your Franchised Business grows, you will need to add additional vehicles. You should consult your personal financial advisor to determine whether you should lease or purchase your vehicles. The cost of purchasing and outfitting a vehicle typically costs around \$24,900, plus applicable taxes. When leasing, the amount of deposit will vary depending upon supplier pricing strategies, promotions, and willingness to provide startup businesses with more advantageous pricing than they typically offer individuals leasing a single vehicle. The price listed here is the current three month lease price through our approved vendor, and a 48 month term, plus registration, including a maintenance program.

Note 5: As required by local and state laws and regulations. Also includes the initial training and equipment costs for getting certified with the EPA.

Note 6: Out-of-pocket travel expenses vary depending on your proximity to our training centers in Ann Arbor, MI, Norcross, GA and/or other locations determined by us, the type of transportation you use, and your individual expenses during the Initial Training period of 10 days. For the purposes of this Item, we have estimated training cost for 1 individual.

Note 7: Specifications are listed in Section 7.C. of the Franchise Agreement and Item 8 of this Disclosure Document. Typically, insurance companies require startup businesses to pre-pay a portion of their premiums. Premiums vary based on the state’s rates for workers compensation and general liability policies.

Note 8: This item estimates your initial startup expenses for the first three months of operations, not including those expenses identified separately in the table. The estimate of additional funds does not include an owner’s salary or draw; it does include basic initial painting supplies, advertising, and a cell phone that has GPS. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The amount of working capital you need will depend on a number of factors. These factors include the area in which you are located; how well you follow our methods and procedures; your management skills; your experience and business acumen; local economic conditions; the relative effectiveness of your staff; the local market for residential and commercial painting products and services; the prevailing wage rate; competition; and the sales level reached by your Franchised Business during its initial period.

**We have relied on the management team’s general experience with franchising in the United States to compile these estimates. You should review them carefully with a business advisor before making any decision to purchase the franchise.**

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

### *8.1 Initial Package*

You must purchase our Initial Package of software, equipment, products, and supplies (Exhibit B of the Franchise Agreement) from us before beginning operation of the Franchised Business. The items included in the Initial Package change periodically to reflect the changing needs of the Franchised Business in accordance with System procedures and changes in suppliers and/or product specifications. In 2012, our total revenues were \$698,067 and we derived 46% of our revenues from the sale of required purchases or leases (33% of the revenue we received for the sale of required purchases or leases in 2012 was for the sale of the Initial Package, of which we sell at our cost of the goods, plus a small fee for handling and printing.) Our affiliates did not derive any revenue in 2012 from the sale of required purchases or leases. In 2013, we and our affiliates expect to derive 30% of our revenues from sales of the required purchases and leases.

We do not make our criteria for vendor/supplier approval available to our franchisees. You must also maintain System Standards of your Franchised Business, and may use only those products and equipment, which meet System Standards. We may inspect your Franchised Business on an annual basis, or more frequently if needed, in order to ensure that System Standards and specifications are maintained. If we find anything that does not meet our standards, you will be required to correct them within a reasonable period of time. If you fail to take corrective action, we may close the Franchised Business until the corrective action is taken or otherwise terminate your franchise. Periodically, we may make changes, modifications, and variations to the System, and we may require you to update or modify your Franchised Business at your expense to bring it up to current standards.

We estimate that, in relation to all purchases and leases to be made by the franchisee in establishing and operating the business, approximately 40% will be for services, products, or leases that are required. As of the date of this offering, we do not have any purchasing or distribution cooperatives, but we reserve the right to create them in the future. The materials that are included in our Initial Package are shipped from us or our approved suppliers. Unless otherwise stated on the ProTect Painters Intranet Website or Manuals, we are the only approved vendor for all trademarked material.

You will also be required to purchase, display, and sell all merchandise bearing the ProTect Painters name or logo, which we now carry or may develop in the future. All merchandise bearing our name and logo will be purchased either directly from us, or from suppliers that we designate. You will not be allowed to sell any of our trademarked merchandise on a wholesale basis without our permission, or to purchase the merchandise from anyone other than a supplier that has been approved by us in writing. There are no approved suppliers in which any of our officers owns an interest.

A complete list of all our approved vendors is available on the ProTect Painters Intranet site and/or Manuals. We are not affiliated with our approved suppliers and presently we receive no material benefits from your purchases from these companies except as described below. We intend to negotiate with our suppliers to receive rebates or other payments and to negotiate purchase arrangements for franchisee purchases. Any rebates or payments that we receive through these negotiations will be for our management of the System.

You are required to offer and honor a minimum two-year warranty on all materials and workmanship performed by your franchise for each of your customers whose painting was exterior residential, at your own cost. The terms of the warranty will be established by ProTect Painters and periodically updated.

We are not an affiliate of Enterprise; however, because of fleet buying incentives we may qualify for rebates, depending on actual volume. We anticipate that the franchise owner receive the majority benefit of the rebate up front, reducing the purchase price. We may receive a residual benefit if and when certain fleet volume requirements are met. The exact amount per vehicle varies as it comes from the vehicle's manufacturer and is based on their current pricing as well as the

number of purchases made by franchisees associated with us and our affiliates who are listed in Item 1 (one) of this Disclosure Document. As of the date of this Disclosure Document, we have not received revenue or material consideration for franchisees' purchases or leases from Enterprise; although we reserve the right to do so in the future.

We have negotiated discount pricing with authorized paint vendors who provide this discount to franchisees. The authorized paint vendors include Sherwin Williams, Pittsburg Paint & Glass/Porter Painters, Behr, Glidden Professional, and Benjamin Moore. We received between 1-4% of the revenues paid by Franchisees to these vendors in 2012. Although not obligated, we applied the rebate received for 2012 Sherwin Williams purchases to the General Marketing Fund.

We do not provide material benefits (i.e. renewal or additional franchises) to a franchisee based on his use of designated or approved suppliers.

## 8.2 *Standards and Specifications*

You must operate your Franchised Business according to our standards, specifications, and operating procedures. We will formulate and modify standards and specifications based on our franchisee's experiences in operating the Franchised Business. Our standards and specifications may impose requirements for performance (see Item 12), reputation, quality, and appearance. Our Manuals, Intranet Homepage, or other communications do identify our standards and specifications and/or names of designated or approved suppliers. We continually monitor and evaluate our approved suppliers and vendors based on our experience and that of our franchisees. Use of products and materials that have not received our prior written approval and/or do not meet our standards and specifications can result in the termination of your franchise (Section 12.B. of the Franchise Agreement).

Our specifications for equipment and supplies have been designed to minimize costs and to create consistency among locations. Those specifications include standards for performance, competitive cost, ease of use, quality, availability, compatibility, and the supplier or manufacturer's service and credit history. If we designate vendors/suppliers and you wish to purchase goods or supplies from a vendor/supplier not on our approved list, you or the supplier must request our approval in writing. We will then examine the vendor or supplier, which examination may include a review of product specifications, inspection of the vendor/supplier's facilities, actual testing (or demo) of their product, inquiries as to general reputation and reliability, and all other factors we deem relevant. You or the supplier must pay the reasonable costs of our examination upon our request. We will respond to the request in writing within 20 days; however, if we do not respond within 20 days, the request will be deemed approved. Our response may indicate that we need additional time to complete our review. If we do not approve your request, we must state the reasons. If we give approval, our specifications and standards will be given to the vendor/supplier and they will be added to our approved list for you and all other franchisees. At our discretion, we may, with notice to you, revoke our approval of any previously approved materials due to changes in standards and specifications or if the materials should later fail to meet the quality standards of our approved suppliers.

## 8.3 *Vehicle Standards and Specifications*

You must purchase or lease a vehicle, suitable for operation of the Franchised Business that meet our specifications for model type, color, trademark representation, and appearance (no rust or body damage). These specifications are included in the ProTect Painters Intranet website and/or Manuals. All vehicles purchased or leased for the business are to be maintained in "good" condition as defined by KELLY BLUE BOOK which defines "Good" condition to mean that the vehicle is free of any major defects; the paint, body, and interior have only minor (if any) blemishes, and there are no major mechanical problems. Additionally, in states where rust is a



problem, this should be very minimal. All vehicles used in the business are to be decaled as required by us and the decals are to be free of defects (Section 7.A. of the Franchise Agreement).

#### 8.4 Insurance (Section 7.C. of the Franchise Agreement)

Before attending Initial Training, you must obtain and maintain in full force and effect throughout the term of the Franchise Agreement, and at your own expense, the insurance coverage that we require and meet the other insurance-related obligations in the Franchise Agreement (Section 7.C. of the Franchise Agreement) as described below.

The insurance you must maintain reflects the minimum amounts of coverage we require. Our requirements are not meant to reflect the actual needs you may have or other state-mandated coverage, and it is your responsibility to carefully evaluate if the minimums will adequately meet your needs and state requirements, (i.e. flood insurance, employment practices liability, pollution or major medical, etc). All policies must be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of "A-" or better. When we locate an insurance provider(s) that is licensed in all or in a significant number of states, including yours, you will be required to purchase your insurance from that provider(s). We reserve the right to specify or change, at our discretion, the specific provider that you must use in the future. Our current requirements are described below:

1. Commercial General Liability Insurance. Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit and \$1,000,000 per occurrence limit. Contractual liability coverage including the assumed personal injury endorsement must be included to cover the indemnity provisions of the Franchise Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. The policy shall contain a waiver of subrogation endorsement as to claims against ProTect Painters International, LLC.

ProTect Painters International, LLC shall be named as an additional insured on this policy on a primary and noncontributory basis, and with a Grantor of Franchise Form CG2029 or an insurer's comparable form.

2. Automobile Liability Insurance. You shall maintain insurance with a combined single limit ("CSL") of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and include a hired and non-owned endorsement. Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.

3. Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance shall be maintained with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit. In "Monopolistic States", such as Ohio, North Dakota, Washington, and West Virginia "Stop Gap" coverage must be purchased separately or added to the CGL policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language. Even if your state does not require that you have worker's compensation and employers' liability, you are still required to have this coverage. You may only use subcontractors who have this coverage.

4. Umbrella Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with a limit of at least \$1,000,000 per occurrence and aggregate and shall list the commercial general liability and automobile liability as scheduled underlying policies.

5. Other Insurance. You shall comply with any state, county, local, or other municipal insurance requirements.

No deductible or self-insured retention can exceed \$5,000 for any required insurance policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy.

You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

All policies will name ProTect Painters International, LLC, its employees, officers and directors, as additional insured, and it will contain no provision which in any way limits or reduces coverage for you if there is a claim against by any one or more of the Indemnified Parties, and will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive notice of at least 10 days of any intent to cancel or materially alter any policy.

At least 10 days before attending training, whenever a change is made to your policy, and before expiration of any insurance coverage, you promise to submit to us a copy or certificate or other acceptable proof of insurance with a copy of the Additional Insured Endorsement on your policy. On occasion, we may request complete copies of all insurance policies to insure compliance with the insurance provisions of the Franchise Agreement.

We may, periodically, and reasonably determine and modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstances. All modifications will be listed in our Manuals or intranet website.

You promise to promptly report all material claims, or potential claims, against you, any Indemnified Party or us, to the insurer and to us.

If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage and premium payments, we may obtain, at our sole option and in addition to our other rights and remedies under the Franchise Agreement, any required insurance coverage on your behalf. We are under no obligation to obtain this insurance, but if we do so, you must fully cooperate with us in our efforts and must promptly sign all forms required to obtain or maintain the insurance. You must also allow any inspections of your Franchised Business required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf will reduce or absolve you of any obligations of indemnification described in the Agreement.

You acknowledge that your franchise may be held financially responsible for wrongful acts that cause bodily injury or property damage to a third party which are committed by an independent contractor working on your behalf even though you have no direct fault for the act. Therefore you promise to obtain or have on file standard ACORD form certificates of insurance for every subcontractor that performs work on your behalf. You will collect certificates of insurance before the subcontractor enters the work site. Certificates of insurance and Subcontractor Agreements will be kept on file for a minimum of five years and will stipulate that your franchise is an Additional Insured and that proper limits are maintained on the subcontractor's General Liability, Commercial Automobile and Worker's Compensation and Employer's Liability Insurance as specified in the Subcontractor Agreement. You acknowledge that, should you fail to maintain certificates of insurance, you may be responsible for paying worker's compensation premiums for all work performed without proper documentation.

#### *8.5 Lease and Leasehold Improvements*

A ProTect Painters Franchised Business is typically operated from your home. If you choose to lease space, we will not evaluate the location of your commercial space and will not require you to obtain our approval before leasing commercial space. We will however, require a business mailing address within your DMT.

*8.6 Computer Hardware and Software Components*

Our present computer hardware and software requirements are listed in detail in Item 11 of this Franchise Disclosure Document.

*8.7 Customer Relationships and Warranties*

You must maintain the Franchised Business in accordance with standards stated in the Operations Manual, Intranet website and other agreements you will sign. You must meet and maintain the highest standard and performance of customer service, as we reasonably require in the Operations Manual and Intranet website. You must make additions, upgrades and replacements to your ProTect Painter Franchised Business as required in the Operations Manual and Intranet website.

You are required to offer and honor a minimum two-year warranty on all materials and workmanship performed by your franchise for each of your customers whose painting was exterior residential, at your own cost. The terms of the warranty will be established by ProTect Painters and periodically updated.

**ITEM 9. FRANCHISEE’S OBLIGATIONS.**

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

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
A. Site Selection and Acquisition/Lease	Sec. 1.C	Item 1
B. Pre-Opening Purchases/Leases	Sec. 2.B.	Items 5, 6, 7, and 8
C. Site Development and Other Pre-Opening Requirements	Sec. 2 and 3	Items 6, 7, 8, and 11
D. Initial and Ongoing Training	Sec. 3.A.	Items 6, 7 and 11
E. Opening	Sec. 2.A., 3.A., and 12.B.	Items 7 and 11
F. Fees	Sec. 2	Items 5, 6, and 7
G. Compliance With Standards and Policies/Operating Manual	Sec. 7.A.	Items 7, 8, and 11
H. Trademarks and Proprietary Information	Sec. 4 and 5	Items 8, 13, and 14
I. Restrictions On Products/Services Offered	Sec. 7.A.	Items 8, 12, and 16
J. Warranty and Customer Service Requirements	Sec. 7.G., and 13	Items 6 and 8
K. Territorial Development and Sales Quotas	Sec. 1.C., 1.D., and 2.F.	Item 12
L. Ongoing Product/Service Requirements	Sec. 2	Item 8

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
M. Maintenance, Appearance and Remodeling Requirements	Sec. 7	Items 8 and 11
N. Insurance	Sec. 7.C.	Items 6, 7, and 8
O. Advertising	Sec. 2.G. and 2.H.	Items 5, 6, 7, and 11
P. Indemnification	Sec. 14.C. and 7.C.	Items 6 and 8.4
Q. Owner's Participation/ Management/ Staffing	Sec. 1.B., 7, and 12	Items 11 and 15
R. Records And Reports	Sec. 7.D.	Item 6 and 11
S. Inspections And Audits	Sec. 8	Items 6, 8, and 11
T. Transfer	Sec. 10	Items 6 and 17
U. Renewal	Sec. 11	Items 6 and 17
V. Post-Termination Obligations	Sec. 13	Item 17
W. Non-Competition Covenants	Sec. 6 and 13	Item 17
X. Dispute Resolution	Sec. 15	Item 17
Y. Third Party Broker Fee	Sec. 10 and 2.K.	Item 6

## **ITEM 10. FINANCING.**

### *10.1. Initial Fee Financing*

The following table summarizes the financing we may offer you for the Initial Fees if you meet our qualifications and credit standards:

<b>Description</b>	<b>Financing Option 1 (Note 1)</b>
Source of Financing	Us
Down Payment	\$ 25,000
Amount Financed	Up to \$24,100
Term (years)	4 months maximum, or at least 1 week before attending Initial Training, whichever occurs first
Rate of Interest plus Finance Charge	No interest if paid within 30 days of signing the note. After that, there is 9.9% APR. There is a \$250 fee to use this service (Note 2)
Monthly Payment	None – paid in one lump sum at the end of the term
Prepayment Penalty	None
Security Required	Personal Guarantee
Guarantee	Personal Guarantee from owners of the Franchise
Liability upon Default	Termination of Franchise; you must also pay entire amount due and our attorney's fees and court costs in collecting debt
Loss of Legal Right Upon Default	None

**Note 1:** Only in certain circumstances, such as when you need additional time to complete a 401k rollover, etc., do we offer this Financing Option.

Note 2: We reserve the right to waive the \$250 fee at our discretion. Due with the second installment.

### 10.2. Vehicle Financing

If you choose to purchase or lease your vehicle from Enterprise, the following table summarizes the financing they may offer you.

Description	Enterprise Financing Option (Note 1)
Source of Financing	Enterprise
Amount Financed	Depends on vehicle specifications, incentive amount, model year, manufacturer's price changes, etc.
Down Payment	Some states require that you pre-pay the sales tax, which varies from state to state. Also our new selector recommends a down payment
Term (number of years)	4 years (48 months) or 5 years (60 months)
Rate of Interest plus Finance Charge	350 Basis points + 3YR Treasury Rate set at the time of purchase/lease, the rate will be fixed.
Monthly Payment (before tax)	Payment varies; depends upon vehicle and term
Prepayment Penalty	None
Security Required	Personal Guarantee
Guarantee	Personal Guarantee from owners of the Franchise and Guarantee from Franchisor
Liability upon Default	Termination of Franchise (see Note 2), repossession of the vehicle, you must also pay entire amount due, early termination fees, and our attorney's fees, Enterprise's attorney's fees and court costs in collecting debt
Loss of Legal Rights Upon Default	None

Note 1: As more fully described in Item 8.1, we may receive a material benefit for purchases or leases that you make with Enterprise. Aside from certain intangible benefits associated with group buying, you receive no material franchise benefits (for example, the award of additional franchises or a successor term) for using Enterprise.

Note 2: We can terminate your Franchise if you fail to make payments as agreed (Section 12.B. of the Franchise Agreement), however, before your Franchise can be terminated, you will receive a notice of default and have a 10-day period to cure the default.

Except as disclosed in Item 10.1 and 10.2 above, we do not offer any other direct or indirect financing. Except for your vehicle lease through our Enterprise, we do not guarantee any note, lease, or obligation that you incur in establishing or operating a ProTect Painters Franchised Business.

### 10.3. SBA Loans

We have been deemed eligible for streamlined and expedited loan processing through the Small Business Association (“SBA”). We are listed on the SBA’s central registry of franchisors whose current franchise or license agreements are eligible for SBA financing found at [www.franchiseregistry.com](http://www.franchiseregistry.com). We have arranged with the SBA to provide certain information and benefits to the SBA and Certified Development Company (“CDC”) so that our Franchise Agreement meets SBA eligibility criteria for 7(a) and 504 loans.

#### 10.4. Other Financing Information

We also suggest third party sources for lending including, but not limited to FranFund, Benetrends, Guidant, Seigel Capital, Funding Solutions, Catchfire Funding, Diamond Financial, Direct Connect Ventures, and Directed Equity, as of the date of this Disclosure Document, all of these sources are willing to work with prospective ProTect Painters franchisees.

Other than what is described above, we will not guarantee any notes, leases or obligation. We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees’ financing arrangements to a third party, although we reserve the right to do so in the future. We and our affiliates do not receive any direct or indirect payments or any other consideration from any person for the placement of financing with the lender. We do not offer financing that requires you to waive notice, confess judgment, or waive a defense.

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

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

#### *11.1 Franchisor Obligations before the opening of the Franchised Business*

Before you open your Franchised Business, we will:

A. Designate your DMT for the Franchise (Item 12, Section 1.C. and Exhibit A of the Franchise Agreement);

B. Sell you an Initial Package (Item 8.1 and Section 2.B. of the Franchise Agreement);

C. Assist you in the formulation of the marketing, advertising, and promotional programs (Item 11.5 and Section 2.G. of the Franchise Agreement);

D. Lend you a copy of the Confidential Operating Manual (the “Manuals”), (Item 11.12 and Section 3.C. of the Franchise Agreement). You must strictly comply with the Manuals in operating your business. They contain our proprietary business and advertising forms (the “Business Forms”), and other proprietary materials as we may publish and distribute to you periodically. We can change the Manuals, and you must comply with these changes when you receive them, but they will not materially alter your rights and obligations under the Franchise Agreement;

E. Provide written specifications to you for the model and body style for vehicles to be used in the Franchised Business (Item 8.3 and Section 7.A. of the Franchise Agreement);

F. Approve or disapprove (at no cost to you) your business forms, business stationery, business cards, advertising materials, permanent materials, and forms which you intend to utilize (Item 11.5 and Sections 2.G. and 7.A. of the Franchise Agreement);

G. Approve or disapprove any public figure which you desire to act as a representative for you in connection with local promotion of the Franchised Business in a public media before they begin (Section 7.A. of the Franchise Agreement);

H. Approve or disapprove any advertising, direct mail, promotional materials and/or programs you propose within 20 days of our written receipt of the proposed materials. If we do

not respond within 20 days, the material is approved. At our discretion, we may, with notice to you, revoke our approval of any previously approved advertising materials due to changes in standards and specifications or if the materials should later fail to meet the quality standards of our approved suppliers (Item 1.5 and Section 2.G. of the Franchise Agreement);

I. Specify minimum policy limits for certain types of insurance coverage (Item 8.4 and Section 7.C. of the Franchise Agreement);

J. Provide an Initial Training Program for you and one other person (Item 11.13 and Section 3.A. of the Franchise Agreement);

K. Maintain a toll-free telephone number which you may use for communications with us (Section 3.B. of the Franchise Agreement);

L. Provide written specifications to you for the purchase and use of supplies, uniforms, equipment, and products (Item 8.2 and Section 7.A of the Franchise Agreement);

M. Assist you in implementing systems for maintaining the financial and daily operation of the Franchised Business including its accounting and record keeping functions (Item 11.10 and Sections 2.I., 7.A., and 7.D. of the Franchise Agreement);

N. A ProTect Painters Franchised Business is typically operated from your home, if your local laws allow. If you choose to lease space, however, we will not evaluate the location of the commercial space and will not require you to have the location approved by us provided that it is located within your Designated Marketing Area (Item 8.5 and Section 2.C. of the Franchise Agreement).

## *11.2 Time to Open*

The typical length of time between the signing of the Franchise Agreement and payment of any consideration for the Franchise, and the opening of the Franchised Business, is approximately three (3) months. You must complete Initial Training within four (4) months of signing the Franchise Agreement and open within two (2) months of attending Initial Training; failure to do so may result in the immediate termination of the Franchise Agreement. Factors affecting this length of time usually include unforeseeable delays in the delivery or installation of signs or equipment, delivery of vehicles, normal business startup considerations, seasonality of the business, and your successful completion of the Initial Training Program.

## *11.3 Obligations after Opening*

Once you have opened your business, you will have access to information helpful to the operation of your Franchised Business based on reports you submit to us, our review of your financial information which can be automatically accessed by us, and/or inspections that we make (Sections 3 and 8 of the Franchise Agreement). In addition, during the operation of the Franchised Business, we will:

A. Furnish you with those support services we consider advisable to provide support and resolve operating problems you encounter (Section 3.B. of the Franchise Agreement);

B. You acknowledge and agree that to secure new customers for the Franchised Business you must aggressively conduct, at your expense, marketing, advertising, and promotional programs at the local level. In addition to any funds you may be required to contribute to the General Marketing Fund (Item 11.4 and Section 2.H. of the Franchise Agreement), you promise to spend for marketing, advertising, and promotional programs (the "Local Marketing Requirement") in the zip codes of your DMT (Item 11.5 and Sections 2.G and Exhibit A of the Franchise Agreement).

C. Approve or disapprove (at no cost to you) any other advertising and promotional materials and programs; forms, business stationery, business cards, permanent materials, and forms which you intend to utilize and any appropriate person whom you desire to act as a representative for you in connection with local promotion of the Franchised Business in a public media before the person begins, and within 20 days of our written notification to us. If we do not respond within 20 days, it is approved. At our discretion, we may, with notice to you, revoke our approval of any previously approved advertising materials due to changes in standards and specifications or if the materials should later fail to meet the quality standards of our approved suppliers (Item 11.5 and Sections 2.G. and 7.A. of the Franchise Agreement);

D. Specify minimum policy limits for certain types of insurance coverage (Item 8.4 and Section 7.C. of the Franchise Agreement);

E. Maintain a service through which phone calls to our toll free phone number(s) or the local number provided to you will be forwarded to you or us. In the phone routing process, we will make a best effort to route calls from prospective customers requesting service in your DMT to you. The S & T Fund will serve as payment for the calls that are routed to your office. We will use our best efforts to maintain this service 24 hours per day, seven days per week subject to acts of God or circumstances beyond our reasonable control, including, power outages and the unavailability of telephone services (item 11.7 and Section 2.L. of the Franchise Agreement).

F. Advise you of new products, services, and methods which we have discovered or have developed for the System (Section 3.B and 7.A of the Franchise Agreement);

G. If Software is proprietary to us, we will provide basic support during our regular business hours at our then-current rate. Currently this is being provided for out of the S & T Fund. Before attending the Initial Training Program, you should have basic operating knowledge of the Windows operating system and word processing and spreadsheet applications (Items 11.9 and 11.10 and Exhibit C of the Franchise Agreement);

H. Furnish you with any specifications for required products and services (Item 8.2 and Section 7.A. of the Franchise Agreement);

I. Although not obligated, we reserve the right to hold a Convention and/or Regional Meeting on an annual or semi-annual basis. If they are held, you will be required to attend, but under no circumstances will you be required to attend more than one event per year (Item 11.13 and Section 3.A. of the Franchise Agreement).

#### *11.4 General Marketing Fund*

We have established a General Marketing Fund (the "Marketing Fund") and you promise to contribute as provided in the Manuals, an additional amount of 1% of your Gross Sales (See Item 6 of this Disclosure Document and Section 2.H of the Franchise Agreement). This Marketing Fund will be administered by us, and we may solicit input from a franchise advisory council made up of representatives of franchisees and us. The Marketing Fund may be established as a not-for-profit corporation. The Marketing Fund will prepare unaudited income and expense statements at least once each year. Unaudited monthly income and expense statements will be available to any franchisee upon request. During our last fiscal year of the General Marketing Fund (ending on December 31, 2012), the General Marketing Fund collected \$66,927.84 14% of the GMF expenses were spent on Research; 4% on Creative, 16% was spent on Public Relations, 52% was spent on Internet and 14% was spent on Social Media. Excess funds not spent in any given fiscal year will be carried forward to the next fiscal year. Although the Marketing Fund is intended to remain in existence, we reserve the right to terminate the Marketing Fund after all collected monies have been spent for advertising and promotion.



We will develop and place advertising for the ProTect Painters system; decide whether to use advertising agencies and which ones; and to decide which media to use, which may include print, radio, television, direct mail, or local in-store promotions. We will also develop and operate a national web site. The expenditure of funds will be limited to advertising, promoting and marketing the goods and services offered by the System. The Marketing Fund will not be used for advertising or public relations which are principally a solicitation for the sale of additional franchises, but we reserve the right to include a notation in any advertisement indicating "Franchises Available." Except for an administrative fee for our management of the Marketing Fund, not to exceed 10%, neither we nor any of our affiliates will receive payment of any kind from the Marketing Fund. We will spend funds to benefit the ProTect Painters franchise system. This does not mean, however, that expenditures in your DMT will be equivalent or proportionate to your contribution. We may place additional regional or national advertising at our own expense, but we are not obligated to do so. You may develop your own advertising materials provided they are submitted to us in advance for review and approval (Section 2.G. of the Franchise Agreement).

*11.5 Local Marketing Program and Advertising Cooperatives*

You will conduct your own marketing, advertising, and promotion programs, using approved materials and venues, at the local level and at your own expense (See Items 6 and 8). You must use our approved advertising and marketing materials or receive our written approval of all advertising and marketing materials from us before their use. All advertising and marketing materials must meet our then current standards and specifications. Provided that you have written proof of our receipt of the materials, if you do not receive written approval or disapproval within 10 days of our receipt of your written request for approval, the materials will be considered approved.

To secure new customers for the Franchised Business, you must aggressively conduct, at your expense, marketing, advertising, and promotional programs at the local level. You are required to spend for marketing, advertising, and promotional programs (the "Local Marketing Requirement") a minimum amount per each Target Household located in your Territory which is addition to the General Marketing Fund (section 2G). You agree to spend the following minimum amounts per territory on approved Local Marketing expenses:

<b><u>Months in Operation</u></b>	<b><u>Minimum Local Marketing Requirement per Territory</u></b>
Months 0-12	\$35,000 per year (average of \$2,916 per month)
Months 13-24	The greater of 8% of the previous year's Gross Sales or 8% of the current year's actual Gross Sales
Months 25-36	The greater of 6% of the previous year's Gross Sales or 6% of the current year's actual Gross Sales.
Months 37+	The greater of 4% of the previous year's Gross Sales or 4% of the current year's actual Gross Sales.

Failure to spend the required annual minimum Local Marketing Requirement on approved marketing expenses over the course of a calendar year will be a material breach of the Franchise Agreement (we recognize that you may want to spend more in certain months than in others, and you will be in compliance with this provision as long as you meet the Local Marketing Requirement by the end of each calendar year). We may request each January 15 and July 15 that you submit to us, in the format that we require, an accurate accounting of your Local Marketing Expenditures during the preceding six months. You must provide us with proof of these

expenditures upon our request. If you fail to provide an accurate accounting or proof of your Local Marketing expenditures, or fail to meet the minimum Local Marketing Requirement in any given year, then, in addition to any other remedies available to us, we may require you to deposit with us a sum equal to the difference between the minimum Local Marketing Requirement and your actual Local Marketing expenditure plus any late fees and/or interest due. We will use this amount, less late fees and interest, in your Territory for marketing, advertising and promotion that we, in our sole discretion, deem to be in the best interests of the Franchised Business.

Each year, we will make a list of approved marketing expenses available on our Intranet website or as part of our Manuals. All advertising and marketing materials are required to comply with our guidelines as specified in our operating Manuals. You promise to provide to us, for our approval and before your usage, any and all advertising and promotional materials featuring art, graphics, or copy not originally prepared by us for your use. If you do not receive written approval within 20 days of our receipt, the advertising and promotional materials will be considered approved. At our discretion, we may, with notice to you, revoke our approval of any previously approved advertising materials due to changes in standards and specifications or if the materials should later fail to meet the quality standards of our approved suppliers.

We have the right to designate any geographical area as a ProTect Painters Regional Advertising Cooperative Area ("RAC") and to change the boundaries for any area at any time. If a RAC is established in your market, you must become a member, sign the cooperative agreement, in a form reasonably satisfactory to us, and pay the cooperative fee. Any monies paid to the RAC are considered part of the fulfillment of the Local Marketing Requirement, and this is not an additional financial requirement for you. Each RAC will be organized for the sole purpose of placing advertising and administering local advertising programs in accordance with plans approved by us. Each RAC will be governed by a majority vote of the owners whose DMTs are located within the RAC. Each participating owner will receive one vote for each Franchise Agreement awarded to them in all RAC decision making.

#### *11.6 Other Advertising Information*

There is no current advertising council composed of franchisees that advise the franchisor solely on advertising policies although we reserve the right to form, change or dissolve one in the future.

There is no obligation for us to maintain any other advertising program or to spend any amount on advertising in your area or DMT other than as described above. We currently advertise using print materials with local coverage. We currently employ both an in-house marketing department and a local marketing advertising agency.

You may develop advertising materials for your own use, at your own cost. As stated above, we must approve these advertising materials in advance and in writing, but if we do not respond to your written request, within 20 days after receiving your written request, the material is approved. At our discretion, we may, with notice to you, revoke our approval of any previously approved advertising materials due to changes in standards and specifications or if the materials should later fail to meet the quality standards of our approved suppliers.

#### *11.7 Telephone and Business Listings*

You promise to use only the ProTect Painters phone numbers that we designate for advertising and promotion of the Franchised Businesses. This includes, but is not limited to, all direct mail, door hangers, coupon inserts (including with vendors such as Valpak), newspaper advertisements, yellow page or other directory listings, signage, vehicles, internet, radio, and/or television, etc. You acknowledge and agree that we own the ProTect Painters toll free numbers and that you have no rights to use the number except as outlined in the Franchise

Agreement. With the Initial Package, you will be issued a local number from the vendor that we specify, which will be routed through the Call Center we designate. You agree to pay for and utilize the local number for other business services, such as initiating customer service calls, communicating with your staff, etc., however, you may not advertise with this local phone number in any manner. You may not get a local number from any other vendor without our prior written approval. You agree that all numbers used by the Franchised Business are owned by us, and are only available to you while you are a Franchise Owner, and that upon termination of the Franchise Agreement, the number will be automatically transferred to us (Exhibit D of the Franchise Agreement).

We require that you use the Call Center(s) that we authorize to answer incoming sales calls on the ProTect Painters toll free numbers and local numbers that are for you. The fee for the use of the Call Center is included in the S & T Fund. We reserve the right to change Call Center provider(s) any time with notice to you of seven days.

**The mailing address that you list in any directory or on any advertisement must be within your DMT.**

#### *11.8 Franchise Assessment (Not applicable to additional franchises).*

To assist us in working with you, before signing the Franchise Agreement and/or attending Initial Training, we may request that you complete and return to us a franchise assessment profile.

#### *11.9 Sales and Technology Fund*

In order to provide our customers with the best service possible, by providing a uniform standard for placement of services and handling of customers, we have established a Sales and Technology Fund (referred to as the "S & T Fund"), for which you will pay 2% of Gross Sales. Funds paid to the S & T Fund are to go towards payment of items such as the Call Center, the maintenance of the ProTect Painters website, an email server, telephone service, online accounting software, and use of and support for the Software and/or other technology services that we determine are in the best interests for the System. We have the right to change the technology services paid for by the S & T Fund with seven (7) days written notice to you. All contributions will be by automatic debit and will be made in the same manner as your Royalties.

