



PortraitEFX Franchising Corporation
A Nevada Corporation
8206-1200 Providence Road, Suite 301
Charlotte, NC 28277-9708
800-765-7561
corporate@portraitefx.com
www.portraitefx.com

**FRANCHISE DISCLOSURE DOCUMENT
FOR PROSPECTIVE FRANCHISEES REQUIRED
BY THE FEDERAL TRADE COMMISSION**

To protect you, we've required your franchisor to give you this information. *We haven't checked it, and don't know if it's correct.* It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read your entire contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

FEDERAL TRADE COMMISSION
Washington, D.C.

Date of Issuance: See Chart Below



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You will operate a business providing professional photography services under the name PortraitEFX by ("your name").

You will pay us an initial franchise fee equal to **\$16,750**, and you will be required to purchase from us, or an approved vendor certain equipment, accessories and software required to operate the Franchised Business.

The total investment necessary to begin operation of a Portrait EFX business ranges from **\$28,373 - 39,810**. See Items 5 and 7 of this Disclosure Document for more information concerning the initial franchise fee and the initial investment.

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 at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Chris Doyle at 800-765-7561 ext 805.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire 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 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.

Date of Issuance: See below for state effective dates. This

Disclosure Document is registered or on file in the following states, with registration or filing became effective on the dates listed below:

State	Effective Date
Florida	May 2010
Iowa	April 2010
Kentucky	February 2007 (exemption on file)
Nebraska	February 2007 (exemption on file)
North Carolina	March 2010
Oregon	June 2010
South Carolina	April 2010 (exemption on file)
Texas	August 2006 (exemption on file)
Utah	June 2010
Washington	March 2011
Illinois	
California	September , 2010

RISK FACTORS

1. **THE FRANCHISE AGREEMENT PERMITS YOU TO ARBITRATE WITH US ONLY IN CHICAGO, IL OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO MAY COST YOU MORE TO ARBITRATE WITH US IN ILLINOIS THAN IN YOUR HOME STATE.**
2. **THE FRANCHISE AGREEMENT STATES THAT, EXCEPT FOR THE POST TERM NONCOMPETE PROVISION, WHICH WILL BE GOVERNED BY YOUR HOME STATE'S LAW, ILLINOIS LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
3. **BY NOT HAVING A FEDERAL REGISTRATION FOR THE MARK "PortraitEFX," WE DO NOT HAVE CERTAIN PRESUMPTIVE LEGAL RIGHTS GRANTED BY REGISTRATION.**
4. **THERE MAY BE OTHER RISKS IN BUYING AND OWNING A PortraitEFX FRANCHISE.**

Information comparing franchisors is available. Call your state administrator listed in Exhibit E or your public library for sources of information.

Registration of this franchise by a state does not constitute approval, recommendation, or endorsement by the state commissioner, nor does it mean that the state recommends it or has verified the information in this Disclosure Document. If you learn that anything in this Disclosure Document is untrue, contact the Federal Trade Commission and your state franchise administrator or consumer protection agency.

MICHIGAN NOTICE

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

- (a) A prohibition against you joining an association of franchisees.

(b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits us to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonably opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:

(i) The term of the franchise is less than five years; and

(ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six months advance notice of our intent not to renew the franchise.

(e) A provision that permits us to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.

(f) A provision requiring that arbitration or litigation be conducted outside of Michigan.

(g) A provision which permits us to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:

(i) The failure of the proposed transferee to meet our then-current reasonably qualifications or Standards.

(ii) The fact that the proposed transferee is our competitor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This does not prohibit a provision that grants us 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 it prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913

(517) 373-7117.

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

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APPENDIX – STATE REQUIRED DISCLOSURES

EXHIBITS:

Exhibit A	List of Current and Former Franchisees
Exhibit B	Equipment, Accessories & Software
Exhibit C	Advanced Training Modules & Pricing
Exhibit D	Table of Contents of Manuals
Exhibit E	List of State Administrators and Agents for Service of Process
Exhibit F	Financial Statements
Exhibit G	Franchise Agreement
Exhibit H.....	Promissory Note
Exhibit I	Multi-State Addendum
Exhibit J.....	Receipt

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the term “we,” “us” “Company” or “our” refers to PortraitEFX Franchising Corporation, the franchisor. We will refer to the person interested in buying the franchise as “you” or “your”. If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These provisions are addressed in this Disclosure Document where appropriate.