Our expenditures of the S & T Fund will be at our sole discretion, and we are not obligated to do it in a way that benefits each franchisee equally or in proportion to their payments. The S & T Fund will not be our asset, will be accounted for separately from (but may be commingled with) our other funds, and will be held for the benefit of the System. We will furnish to you upon request, an unaudited monthly statement of monies collected and costs incurred by the S & T Fund. We can have the S & T Fund incorporated or operated through a separate entity anytime we deem appropriate, and the successor entity will have all of the rights and duties specified in this Section.

#### *11.10 Computer Software, Hardware, and Systems*

You must use our proprietary Franchise Management Software System, (the "Software") which we provide to you with the Initial Package, or a similar software system selected by us to maintain your customer record keeping and reporting functions. Use and support for the Software is included in the Sales & Technology Fee. To maintain your accounting records, you must use the online accounting system that we prescribe in the Manuals, including any system we may develop. We will have automatic, but confidential, password access to your financial reports (Item 6 of this Disclosure Document and Section 7.D. of the Franchise Agreement).

To assist in communications and file transfer, you must also maintain a DSL, Cable or Satellite high-speed internet connection and subscribe to an electronic mail network. In addition,

you must establish a homepage on our Internet web site or other portal that we prescribe, that can contain certain information for your customers about ProTect Painters and information specific to your Franchised Business. You may not implement a web site yourself or through a third party provider.

A laptop computer with a companion tablet, portable printer and stand, and power inverter will be supplied in your Initial Package at a cost of between \$2,800 and \$3,100 and must be dedicated solely for use in the Franchised Business. The computer will be covered by a three-year warranty. While the Franchise Agreement does not require you to upgrade your computer hardware, future versions of the Software may necessitate that you do so. We do not expect that you will need to upgrade your equipment for at least two years from the date of this Disclosure Document, the cost to upgrade is set by third party suppliers; a computer that meets our current requirement currently ranges between \$2,800 and \$3,100.

You must upgrade the Software within a timely manner when new releases are released. The Software will allow us to independently access the Franchised Business's information without limitation.

You must be able to operate the Windows 7 Operating System, Microsoft Word, Microsoft Excel and the required computer hardware. You must also utilize up-to-date anti-virus software on any computer used by the Franchise Business, at your expense. We require you to keep your database on a server that we maintain, which is included in your Sales and Technology Fee. We have access to all the information on your computer, which we may access at our discretion. As products and prices change over time, suppliers and brands may be changed in order to provide the best value to franchisees.

#### *11.11 Email, Web Site and Internet*

You must use the electronic mail ("email") account that we provide for you (Section 2.J. of the Franchise Agreement), for all email pertaining to the Franchised Business, this email account will be maintained on the server that we designate. You must also maintain a DSL, Cable or Satellite high speed internet connection; we have the right to specify the specific type and/or carrier that you use. You promise to subscribe to, utilize and pay for (as part of the S & T Fund), a customized web site connected to our web site and managed by our web site provider (Item 6). You may not implement a web site or URL for the Franchised Business either yourself or through a third party provider without our prior written approval. We may require that you utilize e-commerce products or services designated by us.

You promise to not use the Marks in any internet advertising, except as provided for under the then-current Internet policy, as published in the most current Manuals. This includes, but is not limited to: websites, domain names, URL's, linking, meta-tags, social media platforms, as well as any other method of performing e-commerce activities. If approved to engage in Internet Marketing, you agree to adhere to the Internet Marketing policy, including our specifications on placement, key words, meta-tags, titles, and other requirements as we determine. You agree to claim the online listings that we designate, and to claim and update them only as instructed by us.

We are the lawful and sole owner of the domain name [www.protectpainters.com](http://www.protectpainters.com). You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue use of a website using the Marks. You may only advertise on the Internet if you have our prior written permission. You may access our website. Except as we authorize in writing in advance; however, you cannot: (i) link to or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the

worldwide web; or (iii) create or register any Internet domain names in connection with your Franchise. The only exception is that you may list the Franchised Business in an online directory.

*11.12 Manuals*

Upon request, we will permit you to view the Manuals at our home office in Ann Arbor, MI, or elsewhere as arranged, before you purchase the Franchise. Before your review, you must sign our then-current Confidentiality and Non-Disclosure Agreement (Exhibit A-3 of the Franchise Agreement).

We consider all the material on our Intranet Website as part of our Manuals.

The following is the Table of Contents of our Operating Manuals as of the date of this Disclosure Document, which we reserve the right to modify at any time:

<b>Manual Title</b>	<b># of pages in chapter</b>
Marketing	27
Right Start	13
Paint Systems	51
Subcontractor Productivity	6
Estimating	42
Safety	23
Hiring	25
Operations, Reference & Standards	73
Franchise Accounting System	61
Portal User's Guide	48
Trade Show Marketing Guide	9
Door-to-Door Marketing Guide	11
<b>Total number of Pages</b>	<b>389</b>

*11.13 Initial Training and Right Start (Not applicable for additional Franchises awarded to you; see Item 5 of this Disclosure Document)*

You must attend and complete to our satisfaction, the ProTect Painters Initial Training Program (Section 3.A. of the Franchise Agreement) within four months of the time you sign the Franchise Agreement and before opening the Franchised Business. If you have a Designated Managing Owner, they must also attend within 30 days of hire or before opening the Franchised Business, whichever occurs later. Initial Training begins with “Right Start”, a six to eight week program that includes numerous pre-opening activities. During Right Start, you must prepare a comprehensive financial plan, review the Manuals, complete a review of your DMT, coordinate with us your initial marketing initiatives, acquire proper insurance, and acquire all permits, licenses, and approved vehicles. All Right Start activities are completed before attending training and are conducted in your hometown with assistance from our home office staff. You may enter Right Start immediately upon your signing and returning to us of the Franchise Agreement and the Initial Fees. During Right Start, we will tentatively schedule a classroom training session for you to attend. Classroom training sessions are conducted as often as needed. Final confirmation of your scheduled classroom training will be contingent upon your successful completion of Right

Start. In addition, your on-site training and opening business launch dates will be mutually agreed upon during Right Start.

Upon your successful completion of Right Start, you will attend a nine (9) to eleven (11) day classroom training and hands-on training at our home office in Ann Arbor, MI and/or at another location designated by us. Following the successful completion of your classroom, webinar, and hands-on training, you will be ready to open.

In addition to the Right Start and Initial Training Program, you must also follow our 60 Day Road Map Program. This mandatory program consists of weekly calls with the Operations team, participating in webinars, conference calls, and a field visit by a member of the Operations team. This field visit will include hands-on instruction generally including (but not limited to): marketing, selling, estimating, labor and jobsite production, and general business management.

Christopher Ring, who is disclosed in Item 2, directs our training program. Mr. Ring has two and a half years of franchisee training experience and six years of paint experience. Although we will furnish Initial Training to you, and one other person, at no additional fee, you must pay for all travel and living expenses you incur while training.

You may designate, with our approval and on a “space available” basis, additional persons to attend other sessions of the classroom portion of the Initial Training Program, for which you will be charged our then-current training fee. In addition, each attendee must sign our then-current Non-Disclosure Agreement before the start of the session. The Initial Training fee will be due and payable before the start of the classroom session and you must pay all travel and living expenses incurred by your designees while training.

If this is an additional Franchise being awarded to you, and you have already attended Initial Training, the requirement that you attend Initial Training is waived, as is our obligation to provide this to you at no additional fee. If this is a Transfer, you will need to attend the Initial Training course.

An outline of the Initial Training Program is as follows:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom training</b>	<b>Hours of on the Job Training</b>	<b>Location</b>
The ProTect Painting System	4-6	4-6	Ann Arbor, MI and/or another location designated by us
General Operations	4-6	8-10	Ann Arbor, MI and/or another location designated by us
Technology	4-6	4-6	Ann Arbor, MI and/or another location designated by us
The Franchise Relationship	1-2	0	Ann Arbor, MI and/or another location designated by us

<b>Subject</b>	<b>Hours of Classroom training</b>	<b>Hours of on the Job Training</b>	<b>Location</b>
Estimating	8-10	15-23	Ann Arbor, MI and/or another location designated by us
Marketing, Public Relations, Advertising	3-4	2-3	Ann Arbor, MI and/or another location designated by us
Vendors and Supplies	2-3	2-4	Ann Arbor, MI and/or another location designated by us
<b>Total</b>	<b>26-37</b>	<b>35-52</b>	

We reserve the right to revise the training itineraries at any time. We conduct the Initial Training as often as needed, currently we are conducting classes at least once every six weeks. All classes are scheduled by written notice to franchise owners.

On-going training helps to enhance the System, your management of the Franchised Business, and the services provided to ProTect Painters customers. Currently, we have chosen to provide on-going training through conventions and regional meetings. Conventions are held in one location; whereas Regional Meetings are held in two or more locations, in order to be closer to owners' places of business. While we may, at our sole option, choose to change formats, times, and locations, you must attend some form of periodic training session for which we may charge fees. We establish the duration, curriculum, and location of these sessions. The curriculum may include, (but is not limited to): technical training, business plan analysis, marketing, profitability, and maximizing your business opportunities. Continuing training sessions may be held in Ann Arbor, MI, Atlanta, GA, or at other locations as determined by us. Past locations have included Florida, Georgia, Michigan, Nevada, and Texas.

Although our experience indicates that you will attend continuing training sessions as they are offered, you must attend at least one convention or meeting each year. You will not be required to attend any session that is more than three days in duration. You must pay all registration, travel and living expenses that you incur while attending any session. If you do not attend at least one event each year, we may debit your account \$750, and it may lead to termination of the Franchise Agreement.

**ITEM 12. TERRITORY.**

*12.1 The Territory*

We identify Designated Marketing Territories (“DMT”) by zip codes. The typical DMT includes approximately 25,000 targeted households within a contiguous area. These Target Households are determined based on our knowledge and experience of our customers. When determining if a household is targeted, we take into consideration median home value, household income, as well as other similar demographic factors. The minimum Territory Size is 20,000 target Households and the maximum size is 35,000.

Except for national advertising performed by us, you will have the exclusive right to directly market to your Designated Marketing Territory. However, subject to our then current Servicing Policy, you may face competition from other franchisees, from outlets that we own,

from other channels of distribution or competitive brands that we control. For example, the current Servicing Policy limits such competition to residential work resulting from referrals and any commercial work.

### *12.2 Servicing and Marketing to Customers*

You are required to market to your DMT, as outlined in Item 11 of this Disclosure Document and Section 2 of the Franchise Agreement.

You may service customers at any location, inside or outside of your DMT as long as you comply with our then-current Servicing Policy, as outlined in the Franchise Agreement and our then current Manuals. Likewise, other ProTect Painters Affiliates may service customers at any location, inside or outside of your DMT, as long as they comply with our then-current Servicing Policy as outlined in the Franchise Agreement and the then current Manuals. Except that, you may only perform jobs that do not exceed three (3) stories or forty (40) feet in height, whichever amount is lesser; any jobs that are larger than this will require our prior written permission, it may also require additional training, insurance, equipment and/or capital availability.

If we receive a request for a residential job, we will refer the job to the ProTect Painters Affiliate whose DMT includes that location. If we receive a request for a residential job that is not located in any ProTect Painters Affiliate's DMT, we may refer it to any ProTect Painters Affiliate who is in compliance with the Franchise Agreement at our sole discretion.

If we receive a request for a commercial job, we will refer the job to the ProTect Painters Affiliate who's DMT includes that location, provided we determine that Affiliate is in compliance with the Franchise Agreement and qualified to perform the job, which determination is made at our sole discretion. If we receive a request for a commercial job that is not located in any ProTect Painters Affiliate's DMT or if the local ProTect Painters Affiliate is not in compliance with the Franchise Agreement and/or is not qualified to perform the job, we may refer it to any ProTect Painters Affiliate who is in compliance with the Franchise Agreement and meets the qualifications at our sole discretion. Qualifications for larger jobs are outlined in our then current Manuals, and may include things such as additional training, insurance, equipment, and sufficient capital.

You agree that if for some reason you decide not to perform a job that we may refer the job to any ProTect Painters Affiliate who is in compliance with the Franchise Agreement and qualified to perform the job at our sole discretion and at no compensation to you (Section 1.C. of the Franchise Agreement).

### *12.3 National and Regional Accounts*

1. Program Services. We may establish certain programs for the benefit of ProTect Painter Affiliates, under which ProTect Painters Affiliates will be permitted to offer, sell and perform certain services (the "Program Services") in accordance with the specifications described in any particular program and as may be periodically established by us.

2. National and Regional Accounts. The term "National and Regional Account" means any customer which, on its own behalf or through agents, franchisees or other third parties, owns, manages, controls or otherwise has responsibility for buildings or common services in more than one location whose presence is not confined within any one particular franchisee's DMT. Any dispute as to whether a particular customer is a National Account shall be determined by us, and our determination shall be final and binding. For purposes of the Franchise Agreement, the term "National Account" shall also mean any regional account.

We shall have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to National Account customers, including any National Account affiliate, company owned or franchised locations within your DMT.



Following the execution of a contract with or the acceptance of a bid by a National Account customer which contemplates the provision of services to one or more National Account customer locations within the DMT, we will, if you are in substantial compliance with the terms of the Franchise Agreement and any addendum, provide you the option to perform these services pursuant to the terms and conditions of the National Account contract or on the terms and conditions as we in our sole discretion determine, which may include a price different than we charge the National Account customer. If you elect not to provide services to a National Account customer in conformity with the terms and conditions of the National Account bid or contract, or if you fail to make an election within the time specified by us of being offered the opportunity, or if the National Account customer specifically requests that you not perform the work or that you be removed from the job, we shall have the right, exercisable in our sole discretion, to:

a. provide, directly or through any other ProTect Painters Affiliate, services to the National Account customer location(s) within your DMT on the terms and conditions contained in the National Account bid or contract; and/or

b. contract with another party to provide these services to the National Account customer location(s) within your DMT on the terms and conditions contained in the National Account bid or contract directly with the National Account customer, utilizing the Marks or any other trademarks, service marks or trade names.

You acknowledge and agree that you will not be paid any compensation or consideration for work performed by others in your DMT pursuant to this section.

3. Program Participation. Your participation in any particular program, including the National Account Program, will be subject to the terms and conditions of such program. These terms and conditions may include, but shall not be limited to, the following:

a. Before offering, selling or performing any Program Services, you shall execute the agreements, documents, forms or other instruments as we may require as a condition to participation in any particular program which we may then be offering to our franchisees. You agree to abide by the terms and conditions of these agreements;

b. Program Services, including National Account work, is subject to our strict quality control standards, enhanced inspections and testing and shall be completed according to our scheduling requirements. We may also centralize all accounts, invoicing and payments for Program Services or designate a third party to perform these functions.

c. You may be required to pay certain fees including participation or administration fees, (although we are not currently assessing these fees), as well as additional Royalties on work performed pursuant to any particular program, or other fees due under to the Program Services described in any particular program. These fees may be in addition to the Royalties provided for in Section 2.C of the Franchise Agreement;

d. Before performing any Program Services, you must be certified by us to perform the specific type of work specified in the particular program. Certification may require, among other things, that you be trained by us or other qualified third parties and demonstrate, to our satisfaction, a minimum level of competency in the performance of the intended service; and

e. You must be in substantial compliance with the terms of your Franchise Agreement and any addendum.

Not all system franchisees will benefit directly or on a pro-rata basis from Program Services, and we do not represent that you will achieve any particular level of Program Services work. We may alter or discontinue any Program Service, or any services it provides, in our sole discretion.

4. Non-Solicitation of National Accounts. You may not solicit or service any entity, customer, contract or site that is a National Account, as defined in the Franchise Agreement, whether within or outside your DMT, without our prior written approval which may be conditioned on any terms and conditions that we deem fit, in our sole discretion, including our right to exclusively negotiate the terms of any National Account, set additional training requirements, and set the fees due us for services rendered in connection with any National Accounts contract.

#### *12.4 Our Obligations and Rights we Reserve*

During the term of the Franchise Agreement, except as provided above and below, we promise not to grant permission to any ProTect Painters Affiliate to market ProTect Painters services within your DMT without your written permission. During the term of the Franchise Agreement, we promise not to modify the DMT without your prior written permission, except that if there is a future reorganization or modification of zip code boundaries by the United States Postal Service, we will use our best efforts to ensure your DMT comprises approximately the same number of target households in approximately the same geographic location.

We retain, as we deem appropriate, the rights to:

1. establish, and allow other Franchisees to establish, ProTect Painters business facilities at any location inside or outside of your DMT on any terms and conditions, but subject to the same restrictions upon their marketing in your DMT that you are subject to in their DMT;
2. solicit, market, advertise, and build National and/or Regional Accounts with companies whose offices may be located inside or outside your DMT (Section 1.D. and 1.E. of the Franchise Agreement);
3. offer and sell services and products within your DMT which do not comprise a part of the ProTect Painters residential and commercial painting System and, in connection with this right, to exploit our Marks, name, reputation, and know-how.
4. sell ProTect Painters identified products through Alternative Distribution Channels (as defined below);
5. acquire businesses inside and outside your DMT, providing services similar to those provided under the System and to be acquired by such a business.
6. offer additional services for our ProTect Painters Affiliates to perform under the Marks; however, you may be required to meet certain qualifications, sign another contract, attend additional training and/or pay a fee before our offering these services.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your DMT through any method of distribution, although it may not be through a ProTect Painters location in your DMT. This includes sales through channels of distribution such as the Internet, Catalog Sales, Telemarketing, or other Direct Marketing Sales (together referred to as "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside your DMT, except as described in our then-current Internet policy, as published in the Manuals, and you may not receive compensation for our sales through Alternative Distribution Channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web, or other computer network site, or sell through any other Alternative Distribution Channel, and we receive orders for any System products or services from customers in your DMT, we will offer the order to you at the price we establish. If you choose not to fulfill the order, if you do not meet the requirements, or otherwise, are unable to fulfill the order, then another ProTect Painters Affiliate may fulfill the order, and you will be entitled to no compensation in connection with this.

We and our affiliates reserve the right to use Alternative Distribution Channels to make sales within your DMT of products or services under trade or service marks different from the Marks you will use under the Franchise Agreement.

### *12.5 Servicing Restrictions*

Any project or enterprise undertaken jointly by two or more franchisees will be known as co-venturing. Co-venturing with other franchisees must be managed through us, and you may not negotiate directly with other ProTect Painters Franchisees for co-venturing at any time. You may not service a customer if doing so is beyond your current equipment and/or personnel capabilities, or if it would otherwise disrupt the normal servicing of your customers. Any customers like this must be referred to us.

You may not offer and/or provide painting services on buildings or structures if they exceed three (3) stories or forty (40) feet in height, whichever is lesser, without our prior written permission; it may also require additional training, insurance, equipment and/or capital availability.

### *12.6 Additional Franchises*

Upon receiving your request, we may award you additional franchises. If the additional franchise is purchased at the same time as the first franchise, you will be subject to specific additional marketing requirements particular to each DMT, as provided for in the Manuals. This is to assure that market penetration is accomplished in all purchased DMTs. If the additional Franchise is not purchased at the same time as the first Franchise, listed below are some examples of the criteria we use in awarding additional franchise(s):

1. You must have been operating the Franchised Business at least one year and be in full compliance with your Franchise Agreement(s), including not being in default during the preceding 12 months.
2. You have no outstanding payments due to ProTect Painters International, LLC
2. You must be achieving positive cash flow for at least six of the last eight months.
3. You are in good standing with a consistent record of compliance with ProTect Painters standards. This includes but is not limited to having proof of all required insurances on file with us, having approved uniforms, vehicles, customer service, attendance at Conventions or Regional Meetings, and timely submission of profit and loss statements, and royalties.
4. You must be achieving customer market penetration in your current DMT equal to or greater than performance of the top third of the franchise network, (the total number of customers serviced over the last 12 months divided by the number of targeted households in your DMT).
5. You have the ability to market and service the new expansion area, i.e. have a strong, developed organization, demonstrated ability to develop a market, and the financial capability to market and support the expanded area. You must show documentation that confirms you are meeting the marketing requirements of your current Franchise Agreement(s) and must demonstrate the ability and plans to accomplish all requirements in marketing the additional DMT you are purchasing.
6. The DMT you wish to expand into must not be in the active sales process with an identified candidate at the time of the request or approval.
7. The expansion must not hamper the ability to sell franchises adjacent to the current or expansion DMT.

8 The expansion DMT will have approximately 25,000 additional target households.

9. Additional DMTs may be purchased in twelve months intervals if owner re-qualifies based on the aforementioned criteria.

10. You follow all of the Expansion Procedures, including but not limited to the execution of all required documents and the payment of any fees.

If you are approved for an expansion, you must sign a new franchise agreement and pay the then current Territory fee in full within 14 calendar days of receiving the documents. Currently the Initial Package Fee and Licensing fee are waived for franchisees who qualify to expand (Item 5); although we reserve the right to change this at any time.

You may not, without our prior written permission, market ProTect Painters services for customers geographically located within the proposed new DMT until you have purchased the DMT and signed a then-current Franchise Agreement.

#### 12.7 Minimum Gross Sales Requirement

You are expected to develop a Franchised Business that will achieve an average minimum level of weekly Gross Sales (the “Minimum Gross Sales”) as follows:


<u>Months in Operation</u>	<u>Minimum Gross Sales Required</u>
Months 0-12	No Minimum
Months 13-24	\$3,500 per week
Months 25-36	\$5,000 per week
Months 37+	\$6,500 per week

At any time after 12 months in operation, if you do not achieve the required average Minimum Gross Sales measured over a period of 3 consecutive weeks, we may collect a Royalty equal to what you would have been assessed had you achieved the Minimum Gross Sales. We may, at our discretion, monitor Minimum Gross Sales and assess Royalties accordingly on a weekly basis. In those geographic areas of the country where outdoor painting is seasonal, we will not assess minimums in the months of January-March. If you have been awarded more than one Franchise Agreement, you will be required to meet the Minimum Gross Sales separately for each individual Franchise Agreement.

#### ITEM 13. TRADEMARKS.

We grant you the right to operate a franchise under the name ProTect Painters. You may also use other current or future trademarks that we develop to identify the goods and services associated with the ProTect Painters system. By trademark, we mean trade name, trademark, service marks, logos or other commercial symbols used to identify your ProTect Painters Franchised Business.

We hold the following registered trademarks with the United States Patent and Trademark Office (“USPTO”) on the principal register:

Trademark	Serial #	Filing Date	Registration Date	Registration #
ProTect Painters	75028779; 77959955	11/29/95; 03/16/10	6/17/97 renewed 7/11/07;11/16/10	2072765; 3876198
	85004114; 77959980	04/01/10; 3/16/10	11/16/10; 11/16/10	3876595; 3876200

All required affidavits have been filed with the USPTO.

No state trademark registrations have been filed. We intend, however, to continue an on-going practice of registering new trademarks for promotional or related advertising activities.

Except for the registrations of the trademarks, service marks, trade names, logotypes, and other commercial symbols listed above, there are no other effective determinations of the USPTO or of the trademark administrator of any state or court. Neither are there any pending proceedings or material litigation involving the trademarks, service marks, trade names, logotypes, and other commercial symbols that are relevant to their use.

There are presently no effective determinations by the USPTO, Trademark Trial and Appeal Board, or the Trademark Administrator of any state, of any infringement or other objection(s).

There are no agreements currently in effect which significantly limit our rights to use or to license the use of our trademarks in any manner material to the franchise, nor are there any superior rights or infringing uses actually known to us which would materially affect your use of the trademarks.

You must follow our rules when you use the Marks. You may not use any Mark (including the name ProTect Painters or protectpainters.com) as part of your corporate or legal business name or with modifying words, terms, designs, or symbols (except for those we license to you). You may not use any Mark in selling any unauthorized services or products or in any other way which we have not expressly authorized in writing. Your use of the Marks, and any goodwill established by this use, will be exclusively for our benefit and no goodwill or other interest in the Marks will accrue to you (other than the right to operate a Franchised Business according to the terms of the Franchise Agreement). You may not contest, directly or indirectly, our rights in our trademarks.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark or any claim by any person of any rights in any Mark. Other than our attorneys, your attorneys, and us, you may not communicate with any person about any infringement, challenge, or claim. We may take the action we deem appropriate and control exclusively any litigation, PTO proceeding, or any other administrative proceeding in connection with any challenge or any other type of claim concerning any Mark. You must sign any documents and take any action that, in the opinion of our attorneys, protects and maintains our interests in any litigation or PTO or other proceeding.

If you have timely notified us of the claim or proceeding and complied with the Franchise Agreement, we will reimburse you for all damages you suffer in any trademark infringement proceeding from your authorized use of any Mark, and for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named a party. We may, at our option, defend and control the defense of any proceeding from your use of any Mark.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue the use of any Mark and/or use one or more additional or substitute names or marks, you must comply with our direction within a reasonable time after you have received notice. As the result of any addition, modification, substitution, or discontinuance of a Mark, we will neither be liable to you nor may you instigate, start or join in any litigation or other proceeding against us, for any expenses, losses, or damages you sustain as a result of this addition, modification, substitution or discontinuance.

We are the lawful and sole owner of the domain name [www.protectpainters.com](http://www.protectpainters.com). You cannot register any of the Marks that are now, or in the future, owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue use of a website using the Marks. You may

advertise on the Internet if you have our prior written permission. You may access our website. Except as we authorize in writing in advance; however, you cannot: (i) link to or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain names in connection with your Franchise. The only exception is that you may list the Franchised Business in a local online directory.

## **ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

### *14.1 Patents*

There are no patents that are material to the franchise.

### *14.2 Copyright*

Our manuals, business forms, proprietary software and audiovisual instructional materials, including, the Operations Manual(s), manager's working binder, Solutions Guide, order forms, and reports, are all confidential and proprietary in nature, and if made public, are afforded copyright protection. Although we have not filed an application for copyright registration, we claim trade secret and copyright protection in our proprietary software and the contents and information in the Operations Manual (described in Item 11). These materials may be used by you solely in the operation of the franchise for so long as the Franchise Agreement is in full force and effect. Upon the expiration of the Franchise Agreement you must return all these materials to ProTect Painters.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. Nor are there any agreements currently in effect which significantly limit our right to use or authorize franchisees to use the copyrighted materials. There are no infringing uses actually known to us which could materially affect a franchisee's use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so when this action is in the best interests of the ProTect Painters System.

### *14.3 Proprietary Information*

All ideas, concepts, techniques or materials used for the ProTect Painters Business, whether or not constituting protectable intellectual property, and whether created by or for you, must be promptly disclosed to us, will be considered our property and part of our franchise system and will be considered to be works made-for-hire for us. You must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in for the ideas, concepts, techniques or materials.

You may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to others.

The manuals and proprietary software are our property and are being loaned to you during the term of your Franchise Agreement. You must not show any confidential or proprietary materials to any third parties not employed by you or under contract with you. If you divulge the contents of any of these materials to third parties, then you will be responsible for any resulting losses suffered by us.

We own certain proprietary rights on a number of technical processes used in connection with estimating painting costs, the use of which are licensed to the franchisee under the Franchise Agreement. The knowledge of our processes, services, proprietary formulations, know-how and the operation of a ProTect Painters franchise is derived from information disclosed to the franchisee by us pursuant to the Franchise Agreement. This information is proprietary and confidential and maintained, as our trade secret. We have established comprehensive security procedures to maintain the secrecy of all of our proprietary information.

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

You must at all times faithfully, honestly, and diligently perform your obligations under the Franchise Agreement. In the Franchise Agreement, you must designate one Managing Owner (the “Managing Owner”) who will be our primary contact with the Franchised Business and who will operate the Franchised Business on a full-time basis. The Managing Owner must successfully complete our Initial Training Program (Section 3.A. of the Franchise Agreement) within four months of signing the Franchise Agreement and before the opening of the Franchised Business. The Managing Owner may appoint a designee who will be our primary contact, but only with our prior written consent. The designee must successfully complete the Initial Training Program before opening the Franchised Business or within 30 days of being hired, whichever occurs later. The designee is not required to have an ownership interest in the Franchised Business. The designee must sign a written agreement to maintain confidentiality of the trade secrets and confidential information described in Item 14 and to abide by the covenants not to compete described in Item 17, and you must submit a copy of this agreement to us. The Managing Owner, or his/her designee, must continuously exert her/his full-time best efforts to manage, promote and enhance the Franchised Business. The Managing Owner, or his/her designee, must not engage in any other business or activity that conflicts with your obligations to operate the Franchised Business on a full-time, year round basis.

You (or your delegate) must provide timely response to any and all customers’ inquiries or complaints within one business day, and resolve it within 7 days of the initial complaint, to insure positive customer relations and maintain the goodwill of the System, even when the response may necessitate re-performing a task not completed to the customer’s satisfaction or a refund of monies received.

Before attending Initial Training, and/or upon any assignment of the Franchise Agreement to a legal entity owned by you, you must submit to us a certificate of the entity which states the name of the corporation, limited liability company, or other legal entity assuming the Agreement, the legal names of all of the shareholders, members, or partners of the entity (the “owners”), the percentage of ownership that each owner controls, their place of residence and the entity’s agreement to be bound by the terms of the Franchise Agreement, which must be signed by all owners of the entity. In the case of multiple owners where there exists the possibility of deadlock on business decisions, you must submit a dispute resolution agreement that states what you will do if there is a conflict between any owners of the legal entity. In addition, at all times, at least 67% of the company must be controlled by owner(s) who have executed the Franchise Agreement. The remaining owner(s) must sign a written agreement to maintain confidentiality of the Confidential and Proprietary Information and their agreement to abide by the covenant not to compete, as described in Sections 6 and 13 of the Franchise Agreement.

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

You must offer and provide all of the services that we require for ProTect Painters franchises. We have the right to add additional services that the franchisee must offer.

You may not market or perform any services that we have not authorized. Our System Standards may regulate required or authorized services and service categories and supplies. There are no limits on our right to periodically change required and/or authorized services and service categories, and we may do so at our discretion. We reserve the right to add additional products and services at any time.

Your grant of a franchise to operate a Franchise Business does not include (i) any right to offer any services via e-commerce; (ii) any right to establish an independent website or to establish

a URL incorporating the Marks or any variation of the Marks; or (iii) any right to distribute, market, or implement our products or services in any channel of distribution not specifically identified in the relevant agreements.

You shall at all times maintain sufficient levels of inventory and contractor availability to adequately satisfy consumer demand. You must stop using or offering unauthorized services or products immediately upon notice that certain services or products have been discontinued. If the law prohibits the use or sale of any product or service, use must cease immediately.

You may not market services to customers geographically located outside your DMT without our written approval (Item 12). Failure to comply with our written notice requiring this can result in termination of the Franchised Business (Section 12.B. of the Franchise Agreement).

**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.**

<b>Provisions</b>	<b>Section in Franchise or other Agreement</b>	<b>Summary</b>
a. Length of the franchise term.	Section 1.	10 years from date of signing of the Franchise Agreement.
b. Renewal or extension of the term.	Section 11.	If you are in good standing and substantial compliance with the Franchise Agreement you can renew for additional terms of 10 years each.
c. Requirements for franchisee to renew or extend.	Section 11.	You must: (a) Be in substantial compliance; (b) have satisfied all monetary obligations; (c) complete any required training; (d) pay us the then-current Renewal Fee; (e) sign a General Release in form of Exhibit A-5 to this Disclosure Document; and (f) timely notify us of your election to renew. You may be asked to sign a contract with materially different terms and conditions than in your original contract, but the boundaries of your DMT and your Royalty Rate will remain the same.
d. Termination by franchisee.	Section 12.A.	You may terminate any time with at least 60 days prior written notice.
e. Termination by franchisor without cause.	None.	Not applicable. We may not terminate you without cause.
f. Termination by franchisor with cause.	Section 12.B.	We can terminate you only if you default. The Franchise Agreement describes defaults throughout – please read it carefully.



Provisions	Section in Franchise or other Agreement	Summary
g. "Cause" defined – curable defaults.	Section 12.B.	You have 10 days to make payment of any amounts due to us following receipt of written notice, 10 days to provide us with any report, statement or return we require, 15 days to comply with any law or regulation after notification of non-compliance, 30 days to comply with any condition, warranty or certification , 30 days to cure failures to operate the Franchised Business as specified by us in our Manuals and other confidential materials and any other defaults.
h. "Cause" defined – non-curable defaults.	Section 12.B.	Non-curable defaults include failure to successfully complete our Initial Training Program within four months from the date you sign the Franchise Agreement, abandonment, un-approved transfers, material misrepresentations or omissions, conviction of a felony, failure to maintain insurance, interference with our inspection rights, failure to transfer upon death or disability, violation of any of the transfer provisions, dishonest or unethical conduct, unauthorized use or disclosure of the Manuals or confidential information, failure to pay taxes, failure to comply with System Standards, repeated defaults (even if cured), understating Gross Sales by 5% or more, failure to comply with modification to System Standards within the required time period.
i. Franchisee's obligations on termination/non-renewal.	Section 13.	Obligations include complete de-identification, payment of amounts due, return of all materials, delivery of all customer information, and cessation of using our confidential information.
j. Assignment of contract by franchisor.	Section 10.A.	No restriction on us of the right to assign.
k. "Transfer" by franchisee – definition.	Section 10.B.	Includes the transfer, assignment or sale of the Agreement, the Franchise, the Franchised Business, any interest in them, in part or in whole.
l. Franchisor's approval of transfer by franchisee.	Section 10.B.	We have the right to approve all proposed transfers (if qualified and specified conditions are met).
m. Conditions for franchisor approval of transfer.	Section 10.B.	You are in full compliance with the Franchise Agreement, the transferee has demonstrated sufficient business experience, aptitude, and financial resources to meet our then-current standards, the transferee and its owners are not or do not remain engaged in a competitive business outside our Franchised Business, you provide us with written authorization to release to the transferee any and all information about the operation of the Franchised Business, the transferee has signed our then-current form of Franchise Agreement, all outstanding fees owed by the Seller have been paid to us, the transfer fee is paid, material terms of the

Provisions	Section in Franchise or other Agreement	Summary
		purchase agreement approved, transferee successfully completes our Initial Training, release signed by you (also see r, below).
n. Franchisor's right of first refusal to acquire franchisee's business.	Section 10.D.	Before transferring your interest in the Franchise Agreement, you must first offer us the right to purchase the interest on the same terms and conditions contained in any bona fide offer less the transfer fee.
o. Franchisor's option to purchase franchisee's business.	Not Applicable.	We do not have an option to purchase your business.
p. Death or disability of franchisee.	Section 10.C.	Transfer within six months of your death or disability as long as the business is operated in compliance during this period. Your heirs may continue to operate your Franchised Business if they would qualify as a transferee.
q. Non-competition covenants during the term of the franchise.	Section 6.	No involvement in competing business.
r. Non-competition covenants after the franchise is terminated or expires.	Sections 13.D-F.	You may not engage or be involved in any manner in a competing business for 2 years in your former DMT, within an area of 25 miles from the perimeter of your former DMT, or in any DMTs of any ProTect Painters franchises in operation at the time of Termination.
s. Modification of Agreement.	Section 15.J.	No modifications generally but Manuals and System Standards are subject to change.
t. Integration/merger clause.	Section 15.L.	Only the terms of the Franchise Agreement are binding (subject to state law). No other promises are enforceable. Any integration clause does not have the effect of disclaiming any information provided in the Franchise Disclosure Document.
u. Dispute resolution by arbitration.	Section 15.F.	Except for certain claims, all disputes must be arbitrated before the American Arbitration Association office closest to our then principal business address.
v. Choice of forum.	Section 15.G.	All actions must be commenced in the state or federal court of general jurisdiction, closest to our principal business address at the time of the action.
w. Choice of law.	Section 15.H.	Except for Federal Arbitration Act and other federal law, Michigan law applies.

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law, (11 U.S.C. Section 101 et seq). See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

**ITEM 18. PUBLIC FIGURES.**

We do not use any public figures to promote our franchise. You have no right to use the name of any public figure for promotional efforts, advertising, or endorsements, except with our prior written consent. No public figure has any investment in the franchise.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**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 if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following charts and tables are a historic financial performance representation and are not a forecast of your future financial performance.

As of December 31, 2012 ProTect Painters International, LLC, had 31 franchises in operation. Additionally, ProTect Painters Development, LLC, had 6 franchises opened, which collectively operated 7 units.

**TABLE 1: STATEMENT OF BENCHMARK NUMBERS**

The following table shows our Benchmark Numbers, for the period of January 1-December 31, 2012, achieved by ProTect Painters franchisees who were in business for more than one year. Benchmark Numbers are defined as the minimum level achieved by the top quartile of the system in each of the performance metrics.

Description	Gross Sales	Average Job Size	Estimate Closing Rate Percentage	Gross Profit Percentage
Benchmark Numbers	\$332,000	3,644	49%	41.6%

**TABLE 2 – AVERAGE JOB SIZE**

The following table provides the average size of jobs completed during the period of January 1-December 31, 2012. The results include all owners open for at least one calendar year and still in operation as of December 31, 2012.

Description	Average Job Size	Number Of Owners	High	Low	Number Above Average	Number Below Average	Percent Above Average	Percent Below Average
Average Net Sales per Job in 2012	\$3,190	22	\$5,748	\$1,879	9	13	41%	59%

**TABLE 3: STATEMENT OF AVERAGE CLOSE RATE PER ESTIMATE**

The following table shows the average close rate for all estimates performed during the period of January 1-December 31, 2012. The results include all owners open for at least one calendar year and still in operation as of December 31, 2012. One owner was excluded because he did not properly report estimates.

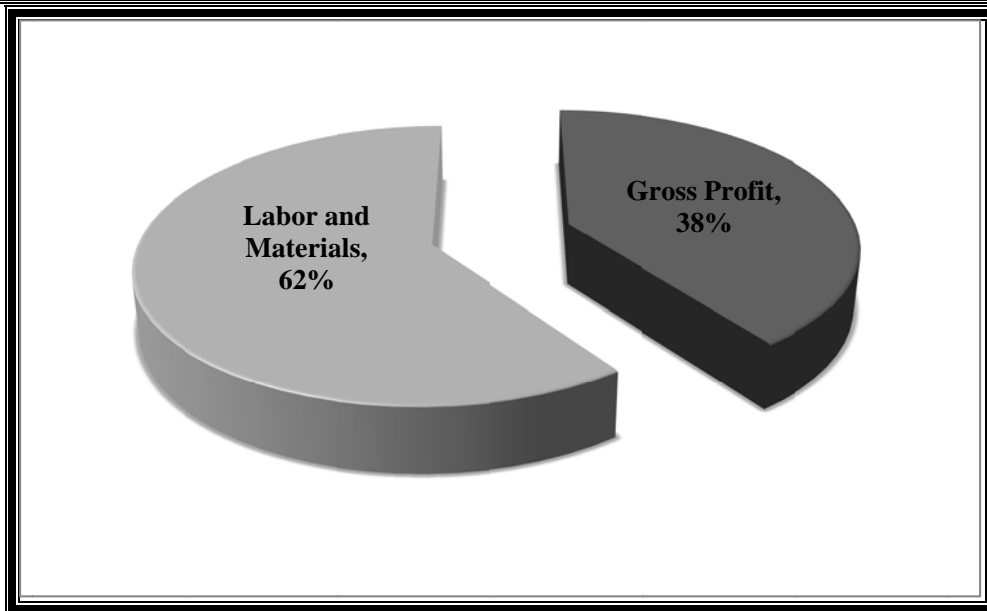
**AVERAGE CLOSE RATE IN 2012 PER ESTIMATE PERFORMED**

Description	Average Close Rate per Estimate	Number Of Owners	High	Low	Number Above Average	Number Below Average	Percent Above Average	Percent Below Average
Average Close Rate per Estimate in 2012	46%	22	93.2%	11.6%	8	14	36.4%	63.6%

**TABLE 4: STATEMENT OF AVERAGE GROSS PROFIT, LABOR AND MATERIALS**

The following table and chart shows the average gross profit and the average spent on labor and materials for the Owners for the period of January 1-December 31, 2012. The results include all Owners open for at least twelve months as of December 31, 2012 and who were still in operation as of December 31, 2012.

Description	Average	Number Of Owners	High	Low	Number Above Average	Number Below Average	Percent Above Average	Percent Below Average
Average Gross Profit	38%	19	51.9%	27%	11	11	50%	50%
Average Labor and Materials	62%	19	73%	48.1%	11	11	50%	50%



\* \* \*

Some Franchises have earned this amount. Your individual results may differ. There is no assurance that you will earn as much. A new franchisee's results are likely to differ from the results shown in this Item. We recommend that you make your own independent investigation, and consult with an attorney and other advisors before executing the Franchise Agreement.

Tables 1-4 were prepared from data obtained from the unaudited royalty report statements prepared by ProTect Painters Development, LLC and ProTect Painters Development, LLC for the statement period of January 1, 2012 to December 31, 2012. We have in our possession written substantiation of the information used to compile the Franchise Performance Representations. At your written request, we will make this written substantiation available to you.

The financial performance representations do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenues or gross sales figures to obtain your net income or profit. Net sales reflect the total average weekly sales for the Operators included in the sample, as reported to us through the Software, and do not include sales tax.

Other than the preceding financial performance representation, ProTect Painters International, LLC., does 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 Mr. Jonathan Koudelka, Esq, 3948 Ranchero Drive, Ann Arbor MI 48108, 734-822-6850, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 20.1**

**SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2010 TO 2012**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2010	22	31	+9
	2011	31	31	0
	2012	<b>31</b>	<b>38</b>	<b>+7</b>
Company-Owned	2010	0	0	0
	2011	0	0	0
	2012	0	0	0
<b>Total Outlets</b>	<b>2010</b>	<b>22</b>	<b>31</b>	<b>+9</b>
	<b>2011</b>	<b>31</b>	<b>31</b>	<b>0</b>
	<b>2012</b>	<b>31</b>	<b>38</b>	<b>+7</b>

**TABLE NUMBER 20.2**

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR)  
FOR YEARS 2010 TO 2012**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Total	2010	0
	2011	0
	2012	0

**TABLE NUMBER 20.3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2010 TO 2012**

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
AZ	2010	1	0	0	0	0	1	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
CA	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
CO	2010	0	1	0	0	0	1	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
CT	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
FL	2010	1	6	0	0	3	1	3
	2011	3	0	0	0	0	1	2
	2012	2	0	0	0	0	0	2
GA	2010	1	0	0	0	0	0	1
	2011	1	2	0	0	0	0	3
	2012	3	0	0	0	0	0	3
IL	2010	0	3	0	0	1	0	2
	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
IA	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
MA	2010	7	0	0	0	0	0	7
	2011	7	0	0	0	0	0	7
	2012	7	1	0	0	0	0	8
MI	2010	1	2	0	0	1	0	2
	2011	2	0	0	0	0	0	2
	2012	2	1	0	0	0	0	3
MN	2010	1	1	0	0	0	0	2
	2011	2	1	0	0	1	0	2
	2012	2	0	0	0	0	0	2



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
MO	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
NH	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	2	0
NC	2010	3	1	0	0	1	0	3
	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
OH	2010	2	1	0	0	0	1	2
	2011	2	0	0	0	0	2	0
	2012	0	0	0	0	0	0	0
OR	2010	0	1	0	0	1	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
PA	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
RI	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
TX	2010	1	3	0	0	0	2	2
	2011	2	1	0	0	0	0	3
	2012	3	4	0	0	0	0	7
VT	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
VA	2010	2	0	0	0	2	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
<b>Total</b>	<b>2010</b>	<b>22</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>6</b>	<b>31</b>
	<b>2011</b>	<b>31</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>31</b>
	<b>2012</b>	<b>31</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>38</b>

**TABLE NUMBER 20.4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS 2010 TO 2012**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Total	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0

**TABLE NUMBER 20.5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2012**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Arizona	0	1	0
Colorado	0	1	0
Connecticut	0	1	0
Florida	0	1	0
Georgia	2	1	0
Illinois	1	1	0
Indiana	0	1	0
Michigan	1	2	0
Minnesota	0	1	0
Nevada	0	1	0
New Jersey	0	1	0
New York	0	2	0
North Carolina	0	1	0
Ohio	0	1	0
Oregon	0	1	0
Pennsylvania	0	1	0
South Carolina	0	1	0
Texas	0	4	0
Washington	0	1	0
<b>Total</b>	<b>4</b>	<b>24</b>	<b>0</b>

Note 1: In Tables No. 20.1- 20.5 there has been no franchise activity in the states omitted from the tables during the years indicated.

Note 2: During the last three fiscal years, in some instances, current and former franchisees signed provisions restricting their ability to speak openly about their experience with ProTect Painters. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

Note 3: As of the date of this Disclosure Document, there is no trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored or endorsed.

Note 4: As of the date of this issuance, there are no organizations that have asked to be listed.

### **FRANCHISED OUTLETS**

The following are the names, business addresses and telephone numbers of all ProTect Painters franchise owners as of December 31, 2012.

<b>Name</b>	<b>Company Name</b>	<b>Address</b>	<b>City, State, Zip</b>	<b>Phone</b>	<b>EMail</b>
Mark Strazzeri	ProTect Painters of La Costa	6965 El Camino Real Suite 105	Carlsbad, CA 92009	760.469.2076	mark.strazzeri@protectpainters.com
Vince Adamo	ProTect Painters of Fairfield and Westport	606 Post Road East, Suite 604	Westport, CT 06880	203.642.0132	vince.adamo@protectpainters.com
Chris Erichsen	ProTect Painters of Clermont ~ Winter Garden	13750 W. Colonial Dr. Suite 350-330	Winter Garden, FL 34787	407.358.6275	chris.erichsen@protectpainters.com
Gordan Boardway	ProTect Painters of Oviedo-Winter Springs	1809 E. Broadway St, Suite 313	Oviedo, FL 32765	407.542.6031	gordon.boardway@protectpainters.com
John Demetriou	ProTect Painters of North Naples	4940 Cougar Ct S #204	Naples, FL 34109	239.776.9359 cell	john.demetriou@protectpainters.com
Daniel DeYoung	ProTect Painters of Savannah	22 West Bryan Street #206	Savannah, GA 31401	912.344.9278	dan.deyoung@protectpainters.com
David and Ze' Potts	ProTect Painters of Alpharetta	11770 Haynes Bridge Rd, Ste 205-226	Alpharetta, GA 30009	678.208.3052	david.potts@protectpainters.com

Name	Company Name	Address	City, State, Zip	Phone	E-Mail
Mark Williams	ProTect Painters of Forsyth County	1400 Market Place Blvd., Suite 135	Cumming, GA 30041	678.537.6836	mark.williams@protectpainters.com
Mike Teefey*	ProTect Painters of Roswell	880 Marietta Highway, Suite 630-257	Roswell, GA 30075-6755	678.537.6123	mike.teefey@protectpainters.com
Tim Eloshway	ProTect Painters of Gwinnett County	2100 Riverside Parkway, Suite 119 PMB 142	Lawrenceville, GA 30043	800.824.8881	timeloshway@protectpainters.com
Valarie Campbell	ProTect Painters of Des Moines	6795 NE Rising Sun Drive	Des Moines, IA 50327	515.418.9944	valarie.campbell@protectpainters.com
Bob Chapman	ProTect Painters of Mount Prospect	1516 N. Elmhurst Road Suite 173	Mount Prospect, IL 60056	847.463.1445	bob.chapman@protectpainters.com
Don Wilson	ProTect Painters of Greater Barrington	117 South Cook St. #112	Barrington, IL 60010	847.713.3919	don.wilson@protectpainters.com
Mike Felton	ProTect Painters of Yorkville/Oswego/P lainfield	2152 Bernadette Lane	Yorkville, IL 60560	630.463.9128	mike.felton@protectpainters.com
Bruce Wheeler	ProTect Painters of Hingham, Hanover and Norwell	125 Church Street, Unit 90-294	Pembroke, MA 02359	617.829.4540	bruce.wheeler@protectpainters.com
Jamie Cox	ProTect Painters of Canton, Milton, Sharon	95 Washington Street, Suite 104-153	Canton, MA 02021	800.824.8881 xt. 708	jamiecox@protectpainters.com
John Guarino	Protect Painters of Eastern Massachusetts and Midd	1005 Boylston St #241	Newton Highlands, MA 02461	800.824.8881 xt. 714	johnguarino@protectpainters.com
Michael DeLuca	ProTect Painters of Bolton Harvard and Littleton Area	100 Pleasant St.	Lunenburg, MA 014762	978.254.6010	michael.deluca@protectpainters.com
Paul Dauteuil	ProTect Painters of Lexington, Burlington, Reading	117 B Street	Dracut, MA 01826	800.824.8881 xt. 706	pauldauteuil@protectpainters.com
Peter Casparriello	ProTect Painters of Cambridge and Weston	841 Worcester Road #144	Natick, MA 01760	800.824.8881 xt. 707	pcasparriello@protectpainters.com
Sean Beatty	ProTect Painters of Sudbury and Framingham	71 Hemenway Road	Framingham, MA 01701	800.824.8881 xt. 706	seanbeatty@protectpainters.com

Name	Company Name	Address	City, State, Zip	Phone	E-Mail
Chad Bautnick*	ProTect Painters of North and East Grand Rapids	3148 Plainfield Avenue NE	Grand Rapids, MI 49525	616.222.0219	chad.brautnick@protectpainters.com
John Demetriou	ProTect Painters of Western Washtenaw County	8593 Webster Hills	Dexter MI 48130	734.585.7065	john.demetriou@protectpainters.com
Thomas Hamilton & Carl Mitroff	ProTect Painters of Birmingham and Bloomfield	330 E. Maple # 236	Birmingham, MI 48009	248.702.1221	team.bloomfield@protectpainters.com
Victor Visocchi	ProTect Painters of Northville, Plymouth and Novi S	143 Cadycentre #147	Northville, MI 48167-1119	734.205.1561	victor.visocchi@protectpainters.com
Edward Crandall	ProTect Painters of Minneapolis SW Metro	4237 Linden Hills Blvd.	Minneapolis, MN 55410	612.354.5346	teammplsww@protectpainters.com
Gregory Witry	ProTect Painters of Minneapolis NW Metro	11436 Marketplace Drive N Suite 327	Champlin, MN 55316	612.412.9775	greg.witry@protectpainters.com
John and Katherine Sullivan	ProTect Painters of Chesterfield E and N Ballwin	1734 Clarkson Road Suite 290	Chesterfield, MO 63017	636.893.1298	john.sullivan@protectpainters.com
Mike Foulkes	ProTect Painters of Cary and Apex	5448 Apex Peakway #170	Apex, NC 27502	919.424.6794	mike.foulkes@protectpainters.com
Ron Linville	ProTect Painters of Chapel Hill	2731 NC Highway 55 #219	Cary, NC 27519	919.424.1870	ron.linville@protectpainters.com
Andy Fry	ProTect Painters of Lancaster	590 Centerville Rd. Suite 291	Lancaster, PA 17601	717.405.3884	andy.fry@protectpainters.com
Glen A. Browning	ProTect Painters of West Bay	5600 Post Road #114, Suite 253	East Greenwich, RI 02818	401.773.9033	glen.browning@protectpainters.com
Scott and Kristen Stephenson	ProTect Painters of Wake Forest	3650 Rogers Rd, Suite #175	Wake Forest, SC 27587	919.424.0007	scott.stephenson@protectpainters.com
Bob and Donna Twomey	ProTect Painters of West Austin	3300 Bee Caves Rd. Suite 650 #160	Austin, TX 78746	512.652.5624	westaustin@protectpainters.com
Dan Schaeffer	ProTect Painters of Central Austin	9600 Escarpment Blvd., Suite 745-70	Austin, TX 78749	512.651.1978	dan.schaeffer@protectpainters.com

Name	Company Name	Address	City, State, Zip	Phone	E-Mail
David Wilson	ProTect Painters of Park Cities N and E Dallas	7234 Gaston Ave, Ste 124-154	Dallas, TX 75214	469.249.6791	david.wilson@protectpainters.com
Eric and Cheree Smith	ProTect Painters of McKinney	6841 Virginia Parkway Ste 103 - 402	McKinney, TX 75071	972.728.0992	cheree.smith@protectpainters.com
Greg Lee	ProTect Painters of Richardson	101 S. Coit Road Ste. 36-133	Richardson, TX 75080	972.232.1901	greg.lee@protectpainters.com
Louis De La Garza	ProTect Painters of NW San Antonio	1141 N. Loop 1604 E. #105-184	San Antonio, TX 78232	210.390.2998	louis.delagarza@protectpainters.com
Paul and Robin Rhoades	ProTect Painters of Roanoke Valley	332 Pennsylvania Avenue	Salem, VA 24153	540.553.8215	paul.rhoades@protectpainters.com
Chuck Reger	ProTect Painters of Covington	27177 185th Ave. SE Suite 111-206	Covington, WA 98042	253.200.3286	chuck.reger@protectpainters.com

\* Signed but not yet opened

\*\* Operates more than one unit

### **LIST OF FORMER FRANCHISEES**

The following includes the name, city and state, and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our last fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Sort Name	Address	City	State	Zip	Phone
Doro, Joseph	2 Monroe Street	Ellicottville	NY	14731	716-435-5419
Steve Legg	131 Daniel Webster Highway #610	Nashua	NH	03606	603-494-0835

### **ITEM 21. FINANCIAL STATEMENTS.**

Exhibit B contains our audited balance sheets, statements of operations, stockholders' equity and cash flows for the period ending December 31, 2012, December 31, 2011 and December 31, 2010. We have a calendar fiscal year end.

### **ITEM 22. CONTRACTS.**

Copies of all proposed agreements regarding the franchise offering are included in Exhibit A. These include our Franchise Agreement and all exhibits to it:

1. Franchise Agreement (Exhibit A-1 of the Disclosure Document)
2. Designated Marketing Territory Agreement (Exhibit A of the Franchise Agreement)

3. Initial Package (Exhibit B-1 of the Franchise Agreement)
4. Transfer Initial Package (Exhibit B-2 of the Franchise Agreement)
4. Software License Agreement (Exhibit C to the Franchise Agreement)
5. Telephone Listing Agreement (Exhibit D to the Franchise Agreement)
6. Disclosure Acknowledgement Agreement (Exhibit E to the Franchise Agreement)
7. Consumer Note (Exhibit F to the Franchise Agreement)
8. Additional Disclosures/Riders (Exhibit A-2 of the Disclosure Document)
9. Confidentiality Agreement (Exhibit A-3 of the Disclosure Document)
10. Disclosure Acknowledgment Statement (Exhibit A-4 of the Disclosure Document)
11. Mutual Release (Exhibits A-5 and A-6 of the Disclosure Document)
12. Sample Regional Advertising Cooperative Addendum (Exhibit A-7 of the Disclosure Document)
13. Bank Account Debit Authorization (Exhibit A-8 of the Disclosure Document)

**ITEM 23. RECEIPTS.**

The final page of this Disclosure Document (Exhibit K of the Disclosure Document) is a detachable document acknowledging your receipt of the Disclosure Document. If that page, or any other pages or exhibits are missing from your copy, please notify us immediately.

**EXHIBIT A-1 FRANCHISE AGREEMENT AND RELATED MATERIAL**  
**TABLE OF CONTENTS**

<b>1. INTRODUCTION, ACKNOWLEDGMENTS, AND AWARD OF FRANCHISE.....</b>	<b>67</b>
A. INTRODUCTION.....	67
B. AWARD OF FRANCHISE.....	67
C. DESIGNATED MARKETING TERRITORY.....	68
D. RIGHTS WE RESERVE.....	69
E. NATIONAL AND REGIONAL ACCOUNTS.....	70
F. RESTRICTIONS.....	71
G. OTHER BUSINESSES.....	71
<b>2. FEES AND OTHER MONETARY REQUIREMENTS.....</b>	<b>71</b>
A. INITIAL FRANCHISE FEE.....	71
B. INITIAL PACKAGE FEE.....	72
C. ROYALTY.....	73
D. LATE REPORT FEE, LATE PAYMENT SERVICE FEE AND INTEREST.....	73
E. DEFINITION OF GROSS SALES.....	73
F. REQUIREMENT TO ACHIEVE A MINIMUM LEVEL OF GROSS SALES.....	74
G. LOCAL MARKETING, ADVERTISING, AND PROMOTION.....	74
H. GENERAL MARKETING FUND.....	76
I. FRANCHISE MANAGEMENT SOFTWARE LICENSING AGREEMENT AND FEES.....	77
J. HIGH SPEED INTERNET CONNECTION, ELECTRONIC MAIL NETWORK & WEBSITE.....	77
K. OUTSTANDING FEES OF PREDECESSOR.....	77
L. SALES AND TECHNOLOGY FUND.....	78
<b>3. TRAINING AND GENERAL GUIDANCE.....</b>	<b>78</b>
A. TRAINING.....	78
B. GENERAL GUIDANCE.....	78
C. OPERATING MANUALS.....	79
D. DELEGATION OF PERFORMANCE.....	79
<b>4. MARKS.....</b>	<b>79</b>
A. OWNERSHIP AND GOODWILL OF MARKS.....	79
B. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.....	80
C. LIMITATIONS ON YOUR USE OF MARKS.....	80
D. DISCONTINUANCE OF USE OF MARKS.....	81
<b>5. CONFIDENTIAL AND PROPRIETARY INFORMATION.....</b>	<b>81</b>
A. CONFIDENTIAL INFORMATION.....	81
B. PROPRIETARY INFORMATION/CUSTOMER LISTS.....	82
<b>6. COVENANTS NOT TO COMPETE.....</b>	<b>83</b>
A. FOR YOU.....	83
B. FOR YOUR EMPLOYEES AND CONTRACTORS.....	83
C. OUR RIGHT TO ENFORCE NON-COMPETITION COVENANTS.....	83
<b>7. SYSTEM STANDARDS.....</b>	<b>84</b>



A.	COMPLIANCE WITH SYSTEM STANDARDS.....	84
B.	MODIFICATION OF SYSTEM STANDARDS.....	85
C.	INSURANCE.....	85
D.	RECORDS, REPORTS AND FINANCIAL STATEMENTS.....	87
E.	COMPLIANCE WITH LAWS.....	88
F.	MULTIPLE AGREEMENTS.....	89
G.	WARRANTY.....	89
<b>8.</b>	<b>INSPECTIONS AND AUDITS.....</b>	<b>89</b>
A.	OUR RIGHT TO INSPECT THE FRANCHISED BUSINESS.....	89
B.	OUR RIGHT TO AUDIT.....	89
<b>9.</b>	<b>TAXES AND ADVANCES.....</b>	<b>90</b>
A.	TAXES.....	90
B.	ADVANCES.....	90
<b>10.</b>	<b>TRANSFER.....</b>	<b>90</b>
A.	BY US.....	90
B.	BY YOU.....	90
C.	YOUR DEATH OR DISABILITY.....	91
D.	OUR RIGHT OF FIRST REFUSAL.....	91
<b>11.</b>	<b>EXPIRATION OF THIS AGREEMENT.....</b>	<b>92</b>
A.	YOUR RIGHT TO RENEW THIS AGREEMENT.....	92
B.	AWARD OF A SUCCESSOR AGREEMENT.....	92
C.	AGREEMENTS/RELEASES.....	92
D.	SUCCESSOR TERM FEE.....	93
<b>12.</b>	<b>TERMINATION OF AGREEMENT.....</b>	<b>93</b>
A.	BY YOU.....	93
B.	BY US.....	93
<b>13.</b>	<b>POST TERMINATION OBLIGATIONS.....</b>	<b>95</b>
A.	PAYMENT OF AMOUNTS OWED TO US.....	95
B.	MARKS.....	95
C.	CONFIDENTIAL INFORMATION.....	96
D.	COVENANT NOT TO COMPETE.....	96
E.	NON-SOLICITATION.....	97
F.	SPOUSES AND IMMEDIATE FAMILY MEMBERS.....	97
G.	CONTINUING OBLIGATIONS.....	97
H.	REFORMATION.....	97
<b>14.</b>	<b>RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.....</b>	<b>98</b>
A.	INDEPENDENT CONTRACTORS.....	98
B.	NO LIABILITY FOR ACTS OF OTHER PARTY.....	98
C.	INDEMNIFICATION.....	98
D.	NO LIABILITY FOR TECHNOLOGY FAILURE.....	99
<b>15.</b>	<b>ENFORCEMENT.....</b>	<b>99</b>
A.	SEVERABILITY.....	99

B.	WAIVER OF OBLIGATIONS.....	99
C.	FEES AND EXPENSES.....	99
D.	YOU MAY NOT WITHHOLD PAYMENT TO US.....	100
E.	RIGHTS OF PARTIES ARE CUMULATIVE.....	100
F.	ARBITRATION.....	100
G.	JURISDICTION.....	101
H.	CHOICE OF LAW.....	101
I.	WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.....	101
J.	BINDING EFFECT.....	101
K.	LIMITATIONS OF CLAIMS.....	102
L.	CONSTRUCTION.....	102
M.	COMPLIANCE WITH OTHER LAWS.....	102
<b>16.</b>	<b>NOTICES AND PAYMENTS.....</b>	<b>103</b>
<b>17.</b>	<b>YOUR AFFIRMATIONS.....</b>	<b>103</b>
	EXHIBIT A – DESIGNATED MARKETING TERRITORY.....	106
	EXHIBIT B -1 – INITIAL PACKAGE.....	107
	EXHIBIT B-2 – TRANSFER INITIAL PACKAGE.....	109
	EXHIBIT C – FRANCHISE MANAGEMENT SOFTWARE LICENSING AGREEMENT.....	110
	EXHIBIT D – TELEPHONE LISTING AGREEMENT.....	113
	EXHIBIT E – DISCLOSURE ACKNOWLEDGMENT STATEMENT.....	115
	EXHIBIT F – CONSUMER NOTE.....	116

# PROTECT PAINTERS INTERNATIONAL, LLC

## Franchise Agreement

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between ProTect Painters International, LLC, a Michigan limited liability company, with its principal place of business at 3948 Rancho Drive, Ann Arbor, Michigan (referred to in this Agreement as "we," "us," "ourselves," "our" and "ProTect Painters"), and «Name1» and «Name2» (together referred to as the "Managing Owner<sup>3</sup>"), residents of the state of «state», and «LLC\_or\_Corp\_», a «state» Company to be formed or already existing whose principal address is «Address» (referred to in this Agreement as "you," "your" or "Franchisee"). The Managing Owners are personally responsible for the obligations of the Franchisee under this Agreement, except not for third party claims as excluded in section 14.C.

### 1. INTRODUCTION, ACKNOWLEDGMENTS, AND AWARD OF FRANCHISE.

#### A. INTRODUCTION.

We are now promoting and licensing certain trade and service marks and other commercial symbols in the operation of ProTect Painters businesses in the United States, including the trade and service mark "ProTect Painters" (collectively, the "Marks"). These Marks will gain public acceptance and goodwill, and we may continue to create, use, and license additional trademarks, service marks, and commercial symbols in operating ProTect Painters businesses.

We plan to award to persons, who meet our qualifications and are willing to undertake the investment and effort, a franchise to own and operate a ProTect Painters business offering the services and products we authorize and approve while utilizing our business formats, methods, procedures, signs, equipment, standards, specifications, and Marks (the "System" or "ProTect Painters System").

Following your evaluation of the System, you have expressed to us your desire to obtain the right to own and to be licensed to operate a ProTect Painters franchised business (the "Franchised Business"), providing residential and commercial painting services upon residential dwellings and various buildings, structures and industrial.

This Franchise Agreement governs the ongoing relationship between you and us.

#### B. AWARD OF FRANCHISE.

You have applied for a franchise to own and operate a ProTect Painters business. Subject to all of the terms and conditions of this Agreement, we award you a franchise to operate a ProTect Painters business utilizing the ProTect Painters System and the Marks within a Designated Marketing Territory (the "DMT") that you and we have agreed to. The DMT is described in Exhibit A attached to this Agreement. The term of the franchise will be 10 years (the "Initial Term") commencing on the date of this Agreement.

You must at all times faithfully, honestly, and diligently perform your obligations under this Agreement. You must designate one Managing Owner (the "Managing Owner") who will be our primary contact with the Franchised Business and who will operate the Franchised Business

---

<sup>3</sup> In the case of multiple owners, the owner with day-to-day responsibility and authority to run the Franchised Business, and with whom we will communicate, shall be identified on the first Managing Owner signature line.

on a full-time basis. The Managing Owner must successfully complete our Initial Training Program (Section 3.A) within four months of signing this Agreement and before the opening of the Franchised Business. The Managing Owner may appoint a designee who will be our primary contact, but only with our prior written consent. The designee must successfully complete the Initial Training Program before opening the Franchised Business or within 30 days of being hired, whichever occurs later. The designee is not required to have an ownership interest in the Franchised Business. The designee must sign a written agreement to maintain confidentiality of the Confidential and Proprietary Information described in Section 5 and to abide by the covenants not to compete described in Sections 6 and 13.D, and you must submit a copy of this agreement to us. The Managing Owner, or his/her designee, must continuously exert her/his full-time best efforts to manage, promote and enhance the Franchised Business. The Managing Owner, or his/her designee, must not engage in any other activity that conflicts with his/her obligations to operate the Franchised Business on a full-time, year round basis.

Before attending Initial Training, and/or upon any assignment of this Agreement to a legal entity owned by you, you must submit to us a certificate of the entity which states the name of the corporation, limited liability company, or other legal entity assuming the Agreement, the legal names of all of the shareholders, members, or partners of the entity (the “owners”), the percentage of ownership that each owner controls, their place of residence, the entity’s agreement to be bound by the terms of the Franchise Agreement and that the agreement has been approved by the owners. In the case of multiple owners where there exists the possibility of deadlock on business decisions, you must submit a dispute resolution agreement that states what you will do if there is a conflict between any owners of the legal entity. In addition, at all times, at least 67% of the company must be controlled by owner(s) who have executed this Agreement. The remaining owner(s) must sign a written agreement to maintain confidentiality of the Confidential and Proprietary Information and their agreement to abide by the covenant not to compete, as described in Sections 6 and 13 of this Agreement.

### ***C. DESIGNATED MARKETING TERRITORY.***

Your Designated Marketing Territory (referred to as “DMT”) will include approximately twenty-five thousand (25,000) targeted households within a contiguous area, as defined in Exhibit A. You have the right to market to the zip codes listed in your DMT. During the term of this Agreement, except as otherwise described below, we promise not to grant permission to any ProTect Painters Affiliate to market ProTect Painters services within your DMT without your written permission. We will provide you with samples of marketing materials. From these materials you will select the items which you wish to use to market to the zip codes listed in your DMT. During the term of this Agreement, we promise not to modify the DMT without your prior written permission, except that if there is a future reorganization or modification of zip code boundaries by the United States Postal Service, we will use our best efforts to ensure your DMT comprises approximately the same number of target households in approximately the same geographic location.