The Franchisor, Its Predecessor and Affiliates

We were organized as a Nevada corporation on April 20, 2006. We maintain our principal business address at 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708 , and do business under our corporate name and under the name “PortraitEFX”. Our agents for service of process are identified in Exhibit E to this Disclosure Document. We have no predecessors or affiliates. We grant franchises to operate a professional photography business which utilizes the PortraitEFX name, marks, training, support, marketing, business management and fulfillment systems.

We began offering franchises as of June 1, 2006. We are not engaged in other businesses, and have never offered franchises in any other lines of business. We currently do not operate any company owned PortraitEFX businesses.

We grant qualified candidates franchises to develop a photography business that operates under the PortraitEFX system (the “System”), and offers professional portrait photography services and related products to families, children, and other individuals. The System includes distinctive service and product offerings; proprietary marketing systems and collateral materials; workflow processes and procedures; proprietary internet technology and ecommerce systems; integrated fulfillment services; quality and uniformity of the products and services offered; procedures for marketing, inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which may be changed, improved, and further developed by us.

You must operate your PortraitEFX franchise under the “PortraitEFX” mark and other service marks, trademarks, logos, slogans, and other symbols we designate (or may later designate) in writing for use in the System.

Our Marks include the trade name and service mark “PortraitEFX” and such other trademarks, service marks, logos and other indicia of origin that we designate to identify the Franchised Business. Our System refers to our proprietary business system for operating and promoting a Franchised Business. It includes use of our Marks, intellectual property and confidential information; use of our proprietary web site and internet technology systems; use of our sales and marketing procedures and materials; use of our operational procedures and training materials; and other policies, procedures, standards and specifications that we have developed for use in connection with operating the Franchised Business.

You will operate the Franchised Business according to our Franchise Agreement (see Exhibit G) and our standards, specifications, policies and procedures, as they are amended periodically (collectively, our “Standards”). We will communicate our Standards to you in writing via our confidential operations manual and other manuals and written directives (collectively, our “Manual”).

Market and Competition

The market for professional portrait photography is well developed and competitive. You will be competing with national chains and companies as well as local portrait and photography studios and photographers that offer the same or similar services.

Franchisee/Industry Contact Referral Program

We will pay a referral fee of \$1,000 towards Franchisee Advertising and Marketing, Training costs to a franchisee who introduces a prospective franchisee to us, if we approve the prospect and we and the prospect sign a PortraitEFX® Franchise Agreement within 6 months after the referral is made and the prospective franchisee pays us the associated initial fee. The prospective franchisee must have liquid assets of at least \$16,750 and a total net worth of \$75,000. We will pay this referral fee towards the

franchisees Advertising, Training, or other fees when the referred prospective franchisee's Franchise Agreement is fully signed and the initial fee is fully paid. Franchisees who participate voluntarily in the franchise validation program with prospective franchisees may receive compensation.

Industry Specific Regulation

There are no regulations that specifically govern the offering of professional photography services. In addition, franchise owners and employees are not required to have prior photography experience. To the extent you hire employees, the Franchised Business will be subject to employment laws which include the Fair Labor Standards Act, and various state and federal laws governing such matters as minimum wages, overtime and working conditions. The Franchised Business will be subject to other laws or regulations that are not specific to the photography industry specifically, but that apply to businesses generally.

ITEM 2

BUSINESS EXPERIENCE

President: Chris Wunder

Chris Wunder has served as President of PortraitEFX since April of 2010 and was the Director of Marketing and Product Development since our inception in April, 2006. From 2001 Mr. Wunder has been President of Photo Market Research, a Business Consulting firm based in Charlotte, NC. Since 2004 he has also provided Platform Speaking Services and Business Development Consulting to Marathon Press of Norfolk NE. From 1989 thru 2000 Chris served as Director of Marketing and Product Development for Inter-State Studio and Publishing Company of Sedalia.