You may service customers at any location, inside or outside of your DMT, as long as you comply with our then-current Servicing Policy, as outlined in this Agreement and our Manuals. Likewise, other ProTect Painters Franchises, ProTect Painters Company Stores, and the ProTect Painters National Service Team, (collectively referred to as “ProTect Painters Affiliates”) may service customers at any location, inside or outside of your DMT, as long as that they comply with our then-current Servicing Policy as outlined in the Franchise Agreement and our Manuals. You may face competition from other ProTect Painters Affiliates or from other channels of distribution or competitive brands that we own. Except as described in this Franchise Agreement, there are no other servicing restrictions.

If we receive a request for a residential job, we will refer the job to the ProTect Painters Affiliate whose DMT includes that location. If we receive a request for a residential job that is not located in any ProTect Painters Affiliate's DMT, we may refer it to any ProTect Painters Affiliate who is in compliance with the Franchise Agreement at our sole discretion.

If we receive a request for a commercial job, we will refer the job to the ProTect Painters Affiliate whose DMT includes that location, provided we determine that Affiliate has the skills and experience to perform the job, which determination is made at our sole discretion. If we receive a request for a commercial job that is not located in any ProTect Painters Affiliate's DMT or if the local ProTect Painters Affiliate does not have the skills and experience to perform the job, we may refer it to any ProTect Painters Affiliate who is in compliance with the Franchise Agreement at our sole discretion. Some commercial jobs may require additional training

**A Franchised Business is typically operated from your home. However, you may lease commercial office space for the Franchised Business without obtaining our approval, as long as it is located within your DMT.**

You agree that if for some reason you decide not to perform any job referred by us to you, the job may be performed by any ProTect Painters Affiliate who we designate at our sole discretion, at no compensation to you.

***D. RIGHTS WE RESERVE.***

We retain, as we deem appropriate, the rights to:

1. Establish, and allow other franchisees to establish, ProTect Painters business facilities at any location inside or outside of your DMT on any terms and conditions, but subject to the same restrictions upon their marketing in your DMT that you are subject to in their DMT;
2. Solicit, market to, advertise to, and build National and/or Regional Accounts, whose offices may be located inside or outside your DMT (see Section 1.E. of this Agreement);
3. Offer and sell services and products within your DMT which do not comprise a part of the ProTect Painters residential and commercial painting System and, in connection with this right, to exploit our Marks, name, reputation, and know-how.
4. Sell ProTect Painters identified products through Alternative Distribution Channels (as defined below);
5. Acquire businesses inside and outside your DMT that provide services similar to those provided under the System, and to be acquired by such a business.
6. Offer additional services for our ProTect Painters Affiliates to perform under the Marks; however, you may be required to meet certain qualifications, sign another contract, attend additional training, and/or pay a fee before our offering of these services.

Although we have not done so, we and our ProTect Painters Affiliates may sell products under the Marks within and outside your DMT through any method of distribution, although it may not be through a ProTect Painters location in your DMT. This includes sales through channels of distribution such as the Internet, Catalog Sales, Telemarketing, or other Direct Marketing Sales (together referred to as "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside your DMT, except as described in our then-current Internet policy, as published in the Manuals, and you may not receive compensation for our sales through Alternative Distribution Channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web, or other computer network site, or sell through any other Alternative Distribution Channel, and we receive

orders for any System products or services from customers in your DMT, we will offer the order to you at the price we establish. If you choose not to fulfill the order, do not meet the requirements, or are otherwise unable to fulfill the order, then another ProTect Painters Affiliate may fulfill the order, and you will be entitled to no compensation in connection with this.

We and our affiliates reserve the right to use Alternative Distribution Channels to make sales within your DMT of products or services under trade or service marks different from the Marks you will use under the Franchise Agreement.

***E. NATIONAL AND REGIONAL ACCOUNTS.***

1. Program Services. We may establish certain programs for the benefit of our ProTect Painter Affiliates, under which ProTect Painters Affiliates will be permitted to offer, sell and perform certain services (the "Program Services") in accordance with the specifications described in any particular program and as may be periodically established by us.

2. National and Regional Accounts. The term "National and Regional Account" means any customer which, on its own behalf or through agents, franchisees or other third parties, owns, manages, controls or otherwise has responsibility for buildings or common services in more than one location whose presence is not confined within any one particular franchisee's DMT. Any dispute as to whether a particular customer is a National Account shall be determined by us, in our sole discretion, and our determination shall be final and binding. For purposes of this Agreement, the term "National Account" shall also mean any regional account.

We shall have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to National Account customers, including any National Account affiliate, company owned or franchised locations within the DMT.

Following the execution of a contract with or the acceptance of a bid by a National Account customer which contemplates the provision of services to one or more National Account customer locations within your DMT, we will, if you are in substantial compliance with the terms of this Agreement and any addendum, provide you the option to perform these services pursuant to the terms and conditions of the National Account contract or on the terms and conditions as we in our sole discretion determine, which may include a price different than we charge the National Account customer. If you elect not to provide services to a National Account customer in conformity with the terms and conditions of the National Account bid or contract, or if you fail to make an election within the time specified by us of being offered the opportunity, or if the National Account customer specifically requests that you not perform the work or that you be removed from the job, we shall have the right, exercisable in our sole discretion, to:

a. provide, directly or through any other ProTect Painters Affiliate, services to the National Account customer location(s) within your DMT on the terms and conditions contained in the National Account bid or contract; and/or

b. contract with another party to provide these services to the National Account customer location(s) within your DMT on the terms and conditions contained in the National Account bid or contract directly with the National Account customer, utilizing the Marks or any other trademarks, service marks or trade names.

You acknowledge and agree that you will not be paid any compensation or consideration for work performed by others in your DMT pursuant to this section.

3. Program Participation. Your participation in any particular program, including the National Account Program, will be subject to the terms and conditions of such program. These terms and conditions may include, but shall not be limited to, the following:

a. Before offering, selling or performing any Program Services, you shall execute such agreements, undertakings or other instruments as we may require as a condition to participation in any particular program which we may then be offering to our franchisees. You agree to abide by the terms and conditions of these agreements;

b. Program Services, including National Account work, is subject to our strict quality control standards, enhanced inspections and testing and shall be completed according to our scheduling requirements. We may also centralize all accounts, invoicing and payments for Program Services or designate a third party to perform these functions.

c. You may be required to pay certain fees including participation or administration fees, additional Royalties on work performed pursuant to any particular program, or other fees due under the Program Services described in any particular program. These fees may be in addition to the Royalties provided for in Section 2.C of this Agreement;

d. Before performing any Program Services, you must be certified by us to perform the specific type of work specified in the particular program. Certification may require, among other things, that you be trained by us or other qualified third parties and demonstrate, to our satisfaction, a minimum level of competency in the performance of the intended service; and

e. You must be in substantial compliance with the terms of this Franchise Agreement and any addendum.

You acknowledge that not all system franchisees will benefit directly or on a pro-rata basis from Program Services and that we do not represent that you will achieve any particular level of Program Services work. We may alter or discontinue any Program Service, or any services it provides, in our sole discretion.

4. Non-Solicitation of National Accounts. You may not solicit or service any entity, customer, contract or site that is a National Account, as defined in this Agreement, whether within or outside your DMT, without our prior written approval which may be conditioned on the terms and conditions as we deem fit, in our sole discretion, including our right to exclusively negotiate the terms of any National Account, set additional training requirements, and set the fees due us for services rendered in connection with any National Accounts contract.

***F. RESTRICTIONS.***

Any project or enterprise undertaken jointly by two or more franchisees will be known as co-venturing. Co-venturing with other franchisees must be managed through us and you may not negotiate directly with other ProTect Painters Franchisees for co-venturing at any time. You may not service a customer if doing so is beyond your current equipment and/or personnel capabilities or if it would otherwise disrupt the normal servicing of your customers. Any of these customers must be referred to us.

In addition, you may not offer and/or provide painting services on buildings or structures if they exceed three (3) stories or forty (40) feet in height without our prior written permission; it may also require additional training, insurance, equipment and/or capital availability.

***G. OTHER BUSINESSES.***

It is agreed and understood no other business or business operations may be undertaken through your Franchised Company entity without our prior written permission.

**2. FEES AND OTHER MONETARY REQUIREMENTS.**

***A. INITIAL FRANCHISE FEE.***

Upon signing the Franchise Agreement, you must pay us the following Initial Fees (the "Initial Fees")<sup>4</sup>:

3. an fixed Licensing Fee \$14,900.
4. a fixed Territory Fee of \$25,000. Your DMT will include approximately 25,000 targeted households within a contiguous area, as described in Item 12. We reserve the right to charge more in situations where a larger territory is granted.

Within 4 months of your signing of this Franchise Agreement, you promise to complete our initial training (the "Initial Training") to our satisfaction (as defined in Section 3.A) and to start up your new Business within two months of attending Initial Training. If you do not do so, this Agreement shall be terminated.

Except for the Convention Allowance listed in Item 5.1.2 and 5.2, there are no other refunds under any circumstances.

If this is an additional Franchise being awarded to you, you must pay the \$25,000 Additional Franchise Fee.

If this is a Renewal Term, the Initial Franchise Fee is waived. However, you will need to pay the Renewal Fee for this term of the Franchise Agreement as provided below. The Renewal Fee is non-refundable.

If this is a Transfer, the Initial Franchise Fee is waived. However, you (or the selling owner) will need to pay the Transfer Fee. The Transfer Fee is also non-refundable.

**B. INITIAL PACKAGE FEE.**

You promise to pay us an Initial Package Fee (the "Initial Package") in the amount of \$9,200 at the time you sign this Agreement. The Initial Package consists of our then-current proprietary Franchise Management Software System, marketing materials, a laptop/tablet computer and accompanying software, printer, and certain equipment, products, and supplies as described and listed in Exhibit B, which is attached to this Agreement. The items included in the Initial Package may change to reflect the changing needs of the Franchised Business in accordance with System procedures and changes in suppliers and/or product specifications. The marketing materials may vary based on your particular market, but may include items such as marketing brochures, direct mail lists, yellow page ads, etc.

If this is an additional franchise or a Renewal Term being offered to you, the Initial Package Fee is waived.

If this is a Transfer, at the time of signing the Franchise Agreement, you must purchase the Transfer Initial Package from us at a cost of \$5,650. If the agreement that you have with the Seller does not include a tradeshow display and/or computer that meets our specifications, or it is more than 2 years old, the cost of the Transfer Initial Package will be increased by the cost of the tradeshow display and/or computer included in the Transfer Initial Package.

The Initial Package and the Transfer Initial Package are not refundable, except that if you attend the first Convention that is scheduled to occur after your successful completion of the Initial Training Program, \$1,000 will be rebated to you as the Convention Allowance (the "Convention Allowance"). If you do not attend the Convention, it will not be rebated to you. Alternatively, we may rebate a portion of the Convention Allowance after attendance at a Regional Meeting.

---

<sup>4</sup> All fees, unless otherwise noted, are due and payable to ProTect Painters.



**C. ROYALTY.**

You promise to pay us a weekly royalty (the "Royalty"). The Royalty structure will be 7% on Gross Sales. For the purposes of calculating Royalty, our week begins on Sunday and ends on Saturday ("Royalty Week"). However, so long as you are compliant with the terms of the Franchise Agreement and abide each and every System Standard, you will pay a reduced Royalty of 5%. If you are in default under this Franchise Agreement, then your Royalty shall automatically revert to 7% of your total Gross Sales for the next six months. If another default occurs during this six months, then the 7% Royalty shall continue until there are no defaults for six consecutive months.

You must enter in the Franchise Management Software (the "Software") all Gross Sales achieved upon jobs completed during the preceding Royalty Week by the close of business on Monday. We will then scan the Software to find Gross Sales achieved during the preceding week and compute Royalties. You will receive an email itemizing the jobs on which Royalties will be assessed and the total of the Royalties. Each Thursday, we will initiate a transfer of funds between our bank accounts for the amount indicated in the email. We may specify different due dates at any time with seven (7) days notice to you.

You must sign and deliver to us, before you attend Initial Training, the documents we require that authorize us to automatically debit your business checking account for Royalties and any other amounts you owe us. We have the right to verify your Royalty payments and reports at any time.

If you fail to report your Gross Sales on time, and/or report all Gross Sales achieved during the prior Royalty Week, you will be subject to a late royalty fee. In addition, we can debit your account for the same Royalty that we debited during the previous week. If the Royalty we debit from your account is greater than the Royalty you actually owe us (once we have determined your true and correct Gross Sales for the week), we will credit the excess against the amount we otherwise would debit from your account on the following Thursday. If the Royalty we debit from your account is less than the Royalty you actually owe us, we will debit your account for the balance of the Royalty due on the following Thursday. Our debit of your account will not relieve you of your obligation to pay any late fees or interest due under Section 2.D.

We can require you to pay the Royalty by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you promise to comply with our payment instructions.

**D. LATE REPORT FEE, LATE PAYMENT SERVICE FEE AND INTEREST.**

If the Royalty or any other fee that is due is not available in your account for debiting when due, or if all Gross Sales achieved are not entered into the Software by their due date, a late payment fee will be imposed for each week past due. Currently this fee, which is subject to change, is \$20 per week the payment is past due. There is also an interest fee of the lesser of 12% per annum or the maximum permitted by law, calculated from the date these amounts were originally due until the date paid. We can debit your account for both the late payment and interest fees.

You acknowledge that this Paragraph does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance the operation of the Franchised Business. Nevertheless, your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 12.B.

**E. DEFINITION OF GROSS SALES.**

Gross Sales, as used in this Agreement, includes all revenue you derive from operating the Franchised Business, whether in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received), or otherwise. All barter and/or exchange transactions for which you furnish services and/or products in exchange for goods or services will be valued, for the purpose of determining Gross Sales, at the full retail value of the goods and/or services you provide. You may deduct from Gross Sales the amount of all sales tax receipts or similar tax receipts that, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged.

**F. REQUIREMENT TO ACHIEVE A MINIMUM LEVEL OF GROSS SALES.**

You acknowledge and agree that we have awarded you this Franchise and DMT with the expectation that you will be able to develop a Franchised Business that will achieve an average minimum level of weekly Gross Sales (the “Minimum Gross Sales”) as follows:

<u>Months in Operation</u>	<u>Minimum Gross Sales Required</u>
Months 0-12	No Minimum
Months 13-24	\$3,500 per week
Months 25-36	\$5,000 per week
Months 37 +	\$6,500 per week

At any time after 12 months in operation, if you do not achieve the required average Minimum Gross Sales measured over a period of 3 consecutive weeks, we may collect a Royalty equal to what you would have been assessed had you achieved the Minimum Gross Sales. In those geographic areas of the country where outdoor painting is seasonal, we will not assess minimums in the months of January-March . If you have been awarded more than one Franchise Agreement, you will be required to meet the Minimum Gross Sales separately for each individual Franchise Agreement.

**G. LOCAL MARKETING, ADVERTISING, AND PROMOTION.**

**1. Local Marketing Program**

You will conduct your own marketing, advertising, and promotion programs, using approved materials and venues, at the local level and at your own expense (See Items 6 and 8). You must use our approved advertising and marketing materials or receive our written approval of all advertising and marketing materials from us before their use. All advertising and marketing materials must meet our then current standards and specifications. Provided that you have written proof of our receipt of the materials, if you do not receive written approval or disapproval within 10 days of our receipt of your written request for approval, the materials will be considered approved.

To secure new customers for the Franchised Business, you must aggressively conduct, at your expense, marketing, advertising, and promotional programs at the local level. You are required to spend for marketing, advertising, and promotional programs (the "Local Marketing Requirement") a minimum amount per each Target Household located in your Territory which is addition to the General Marketing Fund (section 2G). You agree to spend the following minimum amounts per territory on approved Local Marketing expenses:

<u>Months in Operation</u>	<u>Minimum Local Marketing Requirement per Territory</u>
----------------------------	--

Months 0-12	\$35,000 per year (average of \$2,916 per month)
Months 13-24	The greater of 8% of the previous year's Gross Sales or 8% of the current year's actual Gross Sales
Months 25-36	The greater of 6% of the previous year's Gross Sales or 6% of the current year's actual Gross Sales.
Months 37+	The greater of 4% of the previous year's Gross Sales or 4% of the current year's actual Gross Sales.

Failure to spend the required annual minimum Local Marketing Requirement on approved marketing expenses over the course of a calendar year will be a material breach of this Agreement (we recognize that you may want to spend more in certain months than in others, and you will be in compliance with this provision as long as you meet the Local Marketing Requirement by the end of each calendar year). We may request each January 15 and July 15 that you submit to us, in the format that we require, an accurate accounting of your Local Marketing Expenditures during the preceding six months. You must provide us with proof of these expenditures upon our request. If you fail to provide an accurate accounting or proof of your Local Marketing expenditures, or fail to meet the minimum Local Marketing Requirement in any given year, then, in addition to any other remedies available to us, we may require you to deposit with us a sum equal to the difference between the minimum Local Marketing Requirement and your actual Local Marketing expenditure plus any late fees and/or interest due. We will use such amount, less late fees and interest, in your Territory for marketing, advertising and promotion that we, in our sole discretion, deem to be in the best interests of the Franchised Business.

Each year, we will make a list of approved marketing expenses available on our Intranet website or as part of our Manuals. All advertising and marketing materials are required to comply with our guidelines as specified in our operating Manuals. You promise to provide to us, for our approval and before your usage, any and all advertising and promotional materials featuring art, graphics, or copy not originally prepared by us for your use. If you do not receive written approval within 20 days of our receipt, such advertising and promotional materials will be considered approved. At our discretion, we may, with notice to you, revoke our approval of any previously approved advertising materials due to changes in standards and specifications or if such materials subsequently fail to meet the quality standards of our approved suppliers.

2. *Advertising Cooperative Area*

We have the right to designate any geographical area as a ProTect Painters Regional Advertising Cooperative area ("RAC"), and to change the boundaries for the area at any time. If and when a RAC exists where your DMT is located, you must become a member, sign the cooperative agreement in a form reasonably satisfactory to us, and pay the weekly fee. The weekly fee ranges between 1.25% and 2.00% of Gross Sales, as decided by majority vote of RAC members, with a \$100 per week minimum contribution per DMT. Any monies paid to the RAC are considered part of the fulfillment of your Local Marketing Requirement, and are not an additional requirement.

Each RAC will be organized for the sole purpose of placing advertising and administering local advertising programs in accordance with plans approved by us. Each RAC will be governed by majority vote of the owners whose DMTs are located within the RAC. Each participating owner will receive one vote per DMT awarded to them.

3. *Telephone and Business Listings*

You promise to use only the ProTect Painters phone numbers that we designate for advertising and promotion of the Franchised Businesses. This includes, but is not limited to, all direct mail, door hangers, coupon inserts (including with vendors such as Val Pak), newspaper advertisements, yellow page or other directory listings, signage, vehicles, internet, radio, and/or television, etc. You acknowledge and agree that we own the ProTect Painters toll free number and that you have no rights to use the number except as outlined in this Agreement. With the Initial Package, you will be issued a local number from the vendor that we specify, which will be routed through the Call Center we designate. You agree to pay for and utilize the local numbers for local business services, such as initiating customer service calls, communicating with your staff, etc., however, you may not advertise with this local phone number in any manner. You may not get local numbers from any other vendor without our prior written approval. You agree that all numbers used by the Franchised Business are owned by us, and are only available to you while you are a Franchise Owner, and that upon termination of this Agreement, the number will be automatically transferred to us (Exhibit D).

We require that you use the Call Center(s) that we authorize to answer incoming sales calls on the ProTect Painters toll free number and local numbers that are for you. Currently, the fee for the use of the Call Center is included in the Sales and Technology Fund (Section 2.L). We reserve the right to change Call Center provider(s) any time with seven days notice to you.

The mailing address that you list in any directory or on any advertisement must be within your DMT.

We will use our best efforts to maintain a service through which phone calls to our ProTect Painters toll free phone number and your local number will be forwarded to you or us. In the phone routing process, we will make a best effort to route calls from prospective customers requesting service in your DMT through a call center to you. We do not guarantee that every phone call requesting service in your DMT will be routed to you. We will use our best efforts to maintain this service 24 hours per day, seven (7) days per week subject to acts of God or circumstances beyond our reasonable control, including, power outages and the unavailability of telephone services.

#### *4. Marketing Materials*

You must use our approved advertising and marketing materials or receive our written approval before using any and all advertising and promotional materials featuring art, graphics, or copy not originally prepared by us for your use. If you do not receive our written approval or disapproval within 20 days of our receipt of your written request, the advertising and promotional materials will be considered approved. At our discretion, we may, with notice to you, revoke our approval of any previously approved advertising materials due to changes in standards and specifications or if the materials should later fail to meet the quality standards of our approved suppliers.

We may offer and sell advertising, marketing, and promotional materials at any time. You have no obligation to purchase any of these materials or forms from us. Should you elect to purchase these materials from someone other than us or our approved supplier, they must meet System standards and specifications.

#### **H. GENERAL MARKETING FUND.**

Recognizing the value of marketing, advertising, and promotion to the goodwill and public image of the System, we have established a General Marketing Fund (the "Marketing Fund") for marketing, advertising, promotion, cross-promotion, and public relations programs and materials. You promise to contribute to the Marketing Fund as provided for in the Manuals,

an additional amount of 1% of your Gross Sales. All contributions will be by automatic debit and will be made in the same manner as your Royalties.

Monies collected for the Marketing Fund may be used to pay the costs, including personnel, associated with preparing and producing video, audio, and written materials, administering and placing national, regional and/or multi-regional marketing and advertising programs, administering and placing cross-promotion programs with third parties, and employing outside advertising and public relations agencies to provide assistance and support for public relations, market research, and other advertising, promotion, and marketing activities.

We will administer these programs for a fee not to exceed 10% of the Marketing Fund revenues. Our expenditures of the Marketing Fund will be at our sole discretion and we are not obligated to do it in a way that benefits each franchisee equally or in proportion to their payments. Any materials developed by the Marketing Fund will be made available to you through our fulfillment supplier for the published fees.

The Marketing Fund will not be our asset, will be accounted for separately from (but may be commingled with) our other funds, and will be held for the benefit of the System. The Marketing Fund will prepare unaudited income and expense statements at least once each year. Monthly unaudited income and expense statements will be available to any franchisee upon request. We can have the Marketing Fund incorporated or operated through a separate entity anytime we deem appropriate, and the successor entity will have all of the rights and duties specified in this section. The Marketing Fund will not be used for advertising or public relations which are principally a solicitation for the sale of additional franchises, but we reserve the right to include a notation in any advertisement indicating "Franchises Available."

***I. FRANCHISE MANAGEMENT SOFTWARE LICENSING AGREEMENT AND FEES.***

You will be required to: (i) utilize our then-current Franchise Management Software System in the operation of the Franchised Business; and (ii) execute and maintain a software licensing agreement (attached to this Agreement as Exhibit C).

***J. HIGH SPEED INTERNET CONNECTION, ELECTRONIC MAIL NETWORK & WEBSITE.***

You promise to subscribe to, maintain, and utilize a DSL, Cable, or Satellite high speed internet connection which we designate. We have the right to specify the exact type and/or carrier that you use for this service. You must use the electronic mail ("email") account that we designate, which will be maintained on the server that we designate; and you agree to use that as your email account for all email used regarding to the Franchised Business. You may not set-up a separate email for the Franchised Business. We may require that you keep your database on an independent server or we may require that you keep it on a server that we maintain.

You also promise to subscribe to, as directed by us, a customized web site connected to our web site and managed by our web site provider. The cost for this shall be included in your contribution to the S&T Fund. You may not attempt to redirect the customized website. You may not implement a web site or URL for the Franchised Business either yourself or through a third party.

***K. OUTSTANDING FEES OF PREDECESSOR.***

If you were awarded your franchise as a result of your purchase of all or substantially all of the assets of the Franchised Business owned by a previous franchisee in the DMT, you promise to pay us our current broker fee (if applicable) and transfer fee to defray expenses we incur in the transfer, if they are not timely paid by your predecessor.

**L. SALES AND TECHNOLOGY FUND.**

In order to provide our customers with the best service possible, by providing a uniform standard for placement of services and handling of customers, we have established a Sales and Technology Fund (referred to as the "S & T Fund"), for which you agree to pay 2% of Gross Sales. Funds paid to the S & T Fund are to go towards payment of items such as the Call Center, the maintenance of the ProTect Painters website, an email server, use of and support for the Software, and/or other technology services as we determine are in the best interests for the System. We reserve the right to change the technology services paid for by the S & T Fund with seven (7) days written notice to you. All contributions will be by automatic debit and will be made in the same manner as your Royalties.

Our expenditures of the S & T Fund will be at our sole discretion and we are not obligated to do it in a way that benefits each franchisee equally or in proportion to their payments. The S & T Fund will not be our asset, will be accounted for separately from (but may be commingled with) our other funds, and will be held for the benefit of the System. We will furnish to you upon request, an annual statement of monies collected and costs incurred by the S & T Fund. We can have the S & T Fund incorporated or operated through a separate entity anytime we deem appropriate, and the successor entity will have all of the rights and duties specified in this Section.

**3. TRAINING AND GENERAL GUIDANCE.**

**A. TRAINING.**

Before you begin operating the Franchised Business, we will furnish initial training (the "Initial Training") to you on the operation of a Franchised Business. You promise to complete the Initial Training to our satisfaction and failure to do so will result in the termination of this Agreement. You will not be able to attend Initial Training until you have paid all fees due to us and completed Right Start, as described in the Right Start manual.

The Initial Training will be 9-11 days in duration, held at a location designated by us. This training will be conducted by our training staff and franchise services team. Although we will furnish the Initial Training to you and one other person at no additional fee or other charge, you will be responsible for all travel and living expenses that you incur while training.

You may designate, with our approval and on a "space available" basis, additional persons to attend other sessions of the Initial Training for which you will be charged our then-current training fee. In addition, each person we approve to attend the Initial Training will be required to execute our then-current Confidentiality and Non-Disclosure Agreement before the start of training. The Initial Training fee will be due and payable before the start of the training program and you will be responsible for the payment of all travel and living expenses incurred by your designees while training.

You promise to attend periodic refresher training courses, conferences, and conventions at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of each session. You will be responsible for all travel and living expenses that you incur while attending such session. You will not be required to attend more than one session per year. If you do not attend at least one event each year, we may debit your account \$750, and it may lead to termination of the Franchise Agreement.

If this is an additional Franchise being awarded to you, and you have already attended Initial Training, the requirement that you attend Initial Training is waived. If this is a Transfer, you will need to attend the Initial Training course.

**B. GENERAL GUIDANCE.**

You will have access to information helpful to the operation of the Franchised Business based on reports you submit to us, our review of your financial information which we can automatically access, and/or inspections that we make. In addition, we will furnish guidance to you on:

1. new products, services, and methods which we may have discovered or have developed for the System;
2. the purchase and use of supplies, uniforms, equipment, and products;
3. advertising, marketing, and/or promotional programs available to you as part of our continuing implementation of your local marketing program(s) and other research data and advice as we may develop for use in your local market;
4. contractor and employee recruitment, training, and retention;
5. the financial and daily operation of the Franchised Business including its accounting and record keeping functions.

This guidance will, at our discretion, be furnished in our operating Manuals, bulletins, or other written materials, conferences, conventions, or other training sessions, toll-free telephone consultations, electronic communications, and in consultations at our office or the offices of the Franchised Business.

**C. OPERATING MANUALS.**

We will loan to you during the term of this Agreement one copy of our operating Manuals. These Manuals contain our proprietary information and trade secrets and includes materials such as: DVDs, CDs, thumb drives, magnetic media, computer software, proprietary business forms, written materials, and the ProTect Painters Owner's Intranet website) that we generally furnish to Franchise Owners for use in operating a Franchised Business. The Manuals contain mandatory and suggested specifications, standards, operating procedures, and rules (the "System Standards") that we prescribe for the operation of a Franchised Business, and information on your other obligations under this Agreement and related agreements. We may modify the Manuals periodically to reflect changes in the System Standards.

You promise to keep your copy of the Manuals current and in a secure location in the principal office of the Franchised Business. If there is a dispute over its contents, the master copy of each of the Manuals that we maintain at our principal office will be controlling. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manuals. If all or any of the Manuals are lost, destroyed, or significantly damaged, you promise to obtain replacements at our then-current charge.

If this is an additional Franchise being awarded to you, the set of Manuals that was loaned to you with the original franchise are to be shared between all the Franchised Businesses and we are not obligated to send you another set.

**D. DELEGATION OF PERFORMANCE.**

You agree that we have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

**4. MARKS.**

**A. OWNERSHIP AND GOODWILL OF MARKS.**

1. You acknowledge that we own and have all rights to the Marks.

2. Your right to use the Marks is derived only from this Agreement and is limited to your operation of the Franchised Business in accordance and in compliance with this Agreement and all System Standards we prescribe during its term.

3. You promise to use only the Marks that we designate in writing, and to use them only in the manner that we authorize.

4. You agree that your use of the Marks, and any goodwill established by this use, will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interest in the Marks upon you (other than the right to operate a Franchised Business under this Agreement).

5. All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols that we authorize you to use.

6. The right and license of the Marks awarded to you under this Agreement is non-exclusive, and we may: (i) award other licenses and franchises for the Marks, in addition to those licenses already awarded; and/or (ii) use the Marks in connection with marketing and selling any products and services as we deem appropriate.

***B. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.***

You promise to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or any other administrative proceeding arising out of any infringement, challenge, or claim or otherwise regarding our Mark. We shall indemnify and hold you harmless against any loss, damage or expense incurred in connection with the infringement, challenge or claim; provided, however, our indemnity shall be only to the extent you are using the Marks in accordance with the terms and conditions of this Agreement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding, or otherwise to protect and maintain our interest in the Marks.

***C. LIMITATIONS ON YOUR USE OF MARKS.***

1. You promise to use the Marks as the only identification of the Franchised Business, except that you agree to identify yourself as the owner of an independent entity in the manners that we prescribe.

2. You promise to affix the Marks upon the vehicles, uniforms, equipment, containers, fixtures, signs, stationery, advertising, sales/promotional materials, etc., in the size, color, lettering style and fashion, and at the places as we may designate in the Manuals.

3. You promise to not use the Marks, or any words or symbols confusingly similar to them, as part of any corporate or other legal name or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in connection with the sale of any unauthorized product or service, on an Internet web-site of your own design, or in any other manner not explicitly authorized in writing by us.

4. Except as expressly provided in the Manuals, you may not display any other trademarks, logotypes, symbols, or service marks, nor may you use any other marks in connection with the Marks, or with the Franchised Business, without our prior written approval.



5. You promise that all advertising and promotional materials that you use will bear the appropriate "®" or "©" registration symbol and/or other similar appropriate notice of ownership, registration, or copyright as we may require.

6. You promise to not use the Marks in any internet advertising, except as provided for under the then-current Internet policy, as published in the most current Manuals. This includes, but is not limited to: websites, email account address, domain names, URL's, linking, meta-tags, as well as any other method of performing e-commerce activities. If approved to engage in Internet Marketing, you agree to adhere to the Internet Marketing policy, including our specifications on placement, key words, meta-tags, titles, and other requirements as we determine. You agree to claim the online listings that we designate, and to claim and update them only as instructed by us.

7. You promise to submit to us, for our approval, the assumed or trade name (the "DBA") you intend to use in the operation of the Franchised Business before filing for it as required by local laws. We may approve or not approve a DBA at our sole discretion. All filings or affidavits, following your receipt from us of an approved DBA, must state that the filing or affidavit is made as "a franchise of ProTect Painters International, LLC." The approved DBA is the only DBA that you may use. You may not use a different name under any circumstances, including as a domain name, URL address, marketing, or for any other function.

8. We are the lawful and sole owner of the domain name www.protectpainters.com. You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue use of a website using the Marks. You may only advertise on the Internet if you have our prior written permission. You may access our website. Except as we authorize in writing in advance; however, you cannot: (i) link to or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain names in connection with your Franchise. The only exception is that you may list the Franchised Business in an online directory.

***D. DISCONTINUANCE OF USE OF MARKS.***

If it becomes advisable at any time, in our sole discretion, to modify or discontinue the use of any Mark and/or use one or more additional or substitute names or marks, you promise to comply with our direction within a reasonable time after you have received notice. We will not be liable to you for any expenses, losses, or damages you sustain as the result of this addition, modification, substitution, or discontinuance of a Mark, and you promise to not instigate, start or join in any litigation or other proceeding against us for this expense, loss, or damage.

**5. CONFIDENTIAL AND PROPRIETARY INFORMATION.**

***A. CONFIDENTIAL INFORMATION.***

We possess (and will continue to develop and acquire) certain confidential information (the "Confidential Information") for the development and operation of ProTect Painters businesses. The Confidential Information includes (without limitation):

1. general operating procedures for a Franchised Business;
2. personnel guidelines for finding, hiring, and managing subcontractors, training, retaining, promoting, and supporting staff;
3. a Franchise Management Software System;

4. the Right Start and Initial Training Program;
5. written marketing and advertising materials, audio tapes, and programs for their utilization;
6. knowledge of specifications and suppliers of certain assets and supplies for the Franchised Business;
7. information on operating results and financial performance of ProTect Painters businesses other than your own;
8. The Manuals and ProTect Painters Owner's Intranet website and its contents.

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to utilize that which is disclosed to you in operating the Franchised Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You also acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you promise to:

9. not use Confidential Information in any other business or capacity;
10. maintain the absolute confidentiality of Confidential Information during and after the term of this Agreement;
11. not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form;
12. adopt and implement all reasonable procedures that we prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure to employees and contractors of the Franchised Business and others.

The foregoing restrictions will not apply to such information that:

13. is now public knowledge or hereafter becomes public knowledge through no fault of yours;
14. is properly provided to you without restriction by third party having no such restriction;
15. is required to be disclosed by order of a competent court or governmental authority, provided, however, that (i) you provide us with prompt written notice of any claim or litigation that could give rise to such a requirement; (ii) you furnish only that portion of the Confidential Information that you are required to disclose; and (iii) you advise the governmental authority of your confidentiality obligations under this Agreement.

***B. PROPRIETARY INFORMATION/CUSTOMER LISTS***

You acknowledge and agree that we own any and all customer lists and their contents that you may develop during the normal course of operating the Franchised Business and that such customer lists and contents are our trade secrets. You promise to keep an up-to-date list of all current and former customers in the most current version of the Franchise Management Software, including their name, telephone number, complete mailing address, complete email address, telephone numbers both home and cell, frequency of service, last date serviced, price of service, and marketing lead source which we may access without limitation. The information will be utilized periodically in the development and execution of various marketing strategies for the mutual benefit of you and us. We retain sole discretion in the development of all marketing strategies. You promise not to use any customer list for any purpose other than in the normal operation of the Franchised Business without our prior written approval. We promise to not make

the customer list available to any third or related party, excepting only those agents of ours acting in an audit capacity as provided for in Section 8 of this Agreement or acting in a marketing capacity as provided for in Sections 1 and 2 of this Agreement. We reserve the right to cross-market other Service Brands International, LLC businesses, and to otherwise communicate with people on the customer list.

**6. COVENANTS NOT TO COMPETE.**

**A. FOR YOU.**

You promise, during the term of this Franchise Agreement, to not:

1. engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity (collectively referred to as “principals”), neither directly nor indirectly, through corporations, partnerships, limited liability companies, trusts, associations, joint ventures, individually, or other unincorporated businesses, perform any services for, engage in or acquire, participate or have any financial or other interest in any other business offering residential and commercial painting services upon residential dwellings and various commercial buildings and structures, or any other services or products offered by ProTect Painters Businesses; provided, however, that this provision shall not apply to the operation of any other ProTect Painters franchised business pursuant to a valid franchise agreement with Protect Painters.

2. Use our confidential information, System, Manuals, Marks, customer lists, trade secrets, trade dress, proprietary knowledge or know-how or any colorable imitations, in the design, development or operation of any business whether or not similar to, or the same, as that conducted by the Franchised Business.

**B. FOR YOUR EMPLOYEES AND CONTRACTORS.**

At the start of their employment/retention, you promise to require, as consideration for employment/retention, each of your employees and contractors to execute nondisclosure and confidentiality agreements that we have approved. Such agreements will prohibit disclosure, by the employee and contractor to any other person or legal entity, of any trade secrets, customer lists, or other information, knowledge, or know-how regarding the System or the operation of the Franchised Business, which is deemed confidential or proprietary by us. Such employee/contractor non-disclosure and confidentiality agreements will, to the fullest extent permitted by applicable law, prevent employees and contractors from servicing or soliciting any of the customers of your Franchised Business, except in their capacities as employees or contractors of the Franchised Business. We may require at any time that a fully signed copy of each employee and contractor non-disclosure and confidentiality agreement will be sent to us.

**C. OUR RIGHT TO ENFORCE NON-COMPETITION COVENANTS.**

You agree and acknowledge that a violation of the covenants not to compete as listed in this Section, will result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete. You expressly agree that the existence of any claims you may have against us, whether or not resulting from this Agreement or otherwise, will not constitute a defense to the enforcement by us of these covenants not to compete. You promise to pay all costs and expenses (including reasonable attorneys’ and experts’ fees) incurred by us in connection with the enforcement of these covenants not to compete if you are found to be in violation of your confidentiality and/or your non-competition obligation(s) under this Agreement. The protection awarded in this Paragraph will be in addition

to, and not in lieu of, all other protections for such trade secrets and confidential information as may otherwise be afforded in law or in equity.

**7. SYSTEM STANDARDS.**

**A. COMPLIANCE WITH SYSTEM STANDARDS.**

You acknowledge and agree that the operation and maintenance of your Franchised Business according to System Standards are essential to preserve the goodwill for the Marks and all ProTect Painters franchises. Therefore, at all times during the term of this Agreement, you promise as the Managing Owner to devote your full time, best efforts to operate and maintain your Franchised Business according to every System Standard, even if you believe that a System Standard, as originally issued or later modified or supplemented, is not in the System's or your Franchise's best interest. System Standards may be periodically modified and supplemented during the term of this Agreement. You promise to use your best efforts to assure that your contractors, employees and representatives conduct themselves during business hours and/or whenever they are in a ProTect Painters vehicle or uniform, in a manner which is consistent with the professional and ethical image of the System.

System Standards as specified and periodically amended in the Manuals may regulate one or more of the following for your franchise:

1. use and display of the Marks;
2. services and products which we authorize you to sell to the public;
3. the use of supplies and equipment;
4. a dress code, during business hours, for you, your employees, and your representatives;
5. suppliers you may use for the purchase of uniforms and van decals;
6. vehicle type, model, color, trademark representation, and appearance (no rust or body damage). These specifications are included in our Manuals. All vehicles will be purchased or leased for the business through our approved vendors as specified in the Manuals and are to be maintained in a "good" condition as defined by KELLY BLUE BOOK, ("Good" condition means that the vehicle is free of any major defects. The paint, body and interior have only minor (if any) blemishes, and there are no major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in the business are to be decaled as required by us and the decals are to be free of defects;
7. business forms and stationery;
8. designated and approved suppliers for trademarked business assets and supplies;
9. types and amounts of insurance coverage;
10. compliance with applicable laws including obtaining required licenses and permits, payment of all taxes, assessments, fees, fines, and penalties arising out of the operation of the Franchised Business;
11. adhering to good business practices, observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers, suppliers, and us, and notifying us if any action, suit, or proceeding is instigated against you or the Franchised Business;
12. general operations including maintaining, at a minimum, Monday through Friday 8:00 AM to 5:00 PM business hours with periodic evening and weekend customer appointments,

sales, marketing, advertising, and promotional programs, and materials and media used in these programs, call center usage, phone type/model/provider, personnel practices, bookkeeping, accounting, data processing, and record keeping systems, and forms, methods, content, and frequency of reports to us of sales and financial performance, and the furnishing of tax returns related to the Franchised Business and other operating and financial information to us;

13. use best efforts to refer customers in neighboring territories to the correct franchisee within one business hour from when the lead was received, complaints within one business day, and resolution within 7 days of the initial complaint; in order to insure positive customer relations and maintain the goodwill of the System, even when such response may necessitate re-performing a task not completed to the customer's satisfaction or a refund of monies received;

14. any other aspect of the operation and maintenance of your Franchised Business that we determine, to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the System;

15. public figures you choose in connection with local promotions;

16. use of a computer, electronic mail and website that meets our requirements, as periodically updated;

17. marketing, advertising, and promotional material prepared by you;

18. the offering and honoring of a warranty on all materials and workmanship; and

19. additional services that you must offer.

#### ***B. MODIFICATION OF SYSTEM STANDARDS.***

You acknowledge and agree that the System must continue to evolve in order to reflect changing market conditions and to meet new and changing consumer demands. As a consequence, changes, modifications, and variations to the System's Standards may be required periodically to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

You, therefore, agree that we may, periodically and upon notice, add to, modify, or change the System, including the adoption and use of new or modified trademarks, uniforms, signs, vehicle types, products, equipment, services, techniques, proprietary software, non-proprietary software, methodologies, and sales strategies, and you promise to promptly accept, implement, use, and display in the operation of your Franchised Business, all such additions, modifications, and changes at your expense.

However, we will not require you to make any changes, modifications, and variations to the System that are not required of all Franchise Owners; additionally we will periodically meet with representative groups of Franchisees and solicit their input before the implementation of any material change or modification. Your failure to comply with modifications to System Standards within the required time period is an incurable default under this Agreement, as provided in Section 12.B.

#### ***C. INSURANCE.***

Before attending Initial Training, you promise to purchase and maintain in full force and effect throughout the term of this Franchise Agreement, at your expense, insurance protecting you, your employees, and us, our officers, and employees, against loss, liability, fire, personal injury, death, property damages, or theft resulting from, or occurring in connection with, the operation and promotion of the Franchised Business.

The insurance you must maintain reflects the minimum amounts of coverage we require. Our requirements are not meant to reflect the actual needs you may have or other state-mandated coverage, and that it is your responsibility to carefully evaluate if such minimum will adequately meet your needs and state requirements, (i.e. flood insurance, employment practices liability, pollution or major medical etc). All policies must be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of "A-" or better. When we locate an insurance provider(s) that is licensed in all or in a significant number of states, including yours, you will be required to purchase your insurance from that provider(s). We reserve the right to specify or change, at our discretion, the specific provider that you must use in the future. Our current requirements are described below:

1. Commercial General Liability Insurance. Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit and \$1,000,000 per occurrence limit. Contractual liability coverage including the assumed personal injury endorsement must be included to cover the indemnity provisions of this Franchise Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. Such policy shall contain a waiver of subrogation endorsement as to claims against ProTect Painters International, LLC.

ProTect Painters International, LLC shall be named as an additional insured on this policy on a primary and noncontributory basis, and with a Grantor of Franchise Form CG2029 or an insurer's comparable form.

2. Automobile Liability Insurance. You shall maintain insurance with a combined single limit ("CSL") of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and include a hired and non-owned endorsement. Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.

3. Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance shall be maintained with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit. In "Monopolistic States", such as Ohio, North Dakota, Washington, and West Virginia "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language. Even if your state does not require that you have worker's compensation and employers' liability, you are still required to have this coverage. You may only use subcontractors who have this coverage.

4. Umbrella Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with a limit of at least \$1,000,000 per occurrence and aggregate and shall list the commercial general liability and automobile liability as scheduled underlying policies.

5. Other Insurance. You shall comply with any state, county, local, or other municipal insurance requirements.

No deductible or self-insured retention can exceed \$5,000 for any required insurance policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy.

You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

All policies will name ProTect Painters International, LLC, its employees, officers and directors, as additional insured, and will contain no provision which in any way limits or reduces coverage for you if there is a claim against by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 10 days notice of any intent to cancel or materially alter any policy.

At least 10 days before attending training, whenever a change is made to your policy, and before expiration of any insurance coverage, you promise to submit to us a copy or certificate or other acceptable proof of such insurance with a copy of the Additional Insured Endorsement on your policy. On occasion, we may request complete copies of all insurance policies to insure compliance with the insurance provisions of this Agreement.

We may, periodically, and reasonably determine and modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstances.

You promise to promptly report all material claims, or potential claims, against you, any Indemnified Party or us, to the insurer and to us.

If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage and premium payments, we may obtain, at our sole option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf. We are under no obligation to obtain such insurance, but if we do so, you must fully cooperate with us in our efforts and must promptly sign all forms required to obtain or maintain the insurance. You must also allow any inspections of your ProTect Painters Business required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf will reduce or absolve you of any obligations of indemnification described in this Agreement.

You acknowledge that your franchise may be held financially responsible for wrongful acts that cause bodily injury or property damage to a third party which are committed by an independent contractor working on your behalf even though you have no direct fault for the act. Therefore you promise to obtain or have on file standard ACCORD form certificates of insurance for every subcontractor that performs work on your behalf. You will collect certificates of insurance before the subcontractor enters the work site. Certificates of insurance and Subcontractor Agreements will be kept on file for a minimum of five years and will stipulate that your franchise is an Additional Insured and that proper limits are maintained on the subcontractor's General Liability, Commercial Automobile and Worker's Compensation and Employer's Liability Insurance as specified in the Subcontractor Agreement. You acknowledge that if you should fail to maintain insurance, you may be responsible for paying worker's compensation premiums for all work performed without proper documentation.

**D. RECORDS, REPORTS AND FINANCIAL STATEMENTS.**

We require you to use the Software for maintaining customer records for the Franchised Business. We will have confidential access to your databases and related information from this software management system, which we will use to compute the Royalty due on Gross Sales, and to make other evaluations and verifications. In addition, you promise to establish and maintain, at your expense, the online accounting system that we prescribe in the Manuals, including any system we may develop. We will have automatic, but confidential, password access to your financial reports. You promise to furnish us, in the manner and format that we require:

1. Weekly (currently Tuesday), all Gross Sales achieved during the prior Royalty Week ending on Saturday;
2. upon our request, a back-up of the Franchise Management Software System database that includes all current and former customers;
3. on the 25th day of each month, an unaudited income statement for the preceding month, in a form satisfactory to us, and such additional reports as we may require;
4. within 90 days after the close of your fiscal year, a complete income statement;
5. within 10 days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the Franchised Business.
6. by December 15 of each year, Financial Projections for the upcoming year; and
7. by December 15 of each year, a Marketing Plan, prepared working with us, for the upcoming year.
8. by each January 15 and July 15, a complete accounting of all Local Marketing expenditures for the previous six months.

You promise to verify and sign each report and financial statement in the manner that we prescribe. We can disclose data derived from these reports without specifically identifying you or the Franchised Business (unless have your written consent to specifically identify you). We can require you to have audited financial statements prepared on an annual basis if you fail to comply with any provision of this Agreement. Finally, you will allow us, as we deem appropriate, timely access to all computer systems that you maintain, to retrieve all information for the operation of the Franchised Business.

You promise to maintain all records, reports, and financial statements for a minimum of 5 years during and following the termination of this Agreement.

***E. COMPLIANCE WITH LAWS.***

You will, at your expense, secure and maintain in force all required licenses, permits, and certificates for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable local, state and federal laws, rules and regulations. You must, at your expense, comply with all federal, state, and local laws, rules and regulations that apply to residential and/or commercial painting services in general. If your state or county requires a license, you must be licensed before commencing operation of the Franchised Business and maintain such license throughout the term of the Franchise Agreement and any Renewal Terms.

You must also comply with all federal, state and local laws, rules and regulations regarding the handling and/or disposal of paint, lead paint, mold, and/or hazardous waste. Some of the laws, rules and regulations you will want to investigate include the Federal Hazardous Waste Management laws, Environmental Protection Agency (mold, lead, and other hazardous materials), and Occupational Safety and Health Administrations regulations. It is your sole responsibility to investigate and comply with these laws, rules and regulations, and keep appraised of changes that are made in areas that you service.

It is your sole responsibility to investigate the federal, state and local laws, rules and regulations that pertain to residential and/or commercial painting services before signing the Franchise Agreement, as well as to stay appraised of any changes during the Term of this Agreement. You must maintain your license(s) in good standing with the licensing authority for the entire term of this Agreement and all Renewal Terms.



You will notify us in writing within five (5) days of instigation of any action, suit, or proceeding for the issuance of any order, writ, injunction, award or decree or any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business.

**F. MULTIPLE AGREEMENTS.**

If you have been awarded more than one ProTect Painters Franchise, then the following applies: (i) you agree that any default under any of the ProTect Painters Franchise Agreements awarded to you, shall constitute a default under all your Franchise Agreements and all available remedies under any of your Franchise Agreements shall apply; and (ii) if you are signing two or more Franchise Agreements at the same time, or six months have not passed since you signed your first Franchise Agreement, then as long as you have complied with the requirement to attend Initial Training within four months of signing the Franchise Agreement and you have opened the first business within two months of attending Initial Training, then you may have an additional six months from the start date of the Franchised Business before you are required to open each additional Franchised Business. For example, if you signed and then trained in month 4 and opened the first unit in month 6, you would need to open the second unit in month 12, the third in month 18, etc.

**G. WARRANTY.**

You agree to offer and honor a minimum two-year warranty on all materials and workmanship performed by franchisee for each of its customers whose painting was exterior residential, at its own cost, as the terms of such warranty may be periodically established by franchisor.

**8. INSPECTIONS AND AUDITS.**

**A. OUR RIGHT TO INSPECT THE FRANCHISED BUSINESS.**

To determine whether you are complying with this Agreement and all System Standards, we have the right at any time during business hours to perform an on-site inspection of your business at its principal office. During such inspection, we may participate in quality checks of homes and businesses being serviced, review your books and records, review your promotional materials and media advertising, review your personnel files and practices, interview contractors and/or employees, and/or review any and all components of the Franchised Business.

You promise to cooperate fully with us in any inspection of your business, and we promise to use our best efforts to not interfere with its operation.

**B. OUR RIGHT TO AUDIT.**

We have the right at any time during business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, any and all financial statements, reports, income tax records, sales tax records, payroll records, software databases, and other records. You promise to cooperate fully with our representatives, and independent accountants we hire, to conduct any inspection or audit.

If any inspection or audit discloses an understatement of Gross Sales, we can debit your account, for 100% of the monies due to us, including Royalty, General Marketing Fund, S&T Fund contributions, etc., for the amount of the understatement, plus interest, at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is lower, and all late fees, from the date originally due until the date of payment.

If an inspection or audit is made necessary by your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if an

understatement of Gross Sales is greater than 5%, or for failure to record all customers in the Software, for any period reviewed, you promise to reimburse us for the cost of the inspection or audit, including the charges of attorneys and independent accountants, the travel expenses, room and board, and compensation of our employees and/or contractors, etc. Additionally, if an understatement of Royalty is greater than 5%, you also promise to pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales.

These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

## **9. TAXES AND ADVANCES.**

### **A. TAXES.**

You promise to pay all taxes as required by local, state, or federal laws regarding the products, service, or equipment furnished or used in connection with the operation of the Franchised Business. You promise to promptly pay us, when due, the amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected, or paid by us, to your state and/or local government, on account of services or goods furnished by us to you through sale, lease, or otherwise, or on account of collection by us of the Initial Franchise Fee, Royalties, or any other payments to us called for by this Agreement.

### **B. ADVANCES.**

You promise to promptly reimburse us for all amounts that we have paid, or have been obligated to pay, on your behalf for any unpaid tax liability.

## **10. TRANSFER.**

### **A. BY US.**

This Agreement is fully transferable by us and will benefit any transferee or other legal successor to our interests.

### **B. BY YOU.**

If you are in full compliance with this Agreement, then, with our prior written approval, you may transfer this Agreement, the Franchise and Business, and any part of your ownership in it (including any voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition). Any such assignment, transfer, or encumbrance without such approval, will constitute a breach of this Agreement. Any change of ownership requires our approval and must meet the conditions specified below, and the payment of the transfer fee will be due should the change of ownership be 33% or more in the aggregate. We will not, however, unreasonably withhold our approval provided as long as the conditions specified below are met:

1. you are in full compliance with this Agreement;
2. the transferee has demonstrated sufficient business experience, aptitude, and financial resources to meet our then-current standards for new Franchise Owners, which may include aptitude or assessment testing;
3. the transferee and its owners and affiliates are not engaged in a competitive business, unless they agree to operate all competitive businesses as part of the ProTect Painters System;
4. you provide us with written authorization to release to the transferee any and all information about the operation of the Franchised Business which we have collected;

5. the transferee has executed our then-current form of Franchise Agreement for a full term;

6. you, or the transferee has paid us: (i) the then current Transfer Fee and a Transfer Initial Package Fee upon execution of the Franchise Agreement to defray expenses we incur in the transfer, including the costs of training the transferee (we will waive the transfer fee for transfers to your spouse, children, or parent); (ii) all royalties, Marketing Fund contributions, S & T Fund contributions, amounts owed for purchases from us or by us on your behalf, late payments and interest; and (iii) any applicable broker fees if you utilize a third party broker to locate the transferee.

7. the transferee has successfully completed our Initial Training Program;

8. you have executed a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

9. we have approved the material terms and conditions of the transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Franchised Business;

10. if you finance any part of the sale price of the transferred interest, you agree that all of the transferee's obligations under any promissory notes, agreements, or security interests that you have reserved in the Franchised Business, are subordinate to the transferee's obligation to pay Royalties, and all other amounts due to us and otherwise to comply with this Agreement.

11. in an approved transfer to a wholly-owned corporation or limited liability company, we will require you to own and control at least 67% of the issued and outstanding capital stock or other ownership interest;

12. you must have attended Initial Training and your business is open.

**C. YOUR DEATH OR DISABILITY.**

Upon your death or disability, your executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement to a third party within a reasonable amount of time, but not to exceed 6 months. The transfer will be subject to all of the terms and conditions applicable to transfers that are contained in this Section, with the exception that the transfer fee will be waived if the third party is your spouse or child or parent.

Upon your death or disability, and before a transfer of your interests in this Agreement, your spouse, child, parent or other immediate family member may, if the party otherwise would qualify as a transferee, operate the Franchised Business, as long as the party personally manages the business on a full time basis and successfully completes Initial Training and signs a new Franchise Agreement.

For the purposes of this section disability is defined as a condition that materially impairs your ability to operate the Franchised Business in accordance with this Agreement.

**D. OUR RIGHT OF FIRST REFUSAL.**

If you at any time determine to sell, assign, or transfer for consideration (does not apply to your death or disability) your interest in this Agreement, you agree to obtain a bona fide, executed written offer and earnest money (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror and immediately submit to us a true and complete copy of the offer which includes details of the payment terms. To be a valid, bona fide offer, the proposed purchase price is to be denominated in a dollar amount.

When there is a transfer of 100% of Franchisee's ownership in the Franchise Agreement, we have the right, exercisable by written notice delivered to you within 30 days from the date of the delivery to us of both an exact copy of the offer and all other information we request, to purchase the interest for the price, less the transfer fee, on the same terms and conditions contained in the offer except that: (i) we may substitute cash for any form of payment proposed in the offer; (ii) our credit will be deemed equal to the credit of any proposed purchaser; (iii) we will have 60 days, after giving notice of our election to purchase, to prepare for and complete closing; and (iv) we are entitled to receive, and you agree to make, all customary representations and warranties given to the proposed purchaser.

If we do not exercise our right of first refusal, you may complete the sale to the purchaser on the exact terms of the offer, subject to our approval of the transfer as provided in Paragraphs B of this Section. If the sale is not completed within 60 days after the expiration of our right of first refusal, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of the 60 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

## **11. EXPIRATION OF THIS AGREEMENT.**

### **A. YOUR RIGHT TO RENEW THIS AGREEMENT.**

Upon the expiration of this Agreement, as long as during its term you complied substantially with its provisions, including the timely payment of all fees and royalties, you may renew your Franchise for additional terms of 10 years each (the "Successor Term").

We may refuse to offer you a Successor Term if you: (i) are not, at the time, in substantial compliance with this Agreement, or any other ancillary agreement then in effect between you and us; (ii) have received written notice by us 3 or more times during the last two years of the Initial Term or any Successor Terms for failure to comply with the terms of this Agreement, and were in violation of your obligation(s), whether or not such failure is later cured; and/or (iii) have repeatedly failed to make timely payment to us of all sums due to us.

### **B. AWARD OF A SUCCESSOR AGREEMENT.**

You promise to give us written notice of your election to renew this Agreement no earlier than 9 and no later than 6 months, before the expiration of this agreement. We promise to give you notice of our decision (referred to as "Our Notice") not more than 45 days after we receive your notice, in accordance with Paragraph A of this Section: (i) to award you a Renewal Term; (ii) to award you a Renewal Term on the condition that you correct any provisions of the Franchise Agreement with which you are not in compliance; or (iii) not to award you a Renewal Term based on our determination that you have not substantially complied with this Agreement during its term.

If applicable, Our Notice will state the actions you promise to take to correct operating deficiencies and a reasonable time period in which these deficiencies are to be corrected.

If we elect not to award you a Renewal Term, our notice will describe the reasons for our decision. Your right to a Renewal Term is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If you are approved, and have been notified of our decision to renew the Franchise Agreement, before our execution of the renewal agreement, we may require that you attend additional training, not to exceed ten days in length.

### **C. AGREEMENTS/RELEASES.**

If you satisfy all of the other conditions to the awarding of a Renewal Term, you promise to execute the form of Franchise Agreement and any ancillary agreements we are customarily using at the time. Neither the DMT nor the Royalty will be changed from that contained in this Agreement in the Renewal Term unless you and we agree in writing. You further promise to execute a mutual general release, in a form satisfactory to us, of any and all claims against either of us and our respective shareholders, officers, directors, employees, agents, successors, and assigns.

**D. SUCCESSOR TERM FEE.**

You promise to pay us a \$10,000 Renewal Fee, upon execution of your Successor Agreement.

**12. TERMINATION OF AGREEMENT.**

**A. BY YOU.**

At any time during its Initial Term or Successor Term, you may terminate this Agreement by giving us 60 days prior written notice of termination and an executed general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors, and assigns.

**B. BY US.**

We have the right to terminate this Agreement, effective upon delivery of written notice to you, if:

1. you fail to attend training and/or fulfill all the pre-training requirements, which include the payment of all monies due to us, and the completion of all the required tasks as designated in the Right Start Manual, within 4 months from the date of payment of the Initial Franchise Fee and/or signing of this Agreement and/or you fail to commence operation of the Franchised Business within 2 months following your successful completion of the Initial Training Program;
2. you have made or make any material misrepresentation or omission in purchasing the Franchise or operating the Franchised Business;
3. you receive from us 3 or more notices to cure the same or similar defaults or violations of this Agreement within any two-year period of time, regardless of whether such defaults were cured after such notice;
4. you are or have been convicted by a trial court of, or plead no contest to, a felony, and/or you fail to cure within 15 days after notification of non-compliance by an appropriate authority, whether federal, state federal, state or local law, ordinance, or regulation applicable to the operation of the Franchised Business;
5. you fail to make payment of any amounts due to us or funds are not available in your account for debiting when they are due, and you do not correct the failure within 10 days of your receipt of written notice of the failure; and/or you understate your Royalty by 5% or more in any reported financial statement on three or more occasions during any consecutive two-year time frame during the term of this Agreement, regardless of whether or not you later rectified the deficiency;
6. you violate any of the transfer provisions contained in this Agreement;
7. you engage in any dishonest or unethical conduct which may adversely affect the reputation of the Franchised Business or the general goodwill associated with the Marks;

8. you violate any covenant of confidentiality, non-disclosure, or covenant not to compete contained in this Agreement or you otherwise disclose, use, permit the use of, copies, duplicates, records, transmits, or otherwise reproduce any Manuals, business forms, videos, compact disks, audiotapes, customer list, material or proprietary information, customer list, knowledge or know-how created or used by us and designated for confidential use within the System, without our prior written approval;

9. you cease to continuously and actively operate the Franchised Business for five consecutive days, unless caused by an act of God, or other circumstance beyond the your control, as determined by us; or the business telephone is disconnected at any time and no new number is immediately reinstalled or reconnected; or your conduct is otherwise determined by us to constitute your abandonment;

10. you fail to comply with any part or condition, warranty, certification, or other provision required by this Agreement, the Manuals, and/or other ProTect Painters confidential materials, and do not correct the failure within 30 days after written notice of the failure to comply is delivered to you;

11. you fail to comply with System Standards or modifications to System Standards within the required time period, and do not cure such non-compliance or deficiency within 30 days of written notice from us;

12. you fail to acquire or continuously maintain the required minimum levels of insurance, fail to have us named as an additional insured, or fail to provide a current certificate of insurance to us as required in Section 7.C. However, we will not exercise our right to terminate this Agreement if upon receipt of notice from us you immediately cease operating the Franchised Business and obtain the required insurance within ten days after written notice is delivered to you;

13. you fail to receive our prior written approval and use products or materials that do not meet our standards and specifications and/or do not promptly discontinue use after written notice from us;

14. you fail to timely provide us with any report, statement, or return required by this Agreement within 10 days after written notice of the failure is delivered to you;

15. you fail to operate the Franchised Business as specified by us in the Franchise Agreement, the ProTect Painters owner's Intranet website, the Manuals, and/or other confidential materials, and fail to cure such non-compliance or deficiency within 30 days of written notice from us;

16. you fail to service all customers in a friendly and respectful manner consistent with our System Standards and reputation; and you don't cure this default within 15 days after written notice from us;

17. you do not comply with any aspect of our marketing policy, and you do not immediately cease and desist upon notice from us;

18. you fail to have at least one managing owner of the Franchise Business devote his/her full-time attention to the operations and the continuing growth of the Franchise Business and you have not designated a Managing Owner to serve in this place who has met all the training requirements within the required timelines; and /or you fail to timely communicate with the ProTect Painters International, LLC., and do not cure this default within 15 days after written notice from us;

19. you fail to attend, or send a representative in your place, to a minimum of one training course, convention, or regional meeting each calendar year, and you fail to get approval

before such absence; as long as at least two of the above named events have been offered during that calendar year period.

If one of the listed failures or defaults cannot be cured within the time period specified above, and you promptly begin all reasonable actions to effectuate a cure and diligently pursue those actions to completion, then at our sole discretion, we will not terminate this Agreement.

### **13. POST TERMINATION OBLIGATIONS.**

#### **A. PAYMENT OF AMOUNTS OWED TO US.**

You promise to pay to us, on the effective date of termination or expiration of this Agreement, or at any later date that the amounts due to us are determined: (i) all Royalties, General Marketing Fund contributions, S & T Fund contributions, fees, amounts owed for purchases from us or by us on your behalf, late payments, and interest; (ii) all warranty fees you have collected from your customers over the past two (2) years or \$4,000 whichever is greater; and/or (iii) upon termination for any default, the actual and consequential damages, costs, and expenses (including reasonable attorney and expert fees) incurred by us as a result of your default.

The obligation to pay said sums will create a lien in favor of us against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory of the Franchised Business and/or against any monies we hold or otherwise come to our possession.

Any transferee (or purchaser of all or substantially all of the assets of the Franchised Business) shall be liable for payment of such items if you do not timely pay them. Provided, however, the foregoing sentence will not release or discharge you from your obligations to pay us pursuant to this section and/or to indemnify or reimburse the transferee or purchaser pursuant to the applicable purchase or transfer agreement.

#### **B. MARKS.**

Upon the termination or expiration of this Agreement, you promise to:

1. strictly comply with, observe, and abide by all of the provisions of the Covenants Not to Compete and Non-solicitation Requirements as described in Sections 13.D-F;
2. neither directly nor indirectly represent to the public that any other business you may then own or operate, is or was operated as, or was in any way connected to, the System;
3. not hold yourself out or advertise in any context that you were a former Franchise Owner of ours;
4. immediately refrain from engaging in any business relationship or having any contact with customers or former customers of the Franchised Business, or providing them services, or for any other purpose(s) regarding to the Franchised Business or other similar Business;
5. assign any and all accounts receivable to us for collection unless all Royalties and other payment obligations to us are paid in full. In connection with this assignment, you appoint us as attorney-in-fact to engage in such collection activities and you specifically undertake to refrain from engaging in any such collection activities. We promise to employ good faith efforts, including, where appropriate in our sole and exclusive judgment, the instigation of legal proceedings to collect such accounts receivable. We have no duty or obligation to you to accomplish the collection of such accounts receivable. We will remit to you any such sums collected after first deducting all monies owed to us and our costs of collection;

6. not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a ProTect Painters\_franchise, or any confusingly similar business;

7. take the action required to cancel all DBA's or equivalent registrations which use the Marks;

8. deliver to us, within 7 days, written verification that the electronic list, already in our possession, of the names, telephone numbers, complete mailing addresses, frequency of service, last date of service, and price of such service for all customers serviced by you and the names, addresses, and telephone numbers of the employees rendering such service to each customer, is current, accurate, and complete;

9. remove all signage from vehicles and/or store fronts and deliver to us, within 7 days, all Manuals, proprietary information, confidential material, proprietary software, signs, sign-faces, marketing and advertising materials, forms, uniforms, job signs, decals (or proof of their removal) and other materials containing any Mark or otherwise identifying in any manner with the ProTect Painters business, and allow us, without liability to you or third parties, to remove all of these items from vehicle(s) and your place of business;

10. agree to cooperate with us to the extent necessary to effectuate any changes in telephone numbers or other transfers of our property to us, including the signing of any forms, authorizations or other necessary documents;

11. deliver to us, upon our request, an assignment of any real estate leases for property from which the Franchised Business was operated (this shall not apply if the Franchised Business was operated from your residence);

12. deliver to us, within 14 days, an amount equal to the greater of 0.5% of franchisee's exterior residential gross sales for the last one (1) year of operations or \$4,000.00 ("warranty monies"). The warranty monies will be set aside in order to fulfill any of your outstanding warranty obligations. After two years, if there is any warranty monies remaining, and if you request in writing that the remainder be returned to you, we will do so; and

13. deliver to us, within 30 days, evidence that is satisfactory to us of your compliance with each of the foregoing obligations.

**C. CONFIDENTIAL INFORMATION.**

You promise that, upon termination or expiration of this Franchise Agreement, you will immediately cease to use any of our Confidential Information (including the Software or any other computer software that we have licensed to you) in any business or otherwise, and return to us all copies of the Manuals and other confidential materials that we have loaned to you, and shall not maintain any copies of any such materials, in whole or part, for itself.

**D. COVENANT NOT TO COMPETE.**

For 2 years following expiration and nonrenewal, transfer or termination of this Franchise Agreement or that of any principal's interest in the Business, neither you nor any of your principals shall, directly or indirectly, through corporations, partnerships, limited liability companies, trusts, associations, joint ventures, individually or other unincorporated businesses, perform any services for, engage in or acquire, participate or have any financial or other interest in any other business offering residential and commercial painting services upon residential dwellings and various commercial buildings and structures, and/or other services or products offered by ProTect Painters Businesses: (1) within the DMT as defined in Exhibit A of this Agreement; (2) a geographic area which is within a 25 mile area surrounding the outside perimeter of the DMT as defined in Exhibit A of this Agreement or (3) within a 20 mile radius



of any ProTect Painters Business in existence on the date of expiration, transfer or termination of this Agreement; provided, however, that this provision shall not apply to the operation of any other ProTect Painters Business Franchised Business pursuant to a valid franchise agreement with ProTect Painters. The before mentioned 2-year period shall be tolled during any period of noncompliance.