Chief Financial Officer, Secretary: Laura Oakley

Laura Oakley has served as our Chief Financial Officer, Vice President and Board Secretary since our inception in April, 2006. Since November 2001, she has owned and operated her own marketing business, LT Consulting. From June 1996 through September 2001, Laura held the position of Southern Regional Director of Promotions for Promowerks, Inc., coordinating events and publicity for Red Bull Energy Drink.

Vice President-Franchise Support, Mitchell Moore

Mitchell Moore has served as VP of Franchise Support since April of 2010. From 2006-2009 he was Vice President and Head of Operations for Crest Foods, including Nestle Tollhouse Café and Brick House Subs. While there he was responsible for developing both the Franchise Development systems as well as the Operations systems. Mitchell was Regional Sales Director for Bassett Industries from 2001-2006, and was responsible for all of North Texas store operations (8 units) as well as the training and development of the Idea Coordinators (design staff) at all locations. Prior to this time he was a Corporate Manager and Test Developer of the Buffet Concept, & Franchise Operating Partner for Golden Corral for 14 years

Director of Franchise and Business Development; Christopher Doyle

Chris Doyle has served as Director of Franchise and Business Development at PortraitEFX Franchising Corporation located in Charlotte, NC, since March of 2008. Prior to that time he served as Franchise Director for Natural Awakenings Franchise Corporation, Naples, Florida Dec 2006- March 2008. He also served as a Translation and Media Ratings Services Consultant for TNS Media Intelligence which is based in New York, NY from Jan 2005 to Jan 2008. From Aug 2003 to Jan 2005 he was an Independent Business consultant for Expert Biz Development which is located in Philadelphia, PA.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Disclosure Document. See Appendix to this Disclosure Document for more information.

ITEM 4
BANKRUPTCY

Prior to joining PortraitEFX Laura Oakley filed personal bankruptcy, Chapter 7 of the U.S. Bankruptcy Code. (Cause No. 4-03-40866-DML, for the Northern District of Texas) on Jan 23, 2002. Ms. Oakley received a discharge from the Bankruptcy Court on June 16, 2003. Other than this one action, no bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee in the amount equal to \$16,750. The initial franchise fee is uniform for all franchisees. The initial franchise fee is refundable only if we determine in our business judgment that you, or the persons you send to attend the initial training program are unable to complete the initial training program. We will refund you the initial franchise fee, minus our out of pocket expenses incurred in connection with the franchise sale, including any broker or commission fees, and provided that you sign a mutual release of claims. We estimate that our out of pocket expenses will not exceed \$1,500. Unless you elect to finance a portion of the initial franchise fee (see item 10), this fee is due in full when you sign the Franchise Agreement, except for California franchisees who will not be required to pay all fees for services received from us until our initial obligations under the Franchise Agreement have been satisfied. California franchisees will not be required to pay the initial franchise fee until we complete our pre-opening obligations.

PortraitEFX Photography Franchise offers a 10% Veterans, Law Enforcement and Fireman Discount off of the current Franchise Fee. This discount applies to all former or current veterans, Law Enforcement and Fireman personnel or their spouses and qualification for this discount must be supported by appropriate verifying documentation

Multiple Franchise Discount: Purchase of an additional franchise for existing franchise owners will consist of the following criteria.

A: Initial Franchise: \$16,750.00 USD

B: Second Franchise \$12,500.00 USD

C: Third and subsequent Franchise Purchases: \$10,000.00 USD

D: Zip Code Territory Sales: If an existing Franchisee does not wish to purchase a complete additional territory after the purchase of their initial franchise purchase they can choose to purchase additional zip codes at the following rates.

Existing franchise owners only: With approval from PortraitEFX ONE ZIP CODE or number of ZIP CODES required to add a minimum of 4000 children under the age of 15, and 4000 households that exceed \$50,000 annual income based on US Census and demographic data. FEE: \$2000.00. Each subsequent zip code(s) meeting the criteria above will cost an additional \$2000. Additional Zip Codes purchased must be contiguous and added to the current franchise territory.

Initial Equipment, Accessories and Software Package

You must purchase from us, or from other vendors we approve, specific equipment, accessories and software we require for use in the operation of your PortraitEFX Franchised Business. (Refer to Exhibit B for a complete list of required items) The estimated cost of the designated equipment, accessories and software is approximately \$7,923.00 – \$14,860.00, and most of these items must be acquired prior to attending your Essentials training.

If you already own any of the items we recommend for the operation of the Franchise Business or if you already own any item that is of comparable quality and that we deem acceptable in writing, we will allow you to substitute that item or items and will adjust our requirements accordingly. California franchisees will

not be required to pay for the goods received from us (e.g. inventory products, signs, etc.) before the franchise opens, until our pre-opening obligations under the Franchise Agreement have been satisfied.

ITEM 6
OTHER FEES

TYPE OF FEES ¹	AMOUNT	DUE DATE	REMARKS
Royalty	\$0.00	Not Applicable	We do not a charge royalty fee.
Processing Revenue Shortfall rebate fee ²	Varies depending upon your shortfall for any six month period	15 th day of the month following any three month period in which there is a shortfall.	Only applies if you fail to meet minimum productivity levels set forth in the Franchise Agreement
Initial Training for additional personnel ³	\$750 per person	Prior to attendance	Initial Training for 2 people is included in the initial franchise fee. Lodging and some meals are provided. This fee does not include travel, or incidental and other expenses that you will incur while attending the Initial Training.
Annual Conferences	Up to \$500 per person (varies based upon the conference location and programs offered)	Prior to attendance	You are responsible for all travel, food and lodging expenses you and your participants incur to attend the annual conference. You are required to attend at least one of our annual conferences every two years.
Additional Training Fee	\$500 for first day, \$250 for additional days, plus travel expenses.	Prior to training	If you request additional training or consulting, we will charge you this fee prior to our sending a trainer for support.
Optional advanced training programs, classes, meetings, seminars and workshops	\$250- \$\$995 per person per training module	Prior to attendance	See Item 11 for more information about our advanced training and certification programs.
Transfer Fee	An amount equal to 25% of the then-current franchise fee, plus reasonable costs and expenses associated with the transfer including training costs,	With transfer application.	There is no fee assessed if an individual or partnership transfers rights to a corporation or limited liability company controlled by the original franchise owner(s).

TYPE OF FEES ¹	AMOUNT	DUE DATE	REMARKS
	legal and accounting fees.		
Interest	18% per annum or highest rate permitted by applicable law	Payable on Demand	Payable only if you fail to pay amounts owed to us when due.
Insurance Premium and Administrative Fee	Cost of insurance premium plus a 25% administrative fee	Payable on Demand	Payable only if you fail to obtain or maintain minimum required insurance coverage, and we obtain such coverage on your behalf.
Software programs	Reasonable cost.	Payable on Demand	We may require, acquire or develop additional software for use in the System. In such case you may be required to purchase a license either from us or an approved supplier in order to legally use the software.
Encroachment Fee	\$250	Payable on Demand	Payable if you provide photography services to customers or accounts located within another PortraitEFX franchisee's Protected Territory without first obtaining our prior written approval. You must also reimburse the encroached upon franchisee an amount equal to 100% of the gross proceeds realized from the services and products provided or sold.
Indemnification	Amount of judgment plus attorneys' fees, costs	On demand	You must indemnify, defend, and hold us and our officers, directors, agents, attorneys and employees harmless from all losses, damages, liabilities, claims, costs, expenses, judgments and attorneys' fees arising out of your ownership or conduct of the Franchised Business.
Advertising Fund License ⁴	Up to \$100 per month)	Payable one month after we notify you of the implementation of an advertising fund Payable monthly upon	

TYPE OF FEES ¹	AMOUNT	DUE DATE	REMARKS
		invoice	
Web Maintenance Fee	Up to \$50 per month	Payable within 10 days of invoice.	The current web fee is a minimum of \$10.00 per month plus \$.01 per image uploaded to the server. We do not charge a fee for use of our other web enabled services, including email and/or future forums, however we reserve the right to charge you this fee at a later date to defray our costs of developing, supporting and maintaining these services.