Accordingly, for two (2) years after the expiration and nonrenewal, transfer or termination of this Franchise Agreement, regardless of the cause, you agree that neither you, nor your principals, including any partners or shareholders, nor any member of your principals immediate family members, shall directly or indirectly, for yourself or through, you, for you, or in union with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any company which engages in any business competing in any way with ProTect Painters franchisees, solicits work for ProTect Painters franchisees which otherwise would fall under a National Account Program, or which grants franchises or licenses for any business competing in any way with Franchisor.

***E. NON-SOLICITATION.***

You acknowledge and reaffirm that the ProTect Painters customer list developed under your Franchise Agreement and all customer information are trade secrets and the sole and exclusive proprietary information of ProTect Painters International, LLC, and that you have no ownership right(s) or any other interest in this customer list and information except as a ProTect Painters franchisee. You acknowledge and agree that upon the expiration and nonrenewal, transfer or termination of your Franchise Agreement with ProTect Painters International, LLC., you will not use, disclose or retain, in any form, this customer list or any of the customer information. You acknowledge and agree that if, after the expiration and nonrenewal, transfer or termination of your Franchise Agreement, you would solicit or market to, any customers included on the list for yourself or others, that you would inevitably use or disclose the customer list and information to do so.

Accordingly, for two (2) years after the expiration and nonrenewal, transfer or termination of this Franchise Agreement, regardless of the cause, you agree that neither you, nor your principals, including any partners or shareholders, nor any member of your principals immediate family members, directly or indirectly, for yourself or through, you, for you, or in union with any other person, partnership or corporation solicit business from then existing or prospective ProTect Painters customers or customers with whom your former ProTect Painters franchise did business in the preceding 5 years for any related or competitive business purpose nor solicit any employee of ProTect Painters or any other ProTect Painters System franchisee to discontinue his employment.

***F. SPOUSES AND IMMEDIATE FAMILY MEMBERS.***

It shall be deemed a breach of this Agreement if your spouse, parent, sibling or children should engage in any of the prohibited conduct.

***G. CONTINUING OBLIGATIONS.***

All of our and your obligations which expressly or by their nature survive the expiration or termination of this Agreement, will continue in full force and effect after and despite its expiration or termination and until they are satisfied in full or by their nature expire.

***H. REFORMATION.***

It is the intention of the parties that this section be enforced to the fullest extent possible. If a court shall determine that it is not enforceable as drawn, then it shall be reformed and enforced to the fullest extent lawful in the jurisdiction.

#### **14. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

##### **A. INDEPENDENT CONTRACTORS.**

You acknowledge and agree that, under this Agreement; you are and will be an independent contractor of ours. You will not be deemed an employee of ours for any purpose, and no employee or contractor of yours will be deemed to be an employee of ours for any purpose, most particularly in regards to any mandated or other insurance coverage, tax, or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, or federal governmental agency. Nothing in this Agreement will be construed as creating a partnership, joint venture, or agency. You do not have any power to obligate us for any expenses, liabilities, or other obligations, other than as is specifically provided for in this Agreement. We will not have the power to hire or fire your employees or contractors, and, except as expressly provided in this Agreement, we may not control or have access to your funds or expenditures, or in any other way exercise dominion or control over the Franchised Business.

You promise to identify yourself conspicuously in all dealings with customers, suppliers, public officials, the Franchised Business's contractors and employees, and others, and in the manner we prescribe, as the owner of the Franchised Business under a Franchise that we have awarded and to place notices of independent ownership on the forms, business vehicles, stationery, and advertising, and other materials we require you to use.

##### **B. NO LIABILITY FOR ACTS OF OTHER PARTY.**

Neither you nor we will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of for the other party, or represent that the relationship between you and us is other than that of franchisor and Franchise Owner. We do not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement or for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Franchised Business.

##### **C. INDEMNIFICATION.**

You promise to protect, defend, and indemnify us, and all of our past, present, and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys, and designees (the "Indemnified Parties"), and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury, or damage to any person, firm, or corporation, or to any property arising out of, or in connection with, your operation of the Franchised Business. We agree to provide you with reasonable notice of and cooperate with you in connection with any claims, for which we will seek indemnification.

Even though the above-stated indemnification clause regarding any third party claims and/or liabilities is in effect, we agree to waive and release the Manager Owner(s) from personal responsibility for these indemnifications, and we will look for recovery only from the Franchisee. However, if any claim is filed, for which we seek indemnification, if the insurance coverages required in Section 7.C are not maintained and/or we are not included as an additional named insured, or for any other reason beyond our control we are not covered by the insurance, then this waiver and release is null and void, and the personal indemnifications set forth above remain in full force and effect.

Under no circumstances will we, or any other Indemnified Party, be required to seek recovery from any insurer or other third party, in order to maintain and recover fully a claim

against you. You agree that a failure to pursue recovery against others will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

We promise to protect, defend and indemnify you, and all of your past, present and future shareholders, officers, directors, employees, attorneys and designees (the indemnifying parties), and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation, or any property arising out of or in connection with your right to use the Marks, confidential and proprietary information provided to you by us pursuant to this Agreement and/or your right to operate the Business System, subject to the terms and conditions of this Agreement.

***D. NO LIABILITY FOR TECHNOLOGY FAILURE.***

We are not liable for any direct, incidental, or consequential damages, including lost profits, lost savings or consequential, punitive or incidental damages arising out of or in any way connected to a technology related problem or failure, such as high speed internet connection, electronic mail, software, website, computer and other electronic equipment, file servers, or the call center.

**15. ENFORCEMENT.**

***A. SEVERABILITY.***

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement, or the Manuals, and any present or future statute, law, ordinance, or regulation, contrary to which the parties have no legal right to contract, the latter will prevail, but in such event the provisions of this Agreement, or the Manuals thus affected, will be curtailed and limited only to the extent necessary to bring them within the requirements of the law. If any part, article, paragraph, sentence, or clause of this Agreement, or the Manuals, will be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid, or unenforceable provision will be deemed deleted, and the remaining part of this Agreement will continue in full force and effect.

If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable by reducing any part or all of the covenant, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of the covenant.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of termination, or refusal to renew, than this Agreement, the prior notice or other action required by such law or rule will be substituted for the notice requirements of this Agreement. Such modification to this Agreement will be effective only in such jurisdiction and this Agreement will otherwise be enforced as originally made and entered into in all other jurisdictions.

***B. WAIVER OF OBLIGATIONS.***

Either of us may, by written notice, unilaterally waive or reduce any obligation or restriction of the other party under this Agreement. The waiver or reduction may be revoked at any time, for any reason, on 10 days written notice.

***C. FEES AND EXPENSES.***

Should either we or you instigate any action or proceeding for the purpose of enforcing, or preventing, the breach of any provision of this Agreement, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision, or for a

declaration of such party's rights or obligations under this Agreement, then the prevailing party will be reimbursed by the losing party for all costs and expenses incurred in connection with such action, including, but not limited to, reasonable attorneys' and experts' fees for the services rendered to such prevailing party. All sums that are due but unpaid to either party will bear interest from the date due at the highest rate applicable by law.

***D. YOU MAY NOT WITHHOLD PAYMENT TO US.***

You promise to not withhold payment of any amount due to us on the grounds of our alleged nonperformance or for any other reason. You agree that all claims will, if not otherwise resolved, be submitted to arbitration as provided in Paragraph F of this Section.

***E. RIGHTS OF PARTIES ARE CUMULATIVE.***

Your and our rights are cumulative and no exercise or enforcement by either of us of any right or remedy in this Agreement will preclude the exercise or enforcement by that party of any other right of remedy to which it is entitled by law.

***F. ARBITRATION.***

Except for any controversy or claim of improper or unauthorized use or ownership of the Marks, the breach of non-competition covenants, or the disclosure or improper or unauthorized use of confidential or proprietary information by you, all controversies, disputes, or claims between us and our shareholders, officers, directors, agents, and employees, and you, arising out of or under: (i) this Agreement or any other agreement between you and us or any provision of any these agreements; (ii) our relationship with you; (iii) the validity of this Agreement or any other agreement between you and us or any provision of any of those agreements; and/or (iv) any System Standard for the establishment or operation of the Franchised Business; will be submitted for final and binding arbitration, on demand of either party, to the office of the American Arbitration Association closest to our then existing principal business address. The arbitration proceedings will be conducted at that American Arbitration Association office and, except as otherwise provided in this Agreement, will be heard by an arbitrator, chosen by you and us, but if we cannot agree upon an arbitrator, then we shall each select one arbitrator, and the two arbitrators shall select a third arbitrator, this third arbitrator will alone hear the dispute, in accordance with the then-current commercial arbitration rules of the American Arbitration Association. All matters under arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq) and not by any state arbitration law.

At least five (5) business days before the arbitration hearing, we will each provide our last best offer to resolve the dispute to one another, as well as to the arbitrator. Despite any other provision set forth in this section or elsewhere in the Agreement, it is agreed and understood the arbitrator shall only have the right to select one or the other of these last best offers as his/her final decision. The arbitrator may not under any circumstances reach any other determination. The party whose last best offer is not selected by the arbitrator shall pay the costs and expenses of the arbitrator and of the other party, including the other party's attorney fees. So long as it is set forth in a party's last best offer to resolve the dispute, the arbitrator shall have the right to award specific performance and/or injunctive relief. The arbitrator will not have the right to declare any mark generic or otherwise invalid or to award exemplary or punitive damages.

The award and decision of the arbitrators will be conclusive and binding upon all parties hereto, and judgment upon the award may be entered in any court of competent jurisdiction.

We and you promise to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you promise that, in connection with any arbitration proceeding, each must

submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as described above will be forever barred.

We and you agree that arbitration will be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between us and our shareholders, officers, directors, agents, employees, and you may not be consolidated with any other arbitration proceeding between us and any other person, corporation, or partnership.

Despite anything to the contrary contained in this Paragraph, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section.

The provisions of this Paragraph are intended to benefit and bind certain third party non-signatories and will continue in full force and effect after, and despite the expiration or termination of this Agreement.

**G. JURISDICTION.**

Subject to Section 15.F., you agree that all actions arising under this Agreement, or otherwise, as a result of the relationship between you and us shall be instigated in the state, and in the state or federal court of general jurisdiction, closest to where our principal business address then is located, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction of or venue in such courts. Despite this, you agree that we may enforce this Agreement and any arbitration orders in the courts of the state or states in which you are domiciled or the Franchised Business is located.

**H. CHOICE OF LAW.**

All matters under arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 ET SEQ). Except to the extent governed by the Federal Arbitration Act as required under, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 ET SEQ) or Federal Law, this Agreement, the Franchise and all claims resulting from the relationship between us and you will be governed by the laws of the state where our principal business address is located.

**I. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.**

Except for the mutual indemnification obligations under Section 14.C. and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any confidential information, we and you waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that, if there is a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

**WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.**

We and you agree any litigation will be conducted on an individual, not a class-wide, basis, and that any judicial proceeding between us and our shareholders, officers, directors, agents, employees, and you may not be consolidated with any other judicial proceeding between us and any other person, corporation, or partnership.

**J. BINDING EFFECT.**

This Agreement is binding us and you and will is for the benefit of the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and may not be modified, except by a written agreement signed by you and us.

**K. LIMITATIONS OF CLAIMS.**

Except for claims pertaining to non-payment or underpayment of any amounts that you owe us under this Agreement, any and all claims arising out of or under this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is instigated within one year from the date on which the party asserting the claim knew or should have known of the facts of the claim.

**L. CONSTRUCTION.**

The introduction and exhibits are a part of this Agreement which, together with the Manuals and our other written policies, constitute our and your entire agreement except as provided below, and there are no other oral or written understandings or agreements between us and you regarding the subject matter of this Agreement, except that you acknowledge that we justifiably have relied on your representations made before the execution of this Agreement. Except as contemplated by the arbitration provisions of Section 15.F. nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed initiated or effected actions that require our approval.

The headings of the sections and paragraphs in this Agreement are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs.

References in this Agreement to "we," "us," and "our," regarding all of our rights and all of your obligations to us under this Agreement, will be deemed to include any of our affiliates with whom you deal. The term "affiliate," as used in this Agreement regarding you or us, means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. For purposes of this definition, "control" means the power to direct or cause the direction of management and policies.

If two or more persons are the Franchise Owner under this Agreement, their obligation and liability to us will be joint and several.

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

Nothing in the Franchise Agreement or in any related agreement is intended to disclaim any of the representations or information in the Franchise Disclosure Document or its attachments/addenda.

**M. COMPLIANCE WITH OTHER LAWS**

You must comply with all national, state, and local laws and regulations that apply. It is your responsibility to carefully and thoroughly investigate these laws, discuss them with your attorney and/or advisors, and ensure that you understand them.

**N. WAIVERS**

We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to

us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; or (c) if there develops a custom or practice which is at variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights to enforce any later breach by you or anyone else.

**O. FORCE MAJEURE**

Despite any other provisions of this Agreement to the contrary, neither party shall be liable or in breach for any failure or delay in performing its obligations under this Agreement if such failure or delay is caused by an event of Force Majeure and is remedied as soon as reasonably possible after the termination of the event of Force Majeure. "Force Majeure" means fire, flood, earthquake, storm, hurricane or other natural disaster, war, invasion, act of foreign enemies, civil war, rebellion, revolution, insurrection, terrorist activities, nationalization, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption or failure of electricity. A lack of funds or loss of markets or customers by a party does not constitute a Force Majeure. Franchisor agrees to waive any Minimum Royalty payments that would have been due by the Franchisee during this time period.

If asserting Force Majeure as an excuse, the asserter shall have the burden of proving that reasonable steps were taken (under the circumstances) to minimize delay or damages caused by the unforeseeable events, that all non-excused obligations were substantially fulfilled, and that the other party was timely notified of the likelihood or actual occurrence which would justify such an assertion, so that other prudent precautions could be contemplated.

**16. NOTICES AND PAYMENTS.**

Any notice, report, payment, or other required communication must be delivered by the provisions of this Agreement, will be in writing and will be deemed to be delivered: (i) at the time of hand delivery; (ii) at the time delivered via computer transmission and, in the case of Royalty and General Marketing Fund contributions, and S & T Fund contributions, at the time we actually debit your account; (iii) one business day after transmission by telecopy, facsimile, or other electronic system; (iv) one business day after being placed in the hands of a commercial courier service for next business day delivery; and/or (v) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

All communications are to be addressed to the party to be notified at its most current principal business address. Both you and we agree to immediately notify the other of any change in address. Any required payment or report that we do not actually receive during regular business hours on the date due will be deemed delinquent.

**17. YOUR AFFIRMATIONS.**

In awarding this Franchise, we are relying upon your statements, as affirmed by your initials to the left of each statement, that:

\_\_\_ \_\_\_ As Managing Owner, you intend to devote your full-time best efforts to the development and management of your Business. At least one Managing Owner will operate the Franchised Business on a full-time basis or hire, subject to our approval, a designate who meets our qualifications as outlined in this Franchise Agreement.

\_\_\_ \_\_\_ We have not made, nor have you relied on, any representation as to the past or future sales, volume or potential profitability, earnings or income of the Franchised Business, or any other ProTect Painters franchised business, other than the information provided in our Disclosure Document.

- \_\_\_ \_\_\_ You have had the opportunity, and have been encouraged by us, to independently investigate and analyze both the ProTect Painters franchise opportunity and the terms and provisions of this Agreement by contacting any and all of our franchise owners and by utilizing the services of attorneys, accountants, or other advisors as you deem to be necessary.
- \_\_\_ \_\_\_ You are not relying on any representation or statement that we have made regarding the anticipated income, earnings and growth of ProTect Painters International, LLC, the ProTect Painters franchise system, or the viability of the ProTect Painters franchise opportunity, other than the information provided in our Disclosure Document.
- \_\_\_ \_\_\_ Like any other business, the nature of the business conducted by ProTect Painters franchised businesses may, and probably will, evolve over time.
- \_\_\_ \_\_\_ Your abilities and efforts are vital to the success of the Franchised Business.
- \_\_\_ \_\_\_ Continually securing new customers is necessary to the success of Franchised Business and requires you to make consistent and repeated marketing and advertising efforts through a variety of media.
- \_\_\_ \_\_\_ We have certain rights reserved to us to own and operate ProTect Painters businesses, to franchise others to operate ProTect Painters businesses, and to otherwise use the System, Marks, know-how, techniques, and procedures, including (without limitation) those expressly set forth in Section 1.D. of this Agreement.
- \_\_\_ \_\_\_ As expressly set forth in Section 15, certain disputes, controversies, or claims between us will be submitted to Arbitration and we both waive rights to, or claims for, any punitive or exemplary damages either of us may have against the other.
- \_\_\_ \_\_\_ We may sell our assets, Marks, or the System, outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge or acquire other corporations; may undertake a re-financing, re-capitalization, leverage buyout or other economic or financial restructuring; with regard to any or all of the above sales, assignments, and dispositions, you expressly agree to provide reasonable closing certificates and other documentation as reasonably requested by us to conclude the transaction, and specifically waive any claims, demands, or damages resulting from the loss of said Marks (or any variations of them) and/or the loss of association with or identification of ProTect Painters International, LLC as the franchisor of this Agreement.
- \_\_\_ \_\_\_ The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you since you have other considerable skills, experience, and education which will afford you the opportunity to derive income from other endeavors.
- \_\_\_ \_\_\_ Independent contractors and/or your employees will perform the services for your customers.
- \_\_\_ \_\_\_ All information that you have set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness, and accuracy of such information.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the date stated on the first page hereof.



PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp\_»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

**EXHIBIT A – DESIGNATED MARKETING TERRITORY**

**EXHIBIT A**

**TO THE FRANCHISE AGREEMENT**

**BETWEEN PROTECT PAINTERS INTERNATIONAL, LLC**

**AND**

**«Legal\_Name»**

The Designated Marketing Territory (“DMT”) referred to in Section 1 of the Franchise Agreement will be defined by the following zip codes, as located on the attached map.

**DESIGNATED MARKETING TERRITORY (“DMT”)**

<zip1>	<zip2>	<zip3>	<zip4>	<zip5>

This is to confirm your acknowledgement and understanding that zip codes and/or their boundaries change periodically, if there is a future change, we will use our best efforts to ensure your DMT comprises approximately the same number of target households in approximately the same geographic location. This Exhibit A shall be effective as of the date of the Franchise Agreement.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

**MANAGING OWNER**

\_\_\_\_\_  
«Name1» Date: \_\_\_\_\_

FRANCHISEE: «LLC\_or\_Corp\_»

By: \_\_\_\_\_ Date: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

**EXHIBIT B -1 – INITIAL PACKAGE**

**EXHIBIT B-1  
TO THE FRANCHISE AGREEMENT  
BETWEEN PROTECT PAINTERS INTERNATIONAL, LLC  
AND «Legal\_Name»**

<b>INITIAL PACKAGE</b>		<b>Quantity</b>
<b>Office Supplies</b>		
	Business Cards	250
	Personalized Letterhead	100
	Personalized Envelopes	100
	ProTect Painters Magnets	125
	Pens	100
<b>Accounting and Record Keeping Supplies</b>		
	Checks	500
	Window Envelopes	500
	Deposit Slips	200
	Endorsement Stamp	1
<b>Technology</b>		
	Laptop Computer	1
	<i>ProTect Management</i> License and Software	1
	Mobile Office (with Power Inverter, Printer & PDA Stand)	1
<b>Marketing Materials and Customer Supplies</b>		
	ProTect Painters Proposal Paper	250
	ProTect Painters Working Binder	1
	ProTect Painters Door Hangers	1,000
	Mail Box Insert	1,000
	Realtor-Style Brochure Boxes	4
	Lawn Signs	20
	Trifold Brochures	250
	Note cards and Envelopes	100
	Customer Report Cards	100
	Job Production Folders	100
	Solutions Guide folders	150
	Tradeshaw Display Kit	1 set
	Paint Can Labels (post-it notes)	250
<b>Uniforms</b>		
	ProTect Painters Polo Shirt	5
	ProTect Painters Oxford Shirt	1
	ProTect Painters T-Shirt	40
	ProTect Painters Fleece	1
	ProTect Painters Jacket	1
	ProTect Painters Hat	12
<b>Other Materials</b>		
	ProTect Painters Manuals on CD - Manuals are the property of ProTect Painters International, LLC, on loan to Franchise Owner	1
	Convention Allowance	1
	Fishman Initial Press Release	1
	Swift Solutions registration fee	1

Sales Survey	1
10 hours of Bookkeeping services	1

**EXHIBIT B-2 – TRANSFER INITIAL PACKAGE**

**EXHIBIT B-2**

**TO THE FRANCHISE AGREEMENT**

**BETWEEN PROTECT PAINTERS INTERNATIONAL, LLC**

**AND**

**«Legal\_Name»**

Item	Quantity
<b>Office Supplies</b>	
Business Cards	250
Personalized Letterhead	100
Personalized Envelopes	100
<b>Accounting and Record Keeping Supplies</b>	
Checks	500
Window Envelopes	500
Deposit Slips	200
Endorsement Stamp	1
<b>Uniforms</b>	
ProTect Painters Polo Shirt	5
ProTect Painters Oxford Shirt	1
ProTect Painters Jacket	1
<b>Technology</b>	
Laptop Computer	1
Tradeshaw Kit	1
<i>ProTect Management</i> License and Software	1
Portable Inkjet Printer	1
Mobile Office (with Power Inverter, Printer & PDA Stand)	1
<b>Other Materials</b>	
ProTect Painters Manuals on CD - Manuals are the property of ProTect Painters International, LLC, on loan to Franchise Owner	1
Convention Fee	1
Fishman Initial Press Release	1
Swift Solutions registration fee	1

## EXHIBIT C – FRANCHISE MANAGEMENT SOFTWARE LICENSING AGREEMENT

### EXHIBIT C

#### TO THE FRANCHISE AGREEMENT BETWEEN

#### PROTECT PAINTERS INTERNATIONAL, LLC

#### AND

#### «Legal\_Name»

ProTect Painters International, LLC, a Michigan limited liability company having its principal office at 3948 Ranchero Drive, Ann Arbor, Michigan 48108 ("Licensor"), grants a license ("License") to «Legal\_Name» with offices at «Address» ("Licensee"), upon the terms set forth in this Agreement and subject to all the terms of a Franchise Agreement between Licensor and Licensee.

#### TERMS AND CONDITIONS

License Grant: Licensor grants to Licensee a renewable License to use the Franchise Management Software system and all later upgrades distributed to Licensee (the "Product"), on Licensee's computer network, subject to the terms and conditions of this License and the Franchise Agreement. Copies of the database may be made for backup purposes. This License does not extend to other parties, even if they use the same computer or network. Licensor reserves the right to issue new modules, which may be separately licensed. You must upgrade the Product within a timely manner when new releases are released.

1. **Title and Copyright:** Title and copyrights in and to the Product and all accompanying material shall remain with Licensor and its subcontractors. Licensee may not copy any of these materials except as needed for internal use. All rights not specifically granted under this License are reserved by Licensor.

2. **Term:** This License shall remain in effect throughout the term of the Franchise Agreement between Licensor and Licensee.

3. **Copies and Listings:** The Licensee agrees not to copy or reverse-engineer the Product in any manner, nor shall it permit other parties to do so, except that Licensee may make a single copy of the Product for backup or archival purposes. The Product includes computer software, associated media, any printed materials, and any electronic documentation.

4. **Protection of Product:** Licensee agrees not to make available to any party the Product or any of its parts. Licensee agrees to take appropriate action with its employees, contractors, and any other parties to obtain assurances of non-disclosure consistent with this Agreement.

Licensee recognizes that the Product is Licensor's copyrighted property, represents a large investment of human and financial resources by Licensor, is a trade secret of Licensor, and is confidential information. Licensee agrees to keep the Product, and all related materials, confidential. Licensee will use its best efforts, including all reasonable security precautions as Licensor may request, to insure that the proprietary rights of Licensor in the Product are preserved to the fullest extent possible under the law. In addition to the right to terminate this Agreement, Licensor shall be entitled to seek appropriate injunctive relief if there is any violation of the confidentiality of its copyrighted materials, and to bring an action at law where appropriate.

5. **Limitations on Reverse Engineering Decompilation and Disassembly.** Licensee shall not reverse engineer, decompile or disassemble the Product, nor shall it permit

others to do so, except and only to the extent that such activity is expressly permitted by applicable law despite this limitation.

**6. Assignment and Sub-Licensing:** This License shall not be assigned or sub-licensed by Licensee, except with the prior, specific written consent of Licensor.

**7. Warranty:** Licensor warrants that the Product, when delivered to Licensee, shall be free from material defects and shall substantially conform to the program documentation. Licensee acknowledges that the Product is of such complexity that it may have certain defects when delivered. Licensee agrees that the sole responsibility and liability of Licensor shall be to use reasonable efforts to correct program errors in the Product, and not to correct problems due to the hardware upon which the Product is operated, interaction with other non-standard software, or incorrect handling or employment of the Product by Licensee. All warranties extend only to the Licensee.

THE ABOVE WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES, STATUTORY OR OTHERWISE, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

**8. Limitation of Liability; Limitation of Actions:** LICENSOR SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOST PROFITS, FROM ANY CAUSE ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PRODUCT, NOR FOR ANY CLAIM OR DEMAND BY OR AGAINST LICENSEE. No action arising out of the transactions under this Agreement may be brought by either party more than one year after the cause of action has occurred. Additionally, any cause of action for improper use, transfer, sub-licensing, or disclosure of the Product or materials may be brought within one year of the date when Licensor shall have actual knowledge of the cause of action. If Licensor must institute suit to enforce the terms and conditions of this Agreement, Licensee shall pay reasonable attorney's fees and costs incurred by Licensor.

**9. Termination by Licensor:** The parties agree that any of the following events shall be considered to be a default under the terms of this Agreement, shall entitle Licensor to terminate this Agreement, and shall authorize Licensor to immediately terminate Licensee's access to the Product: (i) failure to maintain the Franchise Agreement between Licensor and Licensee in good standing; (ii) failure to make payments of any kind to Licensor in full or on time; (iii) failure to comply with any covenants or agreements under this Agreement; and/or (iv) licensee's disposing of, licensing, or transferring the Product, other than strictly in accordance with the terms of this Agreement.

Upon termination of this Agreement, Licensee shall immediately deliver to Licensor all Products, and copies of Products, and related materials in its possession, and shall not maintain any copies of any such materials, in whole or part, for itself.

**10. No Exportation:** Licensee will not, directly or indirectly, export or transmit the Product or related documentation or technical data to any country to which such export or transmission is restricted by any applicable U.S. regulation or statute, without the prior written consent, if required, of the Bureau of Export Administration of the U.S. Department of Commerce, or such other governmental entity as may have jurisdiction over such export or transmission.

**11. Miscellaneous:** If any part of this Agreement shall be found to be unenforceable, such findings shall not invalidate the other parts of this Agreement. This Agreement expresses the entire understanding of the parties regarding the subject matter described within this Agreement,

all promises, undertakings, representations, agreements and arrangements with reference to the subject matter of this Agreement. This Agreement shall be construed in accordance with the laws of the State of Michigan, and shall be deemed to have been made in the State of Michigan. This Agreement may not be modified, except by a written agreement signed by Licensor and Licensee. This Exhibit C shall be effective as of the date of the Franchise Agreement.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

MANAGING OWNER

\_\_\_\_\_ Date: \_\_\_\_\_  
«Name1»

FRANCHISEE: «LLC\_or\_Corp\_»

By: \_\_\_\_\_ Date: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative



**EXHIBIT D – TELEPHONE LISTING AGREEMENT**

**EXHIBIT D**

**TO THE FRANCHISE AGREEMENT BETWEEN  
PROTECT PAINTERS INTERNATIONAL, LLC**

**AND**

**«Legal\_Name»**

In accordance with the terms of the Franchise Agreement between ProTect Painters International, LLC (“FRANCHISOR”), a Michigan limited liability company, and «Legal\_Name» (“FRANCHISE OWNER”) executed concurrently with this Assignment (the “Franchise Agreement”), under which FRANCHISOR granted FRANCHISE OWNER the right to own and operate a franchised business in the DMT described in Exhibit A (the "Franchised Business"), FRANCHISE OWNER, for value received, assigns to FRANCHISOR all of FRANCHISE OWNER'S right, title, and interest in and to all telephone numbers and regular, classified, or other telephone directory listings (collectively, the "Telephone Numbers and Listings") associated with FRANCHISOR's trade and service marks and used at any time in connection with the operation of the Franchised Business.

This assignment is for collateral purposes only and, except as specified in this Exhibit, FRANCHISOR will have no liability or obligation of any kind whatsoever resulting from or in connection with this Assignment unless FRANCHISOR will notify the telephone company and all listing agencies (collectively, the "Telephone Company") pursuant to the terms hereof to effectuate the assignment.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), FRANCHISOR will have the right and is empowered to effectuate the assignment of the Telephone Numbers and Listings, and, in such event, FRANCHISE OWNER will have no right, title, or interest in the Telephone Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the effective date of the assignment hereunder.

FRANCHISE OWNER agrees and acknowledges that upon termination or expiration of the Franchise Agreement between FRANCHISOR and FRANCHISE OWNER, FRANCHISOR will have the sole right to, and interest in, the Telephone Numbers and Listings, and FRANCHISE OWNER appoints FRANCHISOR as FRANCHISE OWNER'S true and lawful attorney-in-fact to direct the Telephone Company to assign same to FRANCHISOR, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, FRANCHISE OWNER will immediately notify the Telephone Company to assign the Telephone Numbers and Listings to FRANCHISOR. If FRANCHISE OWNER fails to promptly direct the Telephone Company to assign the Telephone Numbers and Listings to FRANCHISOR, FRANCHISOR will direct the Telephone Company to effectuate the assignment, contemplated hereunder, to FRANCHISOR.

The parties agree that the Telephone Company may accept written direction from FRANCHISOR, or this Assignment, as conclusive proof of FRANCHISOR's exclusive rights in and to the Telephone Numbers and Listings upon such termination or expiration.

The parties additionally agree that if the Telephone Company requires that the parties sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration, FRANCHISOR's execution of such forms or documentation will effectuate FRANCHISE OWNER'S consent and agreement to the assignment. The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such

documents as may be necessary to assist in or accomplish the assignment described above upon termination or expiration of the Franchise Agreement. This Exhibit D shall be effective as of the date of the Franchise Agreement.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

MANAGING OWNER

\_\_\_\_\_ Date: \_\_\_\_\_  
«Name1»

FRANCHISEE: «LLC\_or\_Corp\_»

By: \_\_\_\_\_ Date: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

**EXHIBIT E – DISCLOSURE ACKNOWLEDGMENT STATEMENT**

**EXHIBIT E**

**TO THE FRANCHISE AGREEMENT**

(To be completed by each signatory to the Franchise Agreement)

Through the use of this document, we desire to ascertain that you, «Legal\_Name», understand and comprehend that the purchase of a ProTect Painters franchise is a very important business decision, complete with its associated risks, and that it is the policy of ProTect Painters International, LLC to verify that you are not relying upon any oral statement, representations, promises, or assurances during the negotiations for the purchase of the franchise which have not been authorized by ProTect Painters International, LLC

1. I recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including my skills and abilities, the hours I work, the competition, interest rates, the economy, inflation, business location, operation costs, lease terms, and the market place, where my franchise will operate. I acknowledge my willingness to undertake these risks.
2. I acknowledge receipt of the ProTect Painters International, LLC Franchise Disclosure Document and Exhibits. I acknowledge that I have had the opportunity to personally and carefully review these documents. Additionally, I have been advised to seek professional assistance, to have professionals review the documents, and to consult with other franchise owners regarding the risks associated with the purchase of the franchise.
3. I agree and state that the decision to enter into this business, with its associated risks, is in no manner predicated upon any oral representations, assurances, warranties, guarantees, or promised made by ProTect Painters International, LLC or any of its officers, employees, or agents (including any franchise broker) as to the likelihood of success of the franchise. I also acknowledge that I have not received any information from ProTect Painters International, LLC or any of its officers, employees, or agents (including any franchise brokers) concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, other than that which is contained in Item 19 of the Franchise Disclosure Document. If I believe that I have received any information concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, I will describe them in the space below. *If no information concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, other than those contained in Item 19, have been received, please write "None."*

\_\_\_\_\_  
«Name1»

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

**EXHIBIT F – CONSUMER NOTE**

**EXHIBIT F  
TO THE FRANCHISE AGREEMENT  
BETWEEN PROTECT PAINTERS INTERNATIONAL, LLC  
AND  
«Legal\_Name»  
DATED \_\_\_\_\_, 20\_\_\_\_  
CONSUMER NOTE**

Amount Due: [\$Amount]

DUE DATE: [Date]

FOR VALUE RECEIVED, the receipt of which is acknowledged, the undersigned, «Name1», promise to pay to the order of ProTect Painters International, LLC, a Michigan limited liability company located at 3948 Ranchero Drive, Ann Arbor, Michigan 48108, the principal sum of [\$Amount]. There is no interest assessed if paid on or before [First due date]. Should the undersigned not pay the balance due on or before [First due date], then interest will be charged at a rate of 9.9%. However, the balance of the note and all interest is due no later than seven (7) days before attending Initial Training or [Final Due Date], whichever occurs first. A non-refundable \$250 Administrative Fee must accompany this note.

This Promissory Note may be prepaid in full at any time without restriction or penalty.

The undersigned waives presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise). If the undersigned should default under this Promissory Note, and legal proceedings are instigated in order to collect the indebtedness evidenced hereby, the undersigned agrees to pay all costs and expenses, including reasonable attorney fees, incurred in the collection of this Promissory Note.