Notes:

Note 1. All fees and expenses described above are nonrefundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

Note 2. The Franchise Agreement establishes certain minimum purchasing requirements ("Minimum Productivity Levels") that you must meet during the Term. The table in Item 8 outlines the Minimum Productivity Levels throughout the Term. See Item 8 for a detailed explanation of the Minimum Productivity Levels you are required to meet during the Term of your Franchise Agreement..

Note 3. If you elect to have more than 2 people attend the initial training program at our corporate headquarters, an additional fee of \$750 for each additional person attending may be required. In addition, you may be responsible for all associated travel, lodging and other incidental expenses.

ITEM 7

ESTIMATED INITIAL INVESTMENT

The following charts describe payments required by the Franchise Agreement and estimated expenditures necessary to begin operation and to operate the Franchised Business for the first three months. All fees and payments made to us are non-refundable.

Your Estimated Initial Investment

Description of Expenditure	Estimated Costs	Method of Payment	When Payable	To Whom Paid
Initial Franchise Fee	\$16,750	Lump sum	Upon execution of Franchise Agreement	Us
Initial Training Costs ¹	\$200 – \$1,500	As arranged	As arranged	Third party suppliers

Description of Expenditure	Estimated Costs	Method of Payment	When Payable	To Whom Paid
Real Property	0	N/A	N/A	N/A
Fixtures, Fixed Assets, Construction ²	0	N/A	N/A	N/A
Start Up Equipment, Accessory and Software Package ³	\$7923 – \$14860	Lump sum	Prior to attending initial training	Us or approved vendor
Identity Package, Initial Marketing and Stationery Materials ⁴	included	Lump sum	With order	Us or approved vendor
Miscellaneous supplies ⁵	\$300 – \$600	As arranged	Upon purchase	Third parties
Insurance ⁶	\$500 – \$700	As arranged	As arranged	Insurance carrier or broker
Deposits, Telephone and Business License ⁷	\$100 – \$300	As arranged	As arranged	Third parties
Merchant Account Set-Up Fee ⁸	\$100	Lump sum	With Application	Approved merchant account provider
Additional Funds ⁹	\$2,500 – \$5,000	As arranged	As arranged	Third parties
Total ¹⁰	\$28,373 – \$39,810			

Explanatory Notes:

Note 1. These amounts are the estimated expenditures you, and up to one other individual may incur for travel, lodging, meals and incidental expenses while attending our Initial Training program. The low end of the estimate assumes that you and/or you and one other individual will have no travel or lodging costs.

Note 2. We do not anticipate that your initial start-up expenses will include any construction costs, or the purchase of any fixed assets or fixtures. Our business model is founded on you operating your franchised business from home.

Note 3. You may purchase the required equipment, accessory and software package from us or from other vendors that we approve. If you already own equipment including camera, computer, light system and other items that are accepted by us in writing, we will adjust the package and related requirements accordingly. You will be using most of your own equipment in the Essentials training so you must obtain the required equipment before the Initial Training begins. Refer to Exhibit B for a complete list of required equipment, accessories and software.

Note 4. This start up package is included in your initial franchise fee. This is an initial supply of marketing and print sample materials, cross-marketing gift cards, a stationary package that includes 1000 business cards and custom letterhead and envelopes (500 of each) and all personalized email and website design/set up.

Note 5. We anticipate that you will spend in the range of \$300 to \$600 for office supplies, accessories and other miscellaneous expenditures.

Note 6. This amount represents an estimate of your annual premium for the insurance required by the Franchise Agreement. Your actual cost of insurance may vary depending on the insurer, your geographical location and other factors.

Note 7. This amount is based on the assumption that you will be operating from your home rather than

from a store front studio, and is an estimate of the costs you may incur in the acquisition of a business license (also referred to as an “assumed name” or fictitious name” certificate), establishing a business bank account and a business telephone line.

Note 8. This amount represents the fee required by our approved merchant card provider to establish credit card services that will be utilized within the e-commerce system we provide for you. This system will enable your customers to make purchases online and will automatically deposit the proceeds from online purchases into your personal bank account.