Should the undersigned transfer or assign their franchise rights to a third party before the pay-off of this Promissory Note, said Promissory Note must be paid in full before ProTect Painters International, LLC will approve such transfer or assignment.

The validity, construction, interpretation and enforceability of the terms of this Promissory Note shall be determined and governed by the laws of the State of Michigan. The undersigned confirms that the proceeds of this Promissory Note will be used for the business purpose of starting up this ProTect Painters International Franchised Business. As provided in the Franchise Agreement, this Promissory Note is personally guaranteed by «Name1».

\_\_\_\_\_  
«Name1»  
In his/her personal capacity

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

**EXHIBIT A-2: STATE RIDERS TO FRANCHISE AGREEMENT  
RIDER TO A FRANCHISE AGREEMENT FOR USE IN ILLINOIS**

This Amendment shall pertain to franchises sold in the State of Illinois and shall be for the purpose of complying with Illinois statutes and regulations. Despite anything to the contrary in the Franchise Agreement, if there is a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement.

1. Based on our financial condition, the Illinois Attorney General’s Office requires us to defer a surety bond. This bond has been issued by The Hanover Insurance Company, a surety company authorized to do business in the State of Illinois.”
2. Section 15.J of the Franchise Agreement is supplemented to include the following: Any provision which designates jurisdiction or venue or requires you to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the State of Illinois.
3. Section 15.H of the Franchise Agreement is amended to include the following: However, the foregoing choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. Where required under Illinois law, the laws of the State of Illinois will govern.
4. Section 15.K.of the Franchise Agreement is supplemented to include the following: No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.
5. Section 705/41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in Section 15.M of the Franchise Agreement is inconsistent will Illinois law, Illinois law will control.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Christopher Ring  
Its: President

MANAGING OWNER  
\_\_\_\_\_  
«Name1» Date: \_\_\_\_\_

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_ Date: \_\_\_\_\_  
«Name1»; Its: Authorized Representative

## **RIDER TO A FRANCHISE AGREEMENT FOR USE IN MARYLAND**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. **Background:** We and you are parties to that certain Agreement that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for the ProTect Painters franchise you will operate under the Agreement was made in the State of Maryland and you will operate the franchise in the State of Maryland and/or (b) you are a resident of the State of Maryland.

2. **Initial Franchise Fee:** The following is added at the end of Section 2.A. of the Agreement: “ProTect Painters International, LLC., has secured a bond issued by The Hanover Insurance Company, a surety company authorized to do business in the State of Maryland.”

3. **Expiration of this Agreement:** Pursuant to COMAR 02.02.08.16L, the following is added to the end of Sections 10.B.8, 11.C, and 12.A. of the Agreement: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

4. **Enforcement:** The following is added at the end of Section 15.F. and 15.K. of the Agreement: “Any limitation of claims provisions shall not act to reduce the three-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

5. **Jurisdiction:** Pursuant to Section 14-216(c) (25) of the Maryland Franchise Registration and Disclosure Law, the following is added at the end of Sections 15.G. and 15.H. of the Agreement: “You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

6. **Acknowledgment:** Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law The following is added at the end of Section 17 of the Agreement and to the Disclosure Acknowledgement Statement: “The representations, acknowledgements and affirmations in the preceding section 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 Act.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»

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

Its: Authorized Representative

**RIDER TO THE FRANCHISE AGREEMENT FOR USE IN MINNESOTA**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. 80C.01 through 80C.22, and the Rules and Regulations promulgated there under by the Minnesota Commissioner of Commerce, Minn. Rule 2860.0100 through 2860.9930, the parties to the attached ProTect Painters International, LLC franchise agreement (the "Agreement") agree as follows:

1. Background. We and you are parties to that certain Agreement that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for the ProTect Painters franchise you will operate under the Agreement was made in the State of Minnesota and you will operate the franchise in the State of Minnesota and/or (b) you are a resident of the State of Minnesota.

2. Marks. The following language is added at the end of Section 4 of the Agreement: “Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights, including your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and to indemnify you from any loss, costs, or expenses arising out of any claim, suite or demand regarding the use of the name.”

3. Termination by Franchisor. The following language is added to Section 12.B of the Agreement: “With respect to franchises governed by Minnesota law, the franchisor 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 of non-renewal of the franchise agreement.”

4. Waiver of Punitive Damages and Jury Trial. The following is added to Section 15.I, if the Agreement: “Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.”

5. Limitations of Claims. The following is added to Section 15.K. of the Agreement: “Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.”

6. Governing Law/Consent to Jurisdiction. The following language is added to Section 15.G. if the Agreement: “PURSUANT TO MINN. STAT. 80C.21 AND MINN. RULE 2860.4400J, THESE SECTIONS SHALL NOT IN ANY WAY ABROGATE OR REDUCE YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES 1984, CHAPTER 80C, INCLUDING THE RIGHT TO SUBMIT MATTERS TO THE JURISDICTION OF THE COURTS OF MINNESOTA.”

7. Agreements/Releases. The following language is added to Section 11.C: “Provided; however, that such general releases do not apply to the extent prohibited by applicable law with respect to claims which arise under Minn. Rule 2860.4400D.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»

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

Its: Authorized Representative

**RIDER TO THE FRANCHISE AGREEMENT FOR USE IN NEW YORK**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and



paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the ProTect Painters Franchised Business that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Franchised Business in New York.

2. **AGREEMENTS/RELEASES.** Section 11.C. of the Franchise Agreement is amended by adding the following language to the end of the last sentence of the paragraph: “Provided, however, that all rights Franchisee enjoys and any causes of action arising in Franchisee’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.”

3. **TERMINATION OF AGREEMENT BY FRANCHISEE.** Section 11.A. of the Franchise Agreement is amended by adding the following as the last sentence: “Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.”

4. **TRANSFER BY US.** Section 10.A. of the Franchise Agreement is amended by adding the following language at the end: “However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.”

5. **GOVERNING LAW/CONSENT TO JURISDICTION.** Sections 15.G. and 15.H. of the Franchise Agreement are amended by adding the following language: “HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON FRANCHISEE BY THE PROVISIONS OF ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK.”

6. **BINDING EFFECT.** Section 15.J. of the Franchise Agreement is amended by adding the following language: “Modifications to the Operations Manual will not unreasonably affect Franchisee’s obligations, including economic requirements, under this Agreement.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

## **RIDER TO THE FRANCHISE AGREEMENT FOR USE IN NORTH DAKOTA**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the ProTect Painters Franchised Business that you will operate under the Franchise Agreement was made in the State of North Dakota, and/or (b) you are a resident of North Dakota and your Franchised Business will be located or operated in North Dakota.

2. **INITIAL FEES:** Section 2.A and 2 B are amended to include the following: We will defer your payment of the initial package, licensing fee, and territory fee until your franchised business is ready to open. The requirement has been imposed by the North Dakota Securities Department.

3. **AGREEMENTS/RELEASES.** Sections 10.B.8, 11.C and 12.A. of the Franchise Agreement are amended by adding the following: ““Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.”

4. **COVENANT NOT TO COMPETE.** Section 13.D of the Franchise Agreement is amended by adding the following: “Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law.”

5. **ARBITRATION.** The following is added to the end of the first paragraph of Section 15.F. of the Franchise Agreement: “However, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings will be held at a site to which ProTect Painters International, LLC and Franchisee agree.”

6. **GOVERNING LAW.** The following is added to the end of Section 15.H. of the Franchise Agreement: “except as otherwise required by North Dakota law.”

7. **CONSENT TO JURISDICTION.** Section 15.G. of the Franchise Agreement is amended by adding the following language: “Notwithstanding the foregoing, to the extent

required by the North Dakota Franchise Investment Law, and subject to Franchisee’s arbitration obligations, Franchisee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.”

8. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL. To the extent required by the North Dakota Franchise Investment Law, the following paragraph is deleted from Section 15.I. of the Franchise Agreement. “We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us.”

9. LIMITATIONS OF CLAIMS. Section 15.K. of the Franchise Agreement is amended by adding the following: “The time limitations set forth in this subsection might be modified by the North Dakota Franchise Investment Law.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

**RIDER TO THE FRANCHISE AGREEMENT FOR USE IN RHODE ISLAND**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. BACKGROUND. We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the ProTect Painters Franchised Business that you will operate under the Franchise Agreement was made in the State of Rhode Island, and/or (b) you are a resident of Rhode Island and your Franchised Business will be located or operated in Rhode Island.

2. Jurisdiction or Venue. §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.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

#### **RIDER TO THE FRANCHISE AGREEMENT FOR USE IN SOUTH DAKOTA**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. INITIAL FEES: Section 2.A and 2 B are amended to include the following: We will defer your payment of the licensing fee and territory fee until your franchised business is ready to open. The requirement has been imposed by the Department of Revenue and Regulation, Division of Securities.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»

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

Its: Authorized Representative

**RIDER TO THE FRANCHISE AGREEMENT FOR USE IN VIRGINIA**

This is a Rider to the Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the ProTect Painters Franchised Business that you will operate under the Franchise Agreement was made in the State of Virginia, and/or (b) you are a resident of Virginia and your Franchised Business will be located or operated in Virginia.

2. **TERMINATION.** Section 12. of the Franchise Agreement is amended by adding the following: “Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the 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.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_

«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

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

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

«Name1»

Its: Authorized Representative

## **RIDER TO THE FRANCHISE AGREEMENT FOR USE IN WASHINGTON**

This is a Rider to the «Date» Franchise Agreement, which is being executed concurrently with this Rider, between ProTect Painters International, LLC, a Michigan limited liability company with its principal place of business at 3948 Ranchero Drive, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and «Name1» (referred to as “you” and “Managing Owner”), resident of the State of «State», and «LLC\_or\_Corp», a «State» company to be formed or already existing, (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

We and you are parties to that certain Agreement that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the ProTect Painters Franchised Business that you will operate under the Franchise Agreement was made in the State of Washington, and/or (b) you are a resident of Washington and your Franchised Business will be located or operated in Washington.

1. The state of Washington has a statute, RCW 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. If any provision in the Franchise Agreement is inconsistent with the relationship provisions of the Revised Code of Washington, Section 19.100.180, or any other requirements of the Washington Franchise Investment Protection Act (the “Act”), the provisions of the Act will prevail over the inconsistent terms of the Franchise Agreement. 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.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. A release or waiver of rights executed by 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 right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this Rider.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

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

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

Christopher Ring

Its: President

MANAGING OWNER

\_\_\_\_\_

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

«Name1»

FRANCHISEE: «LLC\_or\_Corp»

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

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

«Name1»

Its: Authorized Representative

**EXHIBIT A-3: CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

In order to assist you in determining the feasibility of whether or not to purchase a ProTect Painters franchise, ProTect Painters International, LLC is prepared to provide you with certain financial, business, marketing, and operational information concerning the business operations of ProTect Painters International, LLC.

We are able to provide you this information with your explicit understanding and agreement that you recognize and agree that this information is confidential and valuable, and that this information constitutes special and unique proprietary rights and assets of ProTect Painters International, LLC.

The term “Confidential Information” shall mean and include any and all information disclosed by us to you regarding the ProTect Painters business and potential trade name and internet web names, whether copyrighted or patented. Provided; however, Confidential Information shall not include information which:

- A. Is disclosed to you following the date of this Agreement by a third party who is not under an obligation to keep the information confidential; or
- B. Is or becomes publicly disclosed through no act or omission of yours; or
- C. Information previously known by you before contact with ProTect Painters International, LLC.

In accepting this Confidential Information, you agree that you will not disclose it to any third party or make use of it yourself, in any regard, with the exception that it may be disclosed to an attorney, accountant or business consultant that you utilize as part of your due diligence process, provided you assure they are informed of and comply with all the terms of this Confidentiality and Non-Disclosure Agreement.

You agree to maintain the confidentiality of any and all Confidential Information which has been provided to you in a manner using at least the same degree of care as the manner used to maintain the confidentiality of your most confidential information.

If you do not purchase a ProTect Painters business, or upon our request at any time, you agree to return all materials furnished to you or to certify in writing that such information has been destroyed.

You recognize that breach of this Confidentiality and Non-Disclosure Agreement by you will cause severe and irreparable damage to ProTect Painters International, LLC and that ProTect Painters International, LLC may pursue all of its rights and remedies after any breach, including injunctive relief.

Please indicate that you agree to the conditions, as stated above, under which Confidential Information will be furnished to you by signing in the space provided below.

ACKNOWLEDGED:

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

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



**EXHIBIT A-4: DISCLOSURE AND ACKNOWLEDGMENT STATEMENT**

To Be Completed By the Franchise Owner Upon  
Execution of the Franchise Agreement.

Through the use of this document, we desire to ascertain that you understand and comprehend that the purchase of a ProTect Painters franchise is a business decision, complete with its associated risks, and that it is the policy of ProTect Painters International, LLC to verify that you are not relying upon any oral statement, representations, promises, or assurances during the negotiations for the purchase of the franchise which have not been authorized by ProTect Painters International, LLC.

1. I recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including my skills and abilities, the hours I work, the competition, interest rates, the economy, inflation, business location, operation costs, lease terms, and the market place. I acknowledge my willingness to undertake these risks.

2. I acknowledge receipt of the ProTect Painters International, LLC Franchise Disclosure Document and Exhibits. I acknowledge that I have had the opportunity to personally and carefully review these documents. Additionally, I have been advised to seek professional assistance, to have professionals review the documents, and to consult with other franchise owners regarding the risks associated with the purchase of the franchise.

3. I agree and state that the decision to enter into this business is in no manner predicated upon any oral representations, assurances, warranties, guarantees, or promises made by ProTect Painters International, LLC or any of its officers, employees, or agents (including any franchise broker) as to the likelihood of success of the franchise. I also acknowledge that I have not received any information from ProTect Painters International, LLC or any of its officers, employees, or agents (including any franchise brokers) concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, other than that which is contained in Item 19 of the Franchise Disclosure Document. If I believe that I have received any information concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, I will describe them in the space below. *If no information concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, other than those contained in Item 19, have been received, please write "None."*

Acknowledged By: \_\_\_\_\_ Date: \_\_\_\_\_

**EXHIBIT A-5 MUTUAL RELEASE – RENEWAL**

**MUTUAL RELEASE**

THIS SETTLEMENT AND MUTUAL RELEASE is being made by and between ProTect Painters International, LLC (“PROTECT PAINTERS” and/or “FRANCHISOR”) and [Name] (the “FRANCHISE OWNER”), resident of [State] and [Company Name] (“FRANCHISEE”) and shall be effective as of the date of the last signature below.

**WITNESSETH:**

**WHEREAS**, FRANCHISOR, FRANCHISE OWNER, and FRANCHISEE are all parties to the Franchise Agreement dated [FA Date], (the “Franchise Agreement”) for the operation of a PROTECT PAINTERS business in a defined territory in the state of [State] (the “Business”), which Franchise Agreement(s) is being renewed;

**WHEREAS**, FRANCHISOR, FRANCHISE OWNER, and FRANCHISEE have reached agreement that it is in the best interest of all parties for FRANCHISE OWNER and FRANCHISEE to discontinue operations and terminate the Franchise Agreement, upon the terms and conditions specified below, and for the parties to exchange mutual releases;

**NOW THEREFORE**, in consideration of the mutual covenants and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by and between each of the parties, it is agreed and understood as follows:

1. **RENEWAL.** FRANCHISOR, FRANCHISE OWNER, and FRANCHISEE have agreed upon new renewal Franchise Agreements, to be executed contemporaneously with this Mutual Release, which will replace the original Franchise Agreements, thus continuing FRANCHISE OWNER, and FRANCHISEE’s rights to operate a franchised business within a DMT, as defined in the Franchise Agreement in the State of «State».

2. **MUTUAL RELEASES.** The parties agree to the following mutual releases:

A. **RELEASE BY FRANCHISE OWNER AND FRANCHISEE.**

Except for the obligations of FRANCHISOR contained in this Mutual Release (including attached Exhibit A), FRANCHISE OWNER and FRANCHISEE, for themselves, and their officers, directors, shareholders, managers, members, employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to their respective interests of FRANCHISE OWNER and FRANCHISEE (collectively, the “Franchisee Group”), release, acquit, and forever discharge FRANCHISOR, and its directors, officers, managers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests (the “Franchisor Group”), from any and all claims, actions, causes of action, demands, liabilities costs, losses, expenses and suits and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISE OWNER, FRANCHISEE and any other member of the Franchisee Group have, have had or may ever have against any of the Franchisor Group, by reason of, or arising out of, or because of any facts, events circumstances or occurrences existing or happening before the date of this Mutual Release including, without limitation, claims resulting from or under the Franchise Agreement.

B. **RELEASE BY FRANCHISOR.** Except for the obligations of FRANCHISEE OWNER and FRANCHISEE contained in this Mutual Release (including attached Exhibit A) and the matters expressly excluded from this Mutual Release in subsection 2.B(i) below, FRANCHISOR for itself and its officers, directors, shareholders, managers, members, employees, agents, heirs, successors and assigns, and for every other person, firm,

entity, and/or corporation succeeding to the interests of FRANCHISOR (the “Franchisor Group”), releases, acquits, and forever discharges FRANCHISE OWNER and FRANCHISEE, and their respective directors, officers, managers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests (the “Franchisee Group”), from any and all claims, actions, causes of action, demands, liabilities costs, losses, expenses and suits and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISOR and any other member of the Franchisor Group have, have had or may ever have against any of the Franchisee Group, by reason of, or arising out of, or in any way because of any facts, events circumstances or occurrences existing or happening before the date of this Mutual Release including, without limitation, claims resulting from or under the Franchise Agreement.

(i) **EXCLUSIONS.** FRANCHISE OWNER and FRANCHISEE acknowledge and agree that the release by FRANCHISOR set forth in Section 2.B above does not, and shall not be construed or interpreted to, release FRANCHISE OWNER, FRANCHISEE and any other member of the Franchisee Group from any and all claims, actions, causes of action, demands, liabilities, costs, losses, expenses and suits arising out of or under the obligations of FRANCHISE OWNER, FRANCHISEE and any other member of the Franchisee Group under Sections 5, 6 13, and/or 14.C of the Franchise Agreement, including any breach or violation of any of such obligations. FRANCHISE OWNER and FRANCHISEE represent and warrant that they are not in breach of, and have not breached, their obligations under Sections 5 and 6 of the Franchise Agreement.

C. [CALIFORNIA – For use in CA only] Except as set forth in this Mutual Release, FRANCHISOR, FRANCHISE OWNER and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”

Despite the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, FRANCHISOR, FRANCHISE OWNER and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which FRANCHISOR, FRANCHISE OWNER and FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

3. **ARBITRATION.** Any controversy or claim arising out of or relating to under this Mutual Release or the enforcement of the promises made by the parties under this Mutual Release, or with regard to the interpretation, formation, or breach of this Mutual Release, shall be settled by arbitration conducted in Southfield, Michigan in accordance with the Commercial Arbitration Rules of the American Arbitration Association and judgment upon the award rendered by the Arbitrator may be entered in any court having jurisdiction over the proceedings. The Arbitrator must award costs and attorney’s fees of the successful party.

4. **NO MODIFICATIONS.** Neither this Mutual Release nor any provision of this Mutual Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

5. **INDEPENDENT COUNSEL.** All parties acknowledge and agree that they have been represented by independent counsel of their own choice throughout all

negotiations which preceded the execution of this Mutual Release, and that they have executed this Mutual Release with the consent and upon the advice of said independent counsel.

6. **COUNTERPARTS.** This Mutual Release may be signed in two or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one original document.

7. **CONFIDENTIAL.** The terms of this Mutual Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

8. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

9. **Governing Law.** This Mutual Release is governed by the laws of the State of Michigan (without regards to its conflict of laws principles).

10. **SEVERABILITY.** If any provision in this Mutual Release is held to be invalid or unenforceable of the remainder of the provision or the remaining provisions of this agreement. Any court (or arbitrator) construing this Mutual Release is expressly granted the authority to revise any invalid or unenforceable provision in order to render the provision enforceable.

11. **MARYLAND.** [USE IN MARYLAND ONLY] This Mutual Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

\* \* \*

IN WITNESS WHEREOF, the parties have caused this Mutual Release to be executed as of the day and year written below.

ProTect Painters International, LLC, a Michigan Limited Liability Company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

Dated: \_\_\_\_\_

Franchise Owner

\_\_\_\_\_  
[Franchise Owner Name]

Dated: \_\_\_\_\_

FRANCHISEE: [Corporation Name]

By: \_\_\_\_\_  
[Franchise Owner Name]  
Its: Authorized Representative

Dated: \_\_\_\_\_

**EXHIBIT A-6: GENERAL RELEASE – ASSIGNMENT**

**MUTUAL RELEASE**

THIS SETTLEMENT AND MUTUAL RELEASE is being made by and between ProTect Painters International, LLC (“PROTECT PAINTERS” and/or “FRANCHISOR”) and [Name] (the “FRANCHISE OWNER”), resident of [State] and [Company] (“FRANCHISEE”) and shall be effective as of the date of the last signature below.

**WITNESSETH:**

**WHEREAS**, FRANCHISOR, FRANCHISE OWNER, and FRANCHISEE are all parties to the Franchise Agreement dated [FA Date], (the “Franchise Agreement”) for the operation of a PROTECT PAINTERS business in a defined territory in the state of [State] (the “Business”);

**WHEREAS**, FRANCHISOR, FRANCHISE OWNER, and FRANCHISEE have reached agreement that it is in the best interest of all parties for FRANCHISE OWNER and FRANCHISEE to discontinue operations and terminate the Franchise Agreement, upon the terms and conditions specified below, and for the parties to exchange mutual releases;

**NOW THEREFORE**, in consideration of the mutual covenants and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by and between each of the parties, it is agreed and understood as follows:

2. **TERMINATION OF AGREEMENTS.** Effective as of the date last signed below, the Franchise Agreement is terminated and no longer in force or effect, with no remaining duties, obligations, responsibilities, rights and/or privileges remaining between the parties. EXCEPT THAT, the obligations, duties and responsibilities of FRANCHISE OWNER AND FRANCHISEE outlined in Exhibit A (attached) will continue and will survive the termination of the Franchise Agreement.

2. **MUTUAL RELEASES.** The parties agree to the following mutual releases:

A. **RELEASE BY FRANCHISE OWNER AND FRANCHISEE.** Except for the obligations of PROTECT PAINTERS contained in this Mutual Release (including attached Exhibit A), FRANCHISE OWNER AND FRANCHISEE, for themselves, and their officers, directors, shareholders, managers, members, employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to their respective interests of FRANCHISE OWNER AND FRANCHISEE (collectively, the “Franchisee Group”), release, acquit, and forever discharge FRANCHISOR, and its directors, officers, managers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests (the “Franchisor Group”), from any and all claims, actions, causes of action, demands, liabilities costs, losses, expenses and suits and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISE OWNER, FRANCHISEE and any other member of the Franchisee Group have, have had or may ever have against any of the Franchisor Group, by reason of, or arising out of, or in any way because of any facts, events circumstances or occurrences existing or happening before the date of this Mutual Release including, without limitation, claims resulting from or under the Franchise Agreement.

B. **RELEASE BY FRANCHISOR.** Except for the obligations of FRANCHISEE OWNER and FRANCHISEE contained in this Mutual Release (including attached Exhibit A) and the matters expressly excluded from this Mutual Release in subsection 2.B(i) below, FRANCHISOR for itself and its officers, directors, shareholders, managers, members, employees, agents, heirs, successors and assigns, and for every other person, firm,

entity, and/or corporation succeeding to the interests of FRANCHISOR (the “Franchisor Group”), releases, acquits, and forever discharges FRANCHISE OWNER, FRANCHISEE, and their respective directors, officers, managers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests (the “Franchisee Group”), from any and all claims, actions, causes of action, demands, liabilities costs, losses, expenses and suits and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISOR and any other member of the Franchisor Group have, have had or may ever have against any of the Franchisee Group, by reason of, or arising out of, or in any way because of any facts, events circumstances or occurrences existing or happening before the date of this Mutual Release including, without limitation, claims resulting from or under the Franchise Agreement.

(i) **EXCLUSIONS.** FRANCHISE OWNER and FRANCHISEE acknowledge and agree that the release by FRANCHISOR set forth in Section 2.B above does not, and shall not be construed or interpreted to, release FRANCHISE OWNER, FRANCHISEE and any other member of the Franchisee Group from any and all claims, actions, causes of action, demands, liabilities, costs, losses, expenses and suits arising out of or under the obligations of FRANCHISE OWNER, FRANCHISEE, and any other member of the Franchisee Group under Sections 5, 6 and/or 14.C of the Franchise Agreement, including any breach or violation of any of such obligations. FRANCHISE OWNER and FRANCHISEE represent and warrant that they are not in breach of, and have not breached, their obligations under Sections 5 and 6 of the Franchise Agreement.

C. **[CALIFORNIA – For use in CA only]** Except as set forth within this Mutual Release, FRANCHISOR, FRANCHISE OWNER and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”

Despite the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, FRANCHISOR, FRANCHISE OWNER and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which FRANCHISOR, FRANCHISE OWNER and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

3. **ARBITRATION.** Any controversy or claim arising out of or under this Mutual Release or the enforcement of the promises made by the parties within this Mutual Release, or with regard to the interpretation, formation, or breach of this Mutual Release, shall be settled by arbitration conducted in Southfield, Michigan in accordance with the Commercial Arbitration Rules of the American Arbitration Association and judgment upon the award rendered by the Arbitrator may be entered in any court having jurisdiction over the proceedings. The Arbitrator must award costs and attorney’s fees of the successful party.

4. **NO MODIFICATIONS.** Neither this Mutual Release nor any provision of this Mutual Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

5. **INDEPENDENT COUNSEL.** All parties acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations

which preceded the execution of this Mutual Release, and that they have executed this Mutual Release with the consent and upon the advice of said independent counsel.

6. **COUNTERPARTS.** This Mutual Release may be signed in two or more counterparts, and will be effective when all the parties and signatories have signed two or more of copies and they have been delivered as aforesaid, at which time the counterparts together will be deemed one original document.

7. **CONFIDENTIAL.** The terms of this Mutual Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

8. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

9. **Governing Law.** This Mutual Release is governed by the laws of the State of Michigan (without regards to its conflict of laws principles).

10. **SEVERABILITY.** If any provision in this Mutual Release is held to be invalid or unenforceable of the remainder of the provision or the remaining provisions of this agreement. Any court (or arbitrator) construing this Mutual Release is expressly granted the authority to revise any invalid or unenforceable provision in order to render the provision enforceable.

11. **MARYLAND.** [USE IN MARYLAND ONLY] This Mutual Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

12. **TRANSFER OF THE FRANCHISE AGREEMENT.** [TRANSFERS – USE WHEN BUYER IS PAYING IN INSTALLMENTS] Franchise Owner and Franchisee acknowledge and agree (i) that they negotiated the sale of their franchise to Buyer Company without the assistance, or any other involvement of the Franchisor; (ii) that the purchase price for such sale (the “Purchase Price”) will not be paid in full at closing, but will be paid over a period of time after closing, and (iii) that they are assuming the full risk of nonpayment of the Purchase Price, Franchise Owner and Franchisee agree that they will not, in any manner, at any time, under any set of circumstances, seek payment of any portion of the Purchase Price from ProTect Painters International, LLC., and/or any of its directors, officers, members, shareholders, employees, agents, representatives, heirs, successors or assigns.

IN WITNESS WHEREOF, the parties have caused this Mutual Release to be executed as of the day and year written below.

ProTect Painters International, LLC, a Michigan Limited Liability Company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

Dated: \_\_\_\_\_

Franchise Owner  
\_\_\_\_\_  
[Franchise Owner Name]

Dated: \_\_\_\_\_

FRANCHISEE: [Corporation Name]

By: \_\_\_\_\_  
[Franchise Owner Name]; Its: Authorized Representative

Dated: \_\_\_\_\_

## **EXHIBIT A**

### **CONTINUING OBLIGATIONS**

1. All Post-Termination Obligations set forth in Section 13 of the Franchise Agreement including the Covenant Not To Compete and Non-solicitation in Sections 13(D)(E)(F) and any applicable addendums.



**EXHIBIT A-7: SAMPLE REGIONAL ADVERTISING COOPERATIVE ADDENDUM**

ADVERTISING COOPERATIVE ADDENDUM TO THE  
FRANCHISE AGREEMENT  
BETWEEN PROTECT PAINTERS INTERNATIONAL, LLC AND  
«Legal\_Name»

DATED \_\_\_\_\_, 20\_\_

This Addendum shall be added to the Franchise Agreement(s) dated \_\_\_\_\_, and any subsequent Franchise Agreements, between ProTect Painters International, LLC, a Michigan Limited Liability Company (“Franchisor”, and “we”), «Name1», and [Company Name] (“you” and “your”).

You and certain other ProTect Painters franchisees in the \_\_\_\_\_ area are forming or have formed an advertising cooperative (the “Co-Op”).

This Addendum is to provide for the creation and funding of the Co-Op pursuant to the provisions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged by each of the parties signing below, it is agreed and understood as follows:

1. Definitions. For the purposes of this addendum refers to:

Participating Owners: All the ProTect Painters Franchisees who are subject to participating in the Co-Op and entering into a Co-Op Addendum, whether new or already existing, shall be referred to as “Participating Owners”. All of the current Participating Owners, as of the date of this Addendum, are listed on Schedule 1 attached hereto.

Co-Op Territory: The Co-Op Territory is the [\_\_\_\_\_] major media broadcast territory.

Co-Op Percentage: The term “Co-Op Percentage” shall mean, with respect to a Participating Owner, the percentage equal to (i) the number of DMT(s) owned by that Participating Owner, divided by (ii) the total number of Participating Owners’ DMT(s).

2. Participating Owner Acknowledgements.

- A. It is acknowledged and agreed that the other Participating Owners are executing (or have executed) addendums to their Franchise Agreements in the same form and substance as this Addendum.
- B. It is further acknowledged and agreed that any transferee or buyer of a Participating Owner’s Franchised Business(es) and any new Participating Owner(s) whose DMT is located in the Co-Op Territory shall be required to execute an Addendum to their Franchise Agreement(s) in the same form and substance as this Addendum.
- C. You acknowledge that advertising is necessary to the successful operation of your business as a ProTect Painters Franchisee.
- D. You acknowledge that advertising by other Participating Owners within your marketing area directly benefits your ProTect Painters Franchise.
- E. You acknowledge that Co-Op efforts, specifically those related to marketing are for the greater good of brand exposure and awareness done collectively by the Co-Op and may be largely immeasurable.
- F. You acknowledge that the legal, business and other responsibilities of approving expenditures, cooperating and participating in the advertising program established by the Participating Owners in your marketing area are fully those responsibilities of the

Participating Owners, and must be in compliance with the Franchise Agreement(s) with Franchisor.

- G. You agree that you will submit any and all information required to administer the Co-Op in your area and will submit such information to Franchisor as required from time to time and in the form required by Franchisor.
- H. You acknowledge that any funds paid to the Co-Op count towards fulfillment of the Local Marketing Requirement, as more fully outlined in the Franchise Agreement.

### 3. Financial Management, Fees and Payment Obligations.

The Co-Op will elect one member to serve as the Treasurer, who will set-up a separate bank account for the Co-Op, which is to be separately accounted for, and may not be co-mingled with any other funds. The Co-Op contribution will be paid by the Participating Members each \_\_\_\_\_ (insert date, the "Due Date") via Electronic Funds Transfer. The Treasurer will disburse such funds in a manner that is approved by the Participating Members. Upon request, the Treasurer will make a copy of Co-Op's monthly bank statement available to all Participating Members within 7 days of its availability. The obligation to make a weekly contribution will begin on the first Due Date following your start date or \_\_\_\_\_ (whichever occurs later).

During the term of this Addendum, each Participating Owner will make a regular contribution to the Co-Op (the frequency/regularity of which will be determined and agreed upon by the Participants.) For example, weekly, monthly or semi-annual payments may be arranged. It is recommended that a Co-Op and its participants first determine a target annual budget that will support planned/possible marketing efforts. Determining and electing a contribution method is often driven by the income/budget goal.

The amount to be contributed by each member will be:

*[DELETE THIS PARAGRAPH AND ONLY INSERT THE ACTUAL AMOUNT TO BE ASSESSED. Several options for funding are possible, including but not limited to those outlined below. The contribution arrangements and amount however shall be determined by the Participants and represented herein. Some suggested methods for determining contribution include]*

- A. Equal/Flat: All participants contribute the same set amount. For example, \$200/month.
- B. Equal/Flat by Territory: All participants contribute the same set amount, however multiplied by the number of territories owned. For example, Participant #1 who owns three territories is contributing \$200/month/territory for a total contribution of \$600/month.
- C. QHH: All participants contribute a percentage based on the total number of QHH represented by all territories combined. For example, if there are 100,000 QHH represented by the Participants collectively, and Participant #1 owns 40,000 QHH, this represents 40% - therefore Participant #1 would contribute 40% of the total towards the contribution.
- D. Lead Flow: All participants contribute based on their percentage of lead flow (as determined and agreed upon by the Co-Op). This method requires the most on-going management as contributions can shift regularly.

The amount of the Co-Op contribution may change with an approval of 75% or more of the Participating Owners. You agree to be bound by such changes.

### 4. Co-Op Governance.

Each Participating Owner shall designate a voting member to sit on the Co-Op Committee. Each Participating Owner will receive one vote for each DMT awarded to them in all Co-Op decision making.

Decisions of the Co-Op regarding advertising expenditures shall require a majority vote of the Participating Owners based upon their Co-Op Voting Percentages. However, the terms of this Addendum may only be changed by the Participating Owners with a vote of a majority of 75% its members in good standing, and as approved by Franchisor, and you agree to be bound by any such change(s).