Note 9. You will need additional funds during the start-up phase of your business to pay lab processing fees, purchase supplies, obtain sample inventory, provide complimentary promotional services and to cover other expenditures during the first 3 months from the date you open for business. These amounts do not include any estimates for debt service, payroll costs or any draw or salary to you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs will depend on factors such as; your management skill, experience and business acumen; local economic conditions; the local market for your services; competition; and the sales level reached during your initial start-up period.

Note 10. To compile these estimates, we relied on the combined experience of our officers and directors. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases According to Specifications: Approved Suppliers

You must comply with all of our standards and specifications relating to the purchase of all photographic equipment, computer equipment, software, warranty services, supplies and products used or offered for sale. If we have approved suppliers (including manufactures, distributors, photo processors, labs, marketing organizations, service providers, dealers and other sources) for any supplies, services, materials, equipment, computer hardware, software, warranty services and products used or offered for sale, you must obtain these items and/or services only from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications, who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing, and whom we have not later disapproved. We may designate ourselves or our affiliates (if any) as approved suppliers of any item or service. We currently do not require you to purchase any products or supplies directly from us, however reserve the right to do so in the future.

Supplier Approval Procedure

If we require that an item or service be purchased from an approved supplier, and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item or service from the supplier until and unless we have approved the supplier in writing. We have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us for evaluation. We may re-inspect the facilities, services and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. Nothing requires us to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time. Although not contractually obligated to do so, our policy is to approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier. Our specifications for products and/or services and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers. We currently do not charge a fee for approving any proposed suppliers, however we reserve the right to charge a fee in the future.

From time to time we may modify, alter, amend or change our specifications and standards for supplies, equipment or services franchisees may offer. We transmit those changes to our specifications and standards through amendments to our Manuals. Amendments to our Manuals will be transmitted to you

when they become available, and may be transmitted via regular mail, email or other means we deem appropriate. If any changes to our specifications or standards affect suppliers, we will transmit such changes to suppliers.

We do not give franchisees any benefits for using approved or designated suppliers. We do not grant any rights of first refusal to franchisees because of their use of approved or designated suppliers.

Advertising and Promotional Materials

All of your advertising and promotions must conform to our standards and requirements. We must approve all advertising and promotional plans and materials before you use them if we have not prepared them or previously approved them during the 12 months preceding the date of their proposed use. You must submit any unapproved plans and materials to us at least 30 days before the applicable deadline for running the advertisement, and we will approve or disapprove within 10 business days after we receive them. If we do not object to your proposed plans or materials within the 10 day period, you may use the plans or materials.

Purchasing Arrangements

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items or services with suppliers, including marketing and promotional programs. In doing so, we seek to promote the overall interests of the franchise system and our interests as the franchisor. We may receive rebates from approved or designated suppliers and/or service providers. There are currently no purchasing or distribution cooperatives for the System. We receive 25% of all purchases made by franchisees for developing and processing of photographic prints from our approved vendor.

Required Purchases

Credit Card Merchant Services: You must establish a credit card merchant account with the provider that we designate (see Operations Manual for current approved supplier). You will pay merchant account fees directly to the merchant account provider. Fees typically include a one-time set up fee of \$100 and minimum monthly fees of approximately up to \$50 which includes a gateway fee (for processing online transactions), monthly statement fee, a minimum processing fee and transaction fees.

Insurance: You are required to obtain and maintain during the term of your franchise agreement at least one million dollars in general liability coverage for your franchise business. Your insurance policy must name us as additional insured and you must obtain coverage prior to commencing operations. We have negotiated with insurance brokers to provide insurance coverage for you according to our specifications however you are under no obligation to purchase insurance from our preferred insurance provider.

Your obligations to purchase services, supplies, equipment, inventory, photographic equipment, software, and other specific items from us or from suppliers we approve, or under our specifications are all considered "required purchases." Assuming the estimated minimum initial cost to begin operations and other financial obligations are within the ranges described in Item 7, the proportion of your purchases from approved suppliers or of equipment, software, services and other items that meet our specifications will be approximately 26% to 41% of your purchases in establishing your PortraitEFX Franchised Business and approximately 20% to 35% of your ongoing costs of operation. The Company does not collect "royalty" on Your sales. Instead, the Company receives financial incentives from vendors based on Our combined purchasing volume. You must meet the Minimum Productivity Levels (Franchise Agreement Section 4.2) for any twelve month period in order for the Company to receive these incentives. If you fail to meet any Minimum Productivity Level for any 90-Day Period, You must compensate the Company for the shortfall.