It is acknowledged and agreed that the rules for voting and other governing matters may be further set forth in the agreement among the Participating Owners and may be amended or revised in accordance with the terms of such agreement.

5. Term.

The term of this Addendum shall begin on \_\_\_\_\_ and end on \_\_\_\_\_. Provided, however, this Addendum will automatically continue for successive one (1) years term. You agree to continue to participate in the Co-Op for the duration of your Franchise Agreement unless (a) a 75% majority of the Participating Owners (based upon their Co-Op Percentages) notify us in writing, within sixty (60) days prior to the end of a term, of their decision to terminate the Co-Op and Franchisor agrees to accept the termination of the Co-Op, or if (b) Franchisor should notify the Participating Owners in writing of our decision to terminate the Co-Op and the terms of this Addendum.

6. Default.

You agree that should you be in default of any money due the Co-Op, or should you fail to participate in any advertising program agreed upon by the Co-Op, and to make payment for it, you shall be subject to a delinquency charge and pay interest at the highest contract rate permitted by law to be computed in addition to your actual billing, plus any legal and attorneys' fees incurred in the event suit must be commenced against you because of a violation of this Agreement. Further, you acknowledge and agree that a breach of your obligations to your local advertising co-op shall constitute a breach of your Franchise Agreement.

7. Miscellaneous.

In all other respects, the terms and conditions contained in your original Franchise Agreement(s), and any previous signed addendums to your Franchise Agreement remain in full force and effect, to the extent they are consistent with the provisions of this Addendum. In the event of any inconsistencies, the provisions of this Addendum shall govern. Any capitalized terms used, but not defined, herein shall have the meaning provided in the Franchise Agreement. Further, this is to confirm we have made no other statements, promises or commitments of any nature concerning this Addendum, its subject matter, or any other aspect of your Franchised Business that has not been set forth in writing and signed by both of us.

8. Severability.

In the event that any provision of this Addendum is held to be unenforceable, the validity and enforceability of the remaining provisions of this Addendum shall not be affected by that decision. Any court (or arbitrator) presiding over legal matters concerning this Addendum is granted the authority to revise any invalid or unenforceable provision in this Addendum in order to make it enforceable.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Addendum on the date stated on the first page hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Addendum on the date stated on the first page hereof.

PROTECT PAINTERS INTERNATIONAL, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Christopher Ring  
Its: President

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

MANAGING OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

**EXHIBIT A-8: ELECTRONICS FUND TRANSFER AGREEMENT**

PROTECT PAINTERS INTERNATIONAL, LLC  
Automatic Debit of Weekly Amount Due to Franchisor

I, \_\_\_\_\_ Franchise Managing Owner of \_\_\_\_\_, authorize ProTect Painters International, LLC (referred to as "Franchisor") to debit on every Monday from Franchise Owner's bank account the amount of Royalty, General Marketing Fund, Sales and Technology Fund contributions, and Late Fees or Interest due to the Franchisor based on Gross Sales of the above reference ProTect Painters franchise, along with any Franchise Management Software (the "Software"), Co-Op, Convention, Regional Meetings, local marketing programs that you elect to participate in, or other fees due and owing to the Franchisor as they come due.

I understand that I must pay Royalties for Gross Sales as agreed in the Franchise Agreement. I also understand that for purposes of paying Royalty, Franchisor defines their week as beginning on Sunday and ending on Saturday (the "Royalty Week"). By Monday of each week, I must enter in the Software all Gross Sales achieved upon jobs completed during the preceding Royalty Week. Franchisor will then scan the Software to find Gross Sales achieved during the preceding Royalty Week, compute Royalties, and draft the Royalty from my bank account on Thursday, which is 6 days after the Royalty Week ended. I also understand that Franchisor may, with seven days prior notice to me, periodically specify other dates for reporting and payment of the royalty.

Franchise Owner Bank Information

Bank Name	
Bank Address	
Account Name	
ABA Routing Number	
Account Number	

By: \_\_\_\_\_  
Managing Owner

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

By: \_\_\_\_\_  
Managing Owner

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

**EXHIBIT B: FINANCIAL STATEMENTS**

**PROTECT PAINTERS  
INTERNATIONAL, L.L.C.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

## C O N T E N T S

	<u>Page</u>
<b>FINANCIAL STATEMENTS</b>	
Independent auditor's report	1
Balance sheets	3
Statements of operations and members' equity	4
Statements of cash flows	5
Notes to financial statements	7



## Independent Auditor's Report

To the Members of  
**Protect Painters International, L.L.C.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Protect Painters International, L.L.C., which comprise the balance sheets as of December 31, 2012, 2011, and 2010, and the related statements of operations and members' equity 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Auditor's Responsibility - Continued**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Protect Painters International, L.L.C. as of December 31, 2012, 2011, and 2010, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



DOEREN MAYHEW

March 1, 2013  
Troy, Michigan

# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## BALANCE SHEETS

### ASSETS

	<u>2012</u>	<u>December 31, 2011</u>	<u>2010</u>
<b>Current Assets</b>			
Cash	\$ 28,679	\$ 19,781	\$ 17,196
Accounts and royalty fees receivable	26,237	18,054	25,364
Accounts receivable - related party (note 5)	-	240,000	973,805
Current portion of accounts receivable - affiliate (note 2)	10,000	5,000	10,000
Prepaid franchise costs (note 1)	124,500	25,000	-
Other current assets (note 1)	110,973	137,830	117,371
Current portion of franchise fee receivable (note 3)	34,275	24,100	5,000
	<u>334,664</u>	<u>469,765</u>	<u>1,148,736</u>
Total current assets			
<b>Other Assets</b>			
Long-term portion of accounts receivable - affiliate (note 2)	47,814	58,188	63,502
Software, net of accumulated depreciation of \$52,610 in 2012, \$8,888 in 2011 and \$2,286 in 2010 (note 1)	124,096	167,566	107,559
Long-term portion of franchise fee receivable (note 3)	91,031	30,000	30,000
Franchise license and trademark, net of accumulated amortization of \$38,667 in 2012, \$29,000 in 2011 and \$18,528 in 2010 (note 1)	61,333	71,000	81,472
	<u>324,274</u>	<u>326,754</u>	<u>282,533</u>
Total other assets			
Total assets	<u>\$ 658,938</u>	<u>\$ 796,519</u>	<u>\$ 1,431,269</u>

## LIABILITIES AND MEMBERS' EQUITY

	2012	December 31, 2011	2010
<b>Current Liabilities</b>			
Accounts payable			
Trade	\$ 46,783	\$ 43,945	\$ 56,481
Related party (note 5)	301,388	582,920	1,193,216
Deferred revenue and accrued franchise costs (note 1)	192,166	41,900	-
Other accrued expenses	12,076	22,183	72,603
Total current liabilities	552,413	690,948	1,322,300
 <b>Members' Equity</b>			
	106,525	105,571	108,969
Total liabilities and members' equity	\$ 658,938	\$ 796,519	\$ 1,431,269

See accompanying notes to financial statements

# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	<b>Year Ended December 31, 2012</b>	<b>Year Ended December 31, 2011</b>	<b>Period Ended December 31, 2010</b>
<b>Revenues</b>	\$ 698,067	\$ 507,916	\$ 1,058,271
<b>Costs and Expenses</b>	<u>697,113</u>	<u>751,314</u>	<u>1,058,857</u>
<b>Net Earnings (Loss)</b>	954	(243,398)	(586)
<b>Members' Equity - Beginning</b>	105,571	108,969	109,555
<b>Contributions From Members</b>	<u>-</u>	<u>240,000</u>	<u>-</u>
<b>Members' Equity - Ending</b>	<u><u>\$ 106,525</u></u>	<u><u>\$ 105,571</u></u>	<u><u>\$ 108,969</u></u>

See accompanying notes to financial statements

# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## STATEMENTS OF CASH FLOWS

	<b>Year Ended December 31, 2012</b>	<b>Year Ended December 31, 2011</b>	<b>Period Ended December 31, 2010</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers and franchises	\$ 1,019,330	\$ 837,362	\$ 1,380,407
Cash paid to suppliers and employees	(974,274)	(1,141,990)	(1,621,855)
Net cash provided from (used in) operating activities	45,056	(304,628)	(241,448)
<b>Cash Flows From Investing Activities:</b>			
Acquisition of software	-	(66,610)	(109,845)
<b>Cash Flows From Financing Activities:</b>			
Decrease (increase) in accounts receivable - related party	240,000	733,805	(563,578)
Increase (decrease) in accounts payable - related party	(281,532)	(610,296)	963,155
Decrease (increase) in accounts receivable - affiliate	5,374	10,314	(67,168)
Contributions from members	-	240,000	-
Net cash provided from (used in) financing activities	(36,158)	373,823	332,409
<b>Net Increase (Decrease) in Cash</b>	8,898	2,585	(18,884)
<b>Cash - Beginning</b>	19,781	17,196	36,080
<b>Cash - Ending</b>	\$ 28,679	\$ 19,781	\$ 17,196

See accompanying notes to financial statements

# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Period Ended December 31, 2010</u>
<b>Cash Flows From Operating Activities:</b>			
Net earnings (loss)	\$ 954	\$ (243,398)	\$ (586)
Adjustments:			
Depreciation	43,470	6,603	2,286
Amortization	9,667	10,472	9,667
Changes in assets and liabilities:			
Decrease (increase) in accounts and royalty fees receivable and franchise fee receivable	(79,389)	(11,790)	56,836
Decrease (increase) in other current assets and prepaid franchise costs	(72,643)	(45,459)	167,535
Increase (decrease) in accounts payable - trade	2,838	(12,536)	(17,667)
Increase (decrease) in deferred revenue and accrued franchise costs and other accrued expenses	<u>140,159</u>	<u>(8,520)</u>	<u>(459,519)</u>
Total adjustments	<u>44,102</u>	<u>(61,230)</u>	<u>(240,862)</u>
Net cash provided from (used in) operating activities	<u>\$ 45,056</u>	<u>\$ (304,628)</u>	<u>\$ (241,448)</u>

See accompanying notes to financial statements

# **PROTECT PAINTERS INTERNATIONAL, L.L.C.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012, 2011 AND 2010**

### **Note 1 - Nature of Business and Significant Accounting Policies**

#### **Nature of Business**

Protect Painters International, L.L.C. (“the Company”) was formed on January 8, 2009. The Company’s operations are principally related to the sales and support of franchises for interior and exterior, light commercial and residential painting and decorating services through certain metropolitan regions in the United States.

The Company added 9, 4 and 24 units for the years ended December 31, 2012 and 2011 and the period ended December 31, 2010, respectively. Franchised areas in operations in the United States amounted to 31, 22 and 21 for the years ended December 31, 2012 and 2011 and the period ended December 31, 2010, respectively.

#### **Revenue Recognition**

Fees from the sale of franchises are accounted for in the period when the franchisee has completed training. Franchise fees received for franchisees that have not completed training are recorded as deferred revenue. Commissions and broker fees are recorded in prepaid franchise costs, and, if the fees have not been paid at year end, accrued franchise costs. Royalty fee income is recognized in the period when earned.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Software**

Software consists of costs to purchase and internally develop software to be used by the Company and by the franchisees of the Company. Software is carried at cost less accumulated depreciation. The Company uses the straight-line method over the estimated useful life of the software. Depreciation expense for the years ended December 31, 2012 and 2011 and the period ended December 31, 2010 amounted to \$43,470, \$6,603 and \$2,286, respectively.

#### **Other Current Assets**

Other current assets consist primarily of reacquired franchise territories that are available-for-sale.



# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012, 2011 AND 2010

### Note 1 - Nature of Business and Significant Accounting Policies - Continued

#### Intangible Assets

The Company evaluates the recoverability of intangible assets on an annual basis or in certain circumstances as required under generally accepted accounting principles. Intangible assets are evaluated whenever events or changes in circumstances indicate that the carrying value of the asset may be impaired. An impairment loss is recognized when the fair value or the estimated future cash flows expected to result from the use of the asset, including disposition, is less than the carrying value of the asset.

Intangible assets are being amortized as follows:

License	10 years
Trademark	15 years

The Company recognized amortization expense in the amounts of \$9,667, \$10,472 and \$9,667 for the years ended December 31, 2012 and 2011 and the period ended December 31, 2010, respectively.

#### Accounts Receivable

Accounts receivable are carried at customer invoice amounts. Accounts receivable are reviewed monthly and based upon collection information and existing economic conditions, delinquent receivables are written-off in the period that determination is made.

#### Income Taxes

In lieu of Federal income taxes, the members of a Limited Liability Company are taxed on their proportionate share of the Company's taxable income. Accordingly, no Federal tax provision or liability has been included in the accompanying financial statements. Open audit periods are 2010 through 2012.

#### Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 1, 2013, which is the date the financial statements were available to be issued.

# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012, 2011 AND 2010

### Note 2 - Accounts Receivable - Affiliate

The Company made advances to and received repayments from the Protect Painters National Marketing Fund during 2012, 2011 and 2010. The repayments totaled approximately \$5,400 and 10,300 as of December 31, 2012 and 2011, respectively, and advances totaled approximately \$67,200 as of December 31, 2010. Management estimates that \$10,000, \$5,000, and \$10,000 of these receivables are current as of December 31, 2012, 2011 and 2010, respectively.

### Note 3 - Notes Receivable

	<u>2012</u>	<u>December 31, 2011</u>	<u>2010</u>
Notes receivable from franchisees, varying interest rates ranging up to 5% with varying payment terms, unsecured	\$ 125,306	\$ 54,100	\$ 35,000
Less current portion of long-term notes receivable	<u>34,275</u>	<u>24,100</u>	<u>5,000</u>
Total notes receivable reflected as long-term	<u>\$ 91,031</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

### Note 4 - Advertising

The Company expenses advertising costs as incurred. Total advertising expense for the years ended December 31, 2012 and 2011 and the period ended December 31, 2010 amounted to \$68,647, \$26,929 and \$31,922, respectively.

# PROTECT PAINTERS INTERNATIONAL, L.L.C.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012, 2011 AND 2010

### **Note 5 - Related Party Transactions**

The Company occupies office facilities on an annual basis from a related entity. The Company is charged a monthly fee for these facilities. Total rental expense for the years ended December 31, 2012, 2011 and 2010 amounted to \$6,782, \$4,104 and \$4,636, respectively.

The Company had balances due from related parties through common ownership totaling \$-0-, \$240,000 and \$973,805 as of December 31, 2012, 2011 and 2010, respectively. The Company had balances due to related parties through common ownership totaling \$301,388, \$582,920 and \$1,193,216 as of December 31, 2012, 2011 and 2010, respectively.

The Company is a guarantor on a related party's line-of-credit. The amount outstanding on the line-of-credit at December 31, 2012 was approximately \$1,200,000.



**EXHIBIT C: STATE ADMINISTRATORS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>STATE</b>	<b>STATE ADMINISTRATOR</b>
<b>California</b>	California Department of Corporations 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677	<b>North Dakota</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712
<b>Hawaii</b>	Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722	<b>Oregon</b>	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street, N.E. #410 Salem, OR 97310 503.378.4387
<b>Illinois</b>	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 217.782.1090	<b>Rhode Island</b>	State of Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 401-462-9582
<b>Indiana</b>	Indiana Securities Commission Franchise Section, Room E-111 302 West Washington Street Indianapolis, IN 46204 317.232.6681	<b>South Dakota</b>	Department of Revenue and Regulation, Division of Securities 445 East Capital Avenue Pierre, SD 57501-3185 605.773.4823
<b>Maryland</b>	Maryland Division of Securities Office of the Attorney General 200 St. Paul Place, 20 <sup>th</sup> Floor Baltimore, MD 21202-2020 410.576.6360	<b>Virginia</b>	Commonwealth of Virginia Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 804.371.2371
<b>Michigan</b>	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48913 517.373.7117	<b>Washington</b>	Securities Division Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 360.902.8760
<b>Minnesota</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101 651.296.4026	<b>Wisconsin</b>	Division of Securities 345 W. Washington Ave., 4 <sup>th</sup> Floor Madison, WI 53703 608-266-2801
<b>New York</b>	New York State Department of Law Bureau of Investor Protection and Securities, 23 <sup>rd</sup> Floor 120 Broadway New York, NY 10271 212.416.8222		

**EXHIBIT D: AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>AGENT FOR SERVICE OF PROCESS</b>	<b>STATE</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>California</b>	Commissioner of Corporations California Department of Corporations 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677	<b>North Dakota</b>	Securities Commissioner State of North Dakota 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712
<b>Hawaii</b>	Commissioner of Securities of Hawaii Hawaii Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722	<b>Oregon</b>	Director of Oregon Department of Insurance and Finance 350 Winter Street, N.E. #410 Salem, OR 97310 503.378.4387
<b>Illinois</b>	Illinois Attorney General State of Illinois 500 South Second Street Springfield, IL 62706 217.782.4465	<b>Rhode Island</b>	State of Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 401-462-9582
<b>Indiana</b>	Indiana Secretary of State 201 State House Indianapolis, IN 46204 317.232.6681	<b>South Dakota</b>	Department of Labor and Regulation Division of Securities 445 E Capitol Avenue Pierre SD 57501 (605) 773-4823
<b>Maryland</b>	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 410.576.6360	<b>Virginia</b>	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 804.371.9051
<b>Michigan</b>	Michigan Department of Commerce, Corporations and Securities Bureau 670 Law Building Lansing, MI 48913 517.373.7117	<b>Washington</b>	Director of Washington Financial Institutions 150 Israel Road SW Tumwater, WA 98501 360.902.8760
<b>Minnesota</b>	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101 651.296.4026	<b>Wisconsin</b>	Commissioner of Securities of Wisconsin 345 W. Washington Ave., 4 <sup>th</sup> Floor Madison, WI 53703 608-266-1064
<b>New York</b>	Secretary of State, New York One Commerce Plaza 99 Washington Avenue Albany, NY 1223 212.416.8222		

## **EXHIBIT E: STATE ADDENDA TO DISCLOSURE DOCUMENT**

### **ADDITIONAL DISCLOSURES FOR THE STATE OF CALIFORNIA.**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. Our websites [www.protectpainters.com](http://www.protectpainters.com) and [www.youtube.com/ProTectPainters](http://www.youtube.com/ProTectPainters) have not been reviewed or approved by the California Department of Corporations. Any complaints concerning the content of the website may be directed to the California Department of Corporations at [www.corp.ca.gov](http://www.corp.ca.gov).

4. Item 1 of the Disclosure Document is amended to state that our Regional Service Director in California, Mr. Michael Gornet, has established his own corporation, separate and apart from us. Through this corporation, he offers assistance, again separate and apart from us, for new California owners who request help in obtaining qualification under a general contractor's license.

5. The following is added to Item 2: California and Florida Regional Service Director - Michael Gornet: Since October 2009, Mr. Gornet has been the Owner, Manager and President of ProTect Painters of California, Inc (San Rafael, CA), and ProTect Painters of Florida, Inc., (San Rafael, CA, operating in FL), both which he formed to assist new franchisees in obtaining the requisite experience to obtain their contractor's license. He obtained his California General Contractors License in 2002 and his Florida Certified General Contractor License in March 2007. He is also the Owner, Manager and President of ProTect Painters of California, Inc., (San Rafael, CA) since 2004, and ProTect Painters of Florida System, Inc (San Rafael, CA operating in FL) since October 2009.

6. Item 3 of the Disclosure Document is amended to provide that neither the franchisor, nor the franchise brokers identified in Item 2 and Exhibit K of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Security Exchange Act of 1934, 15 U.S.C.A 78a et seq., suspending or expelling such persons from membership in that association or exchange.

7. Item 5 of the Offering Circular addresses initial franchise fees. ProTect Painters International, LLC., has secured a bond issued by The Hartford Insurance Company, Attn: Bond Dept., P.O. Box 2103, 690 Asylum Avenue, Hartford, CT, 06115, a surety company authorized to do business in the State of California.

8. The following is added to Item 6, footnote 3, regarding royalty and Gross Sales in Item 6: Twenty percent of the royalty payments that you pay to us are paid to Mike Gornet for training and support as our California and Florida Regional Service Director.

9. The following is added to Item 11, Training: Mike Gornet, who is disclosed in Item 2, assists with Initial Training for new California and Florida owners. Mr. Gornet has 5 years of franchisee training experience and 7 years of experience in the field.

10. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

A. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

B. The Franchise Agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sect. 101 et seq).

C. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

D. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the franchise agreement. This may not be enforceable under California Law. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

E. The Franchise Agreement requires binding arbitration. The arbitration will occur at the American Arbitration Association office located nearest to the offices of ProTect Painters International, LLC (currently Ann Arbor, MI) with the prevailing party paying for all costs associated with the arbitration. You 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 of the State of California.

F. The Franchise Agreement requires application of the laws of the State of Michigan. This provision may not be enforceable under California law.

11. California law requires that you obtain a Contractor's license from the California Contractors State License Board (CSLB) if the total cost (labor and materials) of one or more contracts on the project is \$500 or more. Licenses may be issued to individuals, partnerships, corporations, or joint ventures. The CSLB does not issue licenses to Limited Liability Companies (LLCs).

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF FLORIDA**

1. The following is added to Item 1: "Our Regional Director in Florida, Mr. Michael Gornet, has established his own corporation, separate and apart from us. Through this corporation, he offers assistance, again separate and apart from us, for new Florida owners who request help in obtaining qualification under a general contractor's license."

2. The following is added to Item 2: "California and Florida Regional Service Director - Michael Gornet: Since October 2009, Mr. Gornet has been the Owner, Manager and President of ProTect Painters of California, Inc (San Rafael, CA), and ProTect Painters of Florida, Inc., (San Rafael, CA, operating in FL), both which he formed to assist new franchisees in obtaining the requisite experience to obtain their contractor's license. He obtained his California General Contractors License in 2002 and his Florida Certified General Contractor License in March 2007. He is also the Owner, Manager and President of ProTect Painters of California, Inc., (San Rafael, CA) since 2004, and ProTect Painters of Florida System, Inc (San Rafael, CA operating in FL) since March 2007.



3. The following is added to Item 6, footnote 3, regarding royalty and Gross Sales in Item 6: Twenty percent of the royalty payments that you pay to us are paid to Mike Gornet for training and support as our California and Florida Regional Service Director.

4. The following is added to Item 11, Training: Mike Gornet, who is disclosed in Item 2, assists with Initial Training for new California and Florida owners. Mr. Gornet has 5 years of franchisee training experience and 7 years of experience in the field.

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF ILLINOIS.**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 88705/1 et. seq., the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Illinois, shall be amended to include the following:

The following language is added to the table in Item 17 at the end of the Summary sections of provisions (v) and (w) entitled Choice of Forum and Choice of Law: (v) “All actions must be commenced in the state, and in the state, or federal court of general jurisdiction, closest to our principal business address at the time of the action (subject to Illinois state law), except for any claims arising under the Illinois Franchise Disclosure Act of 1987, which may be commenced in Illinois.” (w) Except for Federal Arbitration Act and other federal law, or for any claims arising under the Illinois Franchise Disclosure Act of 1987, Michigan law applies (subject to Illinois state law).”

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF MARYLAND.**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document in connection with the offer and sale of franchises for use in the State of Maryland, shall be amended to include the following:

1. The Summary sections of Item 17(c) and (m) of the Disclosure Document captioned “Requirements for franchisee to renew or extend” and “Conditions for franchisor approval of transfer,” are amended by adding the following: “Any general releases you sign will not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law, (see Exhibits A-5 and A-6 for the form of General Release that we currently to intent to use in connection with franchise renewals and transfers).”

2. The “Summary” section of Item 17(h) of the Disclosure Document, captioned “Cause defined – non-curable defaults” is amended by adding the following: “The Franchise Agreement provides for termination upon your insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq), but we will enforce it to the extent enforceable.”

3. The “Summary” section of Item 17(v) of the Disclosure Document, captioned “Choice of Forum,” is amended to read as follows: “Subject to arbitration requirement, litigation generally must be in Michigan, although you may, subject to your arbitration obligation, commence a lawsuit against us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

4. The “Summary” section of Item 17(w) of the Disclosure Document, captioned “Choice of Law,” is amended to read as follows: “Except for Federal Arbitration Act, other federal law, and claims arising under the Maryland Franchise Registration and Disclosure Law, Michigan law applies.”

5. The following is added to the end of the Item 17 chart: “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

6. Exhibit A-4 of the Disclosure Document captioned “Disclosure Acknowledgement Statement” is amended as follows: “Such representations are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

7. Item 5 of the Disclosure Document addresses initial franchise fees. ProTect Painters International, LLC has secured a bond issued by The Hanover Insurance Company, a surety company authorized to do business in the State of Maryland.

**ADDITIONAL DISCLOSURES FOR THE STATE OF MINNESOTA.**

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

A. With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Section 80.C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

B. Pursuant to Minn. Stat. §80C.21 and Minn. Rule Part 2869.4400J, these sections shall not in any way abrogate or reduce your rights as provided in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota.

C. Any release as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

D. Minn. Rule Part 2860.4400J prohibits you from waiving your rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquid damages, termination penalties of judgment notices.

E. Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.

F. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated by the Minnesota Commissioner of Commerce, are met independently without reference to these Additional Disclosures in the Disclosure Document.

## **ADDITIONAL DISCLOSURES FOR THE STATE OF NEW YORK.**

1. The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Neither we, any predecessor, any person identified in Item 2, or an affiliate offering franchises under our principle trademark has an administrative, criminal, or material action pending against us, it, him, or her, 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.

Neither we, any predecessor, any person identified in Item 2, or an affiliate offering franchises under our principle trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge; or been held liable in a civil action alleging; violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable allegations.

Neither we, any predecessor, any person identified in Item 2, or an affiliate offering franchises under our principle trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, as a result of 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 franchise as a real estate broker or sales agent.

2. The following paragraph is added at the beginning of Item 4 of the Disclosure Document: “Neither we, any of our predecessors, affiliates, officers or general partners have, during the 10 year period immediately preceding the date of the Disclosure Document; (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) has obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company, or a general partner in a partnership, that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code, or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of ours held this position in the company or partnership.”

3. The “Summary” section of Item 17(d) of the Disclosure Document is amended by adding the following: “You also may terminate the Franchise Agreement on any grounds available by law.”

4. The “Summary” section of Item 17(j) of the Disclosure Document is amended by adding the following: “However, no assignment will be made except to an assignee, whom in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.”

5. The “Summary” section of Items 17(c) and 17(m) of the Disclosure Document are amended by adding the following: “Provided, however, that all rights enjoyed by you and any causes of action arising by your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Sections 687.4 and 687.5 be satisfied.”

6. The “Summary” section of Item 17(s) of the Disclosure Document is amended by adding the following: “Modifications to the Operations Manual will not unreasonably affect your obligations, including economic requirements, under the Franchise Agreement.”

7. The “Summary” sections of Items 17(v) and (w) of the Disclosure Document are amended by adding the following: “This choice of law and forum should not be considered a waiver of any right conferred upon you by Article 33 of the General Business Law of the State of New York.”

## **ADDITIONAL DISCLOSURES FOR THE STATE OF NORTH DAKOTA**

1. The “Summary” sections of Item 17(c) and (m) of the Disclosure Document are amended to add the following: “Any release executed will not apply, to the extent prohibited by applicable law, with respect to claims arising under the North Dakota Franchise Investment Law.”

2. The “Summary” section of Item 17(r) of the Disclosure Document is amended to add the following: “Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.”

3. The “Summary” section of Item 17(u) of the Disclosure Document is amended to read as follows: “Except for certain claims, we and you must arbitrate all claims.”

4. The “Summary” section of Item 17(v) of the Disclosure Document is amended to read as follows: “Arbitration generally must be in Michigan courts, except that, subject to your arbitration obligation, and to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.”

4. The “Summary” section of Item 17(w) of the Disclosure Document is amended to read as follows: “Except for the federal law, North Dakota law applies.”

## **ADDITIONAL DISCLOSURES FOR THE STATE OF RHODE ISLAND**

1. The “Summary” section of Item 17(v) of the Disclosure Document is amended to read as follows: “Litigation generally must be in Michigan courts, except that subject to your arbitration obligation and to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.”

2. The “Summary” section of Item 17(w) of the Disclosure Document is deleted in its entirety and replaced with the following: “Except for the Federal Arbitration Act, and other federal law, and except as required by the Rhode Island Franchise Investment Act, Michigan law governs.”

## **ADDITIONAL DISCLOSURES FOR THE STATE OF VIRGINIA**

The following is added to the end of Item 17 of the Disclosure Document: “Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the 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.”

## **ADDITIONAL DISCLOSURES FOR THE STATE OF WASHINGTON**

The following paragraph is added at the end of Item 17 of the Disclosure Document:

If any of the provisions in this Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington, Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the “Act”), the provisions of the Act will prevail over the inconsistent terms of the Disclosure Document or Franchise Agreement.

**EXHIBIT K: RECEIPT**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If ProTect Painters International, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If ProTect Painters International, LLC., does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

[New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship. Michigan, Oregon and Washington require that we give you this Disclosure Document at least 10 business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.]

Michael Riegel, Anne Nemer, and Holly Owens of ProTect Painters, International, LLC, act as our franchise sellers. Their principle business address is 3948 Rancho Drive, Ann Arbor MI 48108, #1-800-824-8881.

\_\_\_\_\_, of \_\_\_\_\_, acts as our franchise seller. His/her principle business address is \_\_\_\_\_ and his/her telephone number is \_\_\_\_\_.

[This portion may be filled in at a later date in the Addendum to Exhibit K: Receipt.]

**Date of Issuance: April 1, 2013** (The Effective Date is different in the following states: CA-03/26/13; HI-04/02/13; IL-03/20/13; IN-03/12/13; MD-04/04/13; MI-04/01/13; MN-03/21/13; NY-04/12/13; ND-04/02/13; RI-03/22/2013; SD-04/04/13; UT-03/15/13;VA-04/10/13; WA-03/20/13; WI-03/15/13).

See Exhibit D for our registered agents authorized to receive service of process.

This Franchise Disclosure Document included the following Exhibits: (A-1) Franchise Agreement and Related Materials; (Exhibit A) Designated Marketing Territory; (Exhibit B-1) Initial Package; (Exhibit B-2) Transfer Initial Package; (Exhibit C) Software Agreement; (Exhibit D) Telephone Agreement; (Exhibit E) Disclosure Acknowledgment Statement; (Exhibit F) Consumer Note; (A-2) State Addenda to Franchise Agreement; (A-3) Confidentiality/Non-Competition Agreement; (A-4) Disclosure and Acknowledgment; (A-5) General Release – Renewal; (A-6) General Release – Assignment; (A-7) Sample Regional Advertising Cooperative Addendum; (A-8) Electronic Funds Transfer Agreement; (B) Financial Statements; (C) State Administrators; (D) Agents For Service of Process; (E) State Addenda to Disclosure Document; and (K) Receipt.

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

**KEEP THIS COPY FOR YOUR RECORDS.**

This Disclosure Document is available by request in either paper or .pdf format, please contact [info@protectpainters.com](mailto:info@protectpainters.com). You will need to have Adobe Reader installed on your computer to view and print the Disclosure Document in .pdf format. This is available for download at [www.adobe.com](http://www.adobe.com).

**EXHIBIT K: RECEIPT.**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If ProTect Painters International, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If ProTect Painters International, LLC., does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

[New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship. Michigan and Washington require that we give you this Disclosure Document at least 10 business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.]

Michael Riegel, Anne Nemer, and Holly Owens of ProTect Painters, International, LLC, act as our franchise sellers. Their principle business address is 3948 Rancho Drive, Ann Arbor MI 48108, #1-800-824-8881.

\_\_\_\_\_, of \_\_\_\_\_, acts as our franchise seller. His/her principle business address is \_\_\_\_\_ and his/her telephone number is \_\_\_\_\_.

[This portion may be filled in at a later date in the Addendum to Exhibit K: Receipt.]

**Date of Issuance: April 1, 2013** (The Effective Date is different in the following states: CA-03/26/13; HI-04/02/13; IL-03/20/13; IN-03/12/13; MD-04/04/13; MI-04/01/13; MN-03/21/13; NY-04/12/13; ND-04/02/13; RI-03/22/2013; SD-04/04/13; UT-03/15/13; VA-04/10/13; WA-03/20/13; WI-03/15/13).

See Exhibit D for our registered agents authorized to receive service of process.

This Franchise Disclosure Document included the following Exhibits: (A-1) Franchise Agreement and Related Materials; (Exhibit A) Designated Marketing Territory; (Exhibit B-1) Initial Package; (Exhibit B-2) Transfer Initial Package; (Exhibit C) Software Agreement; (Exhibit D) Telephone Agreement; (Exhibit E) Disclosure Acknowledgment Statement; (Exhibit F) Consumer Note; (A-2) State Addenda to Franchise Agreement; (A-3) Confidentiality/Non-Competition Agreement; (A-4) Disclosure and Acknowledgment; (A-5) General Release – Renewal; (A-6) General Release – Assignment; (A-7) Sample Regional Advertising Cooperative Addendum; (A-8) Electronic Funds Transfer Agreement; (B) Financial Statements; (C) State Administrators; (D) Agents For Service of Process; (E) State Addenda to Disclosure Document; and (K) Receipt.

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

**RETURN THIS COPY TO PROTECT PAINTERS**



Please sign this copy of the receipt, date your signature, and return it to ProTect Painters International, LLC, Franchise Administration Department, 3948 Ranchero Drive, Ann Arbor, MI 48108.

This Disclosure Document is available by request in either paper or .pdf format, please contact [info@protectpainters.com](mailto:info@protectpainters.com). You will need to have Adobe Reader installed on your computer to view and print the Disclosure Document in .pdf format. This is available for download at [www.adobe.com](http://www.adobe.com).