The Processing Revenue Shortfall Rebate Fee (Shortfall Fee). The Shortfall Fee is calculated at one-third or 33.3% of the shortfall in the Minimum Productivity Levels for each applicable period.

Example: If during months 13-18 from the Effective Date of this Agreement you spend an average of only \$1,500 during a 3-month period (quarter) instead of the Minimum of \$2,250, you will be required to submit a payment (Shortfall Fee) to The Company of \$250 which is equal to one third, or 33% of the shortfall in the Minimum Productivity Levels for the applicable period.

Minimum Productivity Levels.

The Franchise Agreement establishes certain minimum purchasing requirements ("Minimum Productivity Levels") that you must meet during the Term. The table below outlines the Minimum Productivity Levels throughout the Term.

PERIOD	BEGINNING DATE	DURATION	MINIMUM PRODUCTIVITY LEVELS
Initial 90 days	Effective date (day after completion of training)	90 days	None
1 st 6 month term	1 st day of the 1st month following the initial 90 day period	6 months	\$250 for each month or a total of \$1,500 for the six month period
2 nd 6 month term	1 st day of the 7th month following the initial 90 day period	6 months	\$350 for each month or a total of \$2,100 for the six month period
Subsequent 6 month terms	1 st day of the 13th month following the initial 90 day period	On going	\$500 for each month or a total of \$3000 for the six month period

Beginning on the second anniversary of the Effective Date and continuing on each anniversary thereafter during the term of this Agreement, we have the right to increase the Minimum Productivity Levels for the succeeding twelve month period by a percentage commensurate with the percentage increase in the population of the Territory since the commencement of the preceding twelve month period. For purposes of calculating the percentage increase in such population, we will utilize information available from the United States Department of Commerce - Bureau of the Census. Our determination of the percentage increase, if any, shall be final and not subject to challenge by you. If we elect to exercise our right to increase the Minimum Productivity Levels as provided above, we will notify you in writing within 45 days of the end of the preceding twelve month period of the new Minimum Productivity Levels for the succeeding twelve month period. Upon the renewal of the Franchise Agreement, if any, we may establish new Minimum Productivity Levels based upon such factors as population growth in the Territory since the Effective Date, our minimum fees for new franchises, changes in our System or Methods, and such other factors as we deem in good faith determine to be appropriate.

Under certain limited circumstances, and at your request, we may suspend the minimum productivity levels for a specific period of time, which we determine in our sole discretion.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Franchise Agreement	Item in Disclosure Document
a.	Site selection and acquisition/lease	Sections 8.11 - 8.14	Item 7 and 11
b.	Pre-opening purchases/leases	Sections 6.1, 8.11, 8.12	Item 7
c.	Site development and other pre-opening requirements	Sections 8.11 – 8.14	Item 7
d.	Initial and ongoing training	Sections 6.4, 7.1 – 7.14	Item 6 and 11
e.	Opening	Section 7.2	Item 11
f.	Fees	Section 4	Item 5 and 6

Obligation		Section in Franchise Agreement	Item in Disclosure Document
g.	Compliance with standards and policies/operating manual	Section 8.1	Item 8, 11 and 16
h.	Trademarks and proprietary information	Section 9 and 10	Item 13 and 14
i.	Restrictions on products/services offered	Section 6	Item 8 and 16
j.	Warranty and customer service requirements	None	None
k.	Territorial development and sales quotas	Section 4.2.2	Item 8 and 12
l.	Ongoing product/service purchases	Sections 8.15, 8.16	Item 6 and 8
m.	Maintenance, appearance and remodeling requirements	Section 8.12	Item 11
n.	Insurance	Section 13	Item 7 and 8
o.	Advertising	None	Item 11
p.	Indemnification	Section 13	Item 6
q.	Owner's participation/management/staffing	Section 8.18	Item 11 and 15
r.	Records and reports	Section 11	Item 8
s.	Inspections and audits	Sections 7.11, 11.3	Item 11 and 17
t.	Transfer	Section 14	Item 6 and 17
u.	Renewal	Section 3	Item 17
v.	Post-termination obligations	Section 16	Item 17
w.	Non-competition covenants	Section 10	Item 15 and 17
x.	Dispute resolution	Section 18	Item 17
y.	Other	None	None

ITEM 10

FINANCING

Item Financed	Source of Financing	Down Payment	Amount Financed	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Initial Fee	Us	\$11,750 or more of the initial fee.	Maximum of \$5000.00 of the Initial Fee	12%, 18% or	\$444.24, \$249.62	None	Personal guaranty	The promissory note you are required to sign makes your owner personally liable for all amounts due and owing.	None

Note 1- We currently offer two financing options to qualified franchisees. We offer financing for up to \$5,000.00 of the initial franchise fee. You may finance less than this amount, but under no circumstances will we offer financing for more than that amount. Payment terms vary, and there are two options currently available. There is no prepayment penalty.

Option 1. Your finance term will be 12 months at an interest rate of 12%. Payments will be \$444.24/month, and your total interest will be \$330.88. If the principal amount of the note is less than \$5,000.00, then your payments will be lower, and your interest payments less.

Option 2. Your finance term will be 24 months at an interest rate of 18%. Payments will be \$249.62/month, and your total interest will be \$990.88. If the principal amount of the note is less than \$5,000.00, then your payments will be lower, and your interest payments less.

The form of Promissory Note we use is attached to this Disclosure Document as Exhibit H

We currently do not intend to sell, assign or transfer any financing instrument to a third party, but reserve the right to do so in the future. Since no third party financing is available through us, we do not receive any payment as a result of referring you to a qualified lender.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING

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

Before you begin operating your PortraitEFX Franchised Business, we will:

1. Designate the Protected Area pursuant to which you may operate your business and offer photography services under the terms and conditions of the Franchise Agreement. (Franchise Agreement – Section 2.1)
2. Provide you one copy of the operation and other manuals (the “Manual”) (Franchise Agreement, Section 7.4. See Exhibit D for the table of contents of the Manual).
3. Provide access to our web based introductory training course (Franchise Agreement-Section 7.1).
4. Provide initial training for you and one other individual if you have not previously attended a new franchise owner initial training. (Franchise Agreement – Section 7).
5. At your request provide additional training to individuals you select to attend and successfully complete such training. Franchise Agreement-Section 7.1).
6. Provide you with site selection guidelines if you decide to operate your PortraitEFX Franchised Business from a commercial store front studio (Franchise Agreement-Section 8.12).
7. We will provide you with a list of approved suppliers, some of which may be us or our affiliates, for your photography equipment, and other items you must purchase to commence your business. Prior to attending the initial training program you must purchase certain equipment, cameras, lighting, photographic supplies, computer hardware and computer software. (Franchise Agreement-5.3 and 6).

During operation of your PortraitEFX Business, we will:

1. Advise and assist you regarding operating issues concerning your PortraitEFX franchise.

In addition, we will provide guidance to you on standards, specifications, marketing and operating procedures and methods used by PortraitEFX franchises. This guidance will, at our discretion, be furnished in the Manual, bulletins, electronic media, newsletters or other materials and/or during telephone consultations and/or consultations at such places as we mutually agree. (Franchise Agreement – Section 7).

2. Revise the Manual from time to time. The Manual contains mandatory and suggested specifications, standards, operating procedures and rules (“System Standards”) that we prescribe from time to time, issue, modify and supplement (Franchise Agreement Section 7).
3. Hold a conference at least once each year for all franchisees to exchange ideas and provide suggestions on methods to improve operation of a PortraitEFX franchise (Franchise Agreement – Section 7)
4. Inspect and observe the operations of your PortraitEFX franchise from time to time to determine whether you are complying with the Franchise Agreement and all System Standards (Franchise Agreement – Section 7).
5. Provide updated supplemental training and optional fee-based advanced training modules and PortraitEFX® certification programs, (Franchise Agreement – Section 7).
6. Provide pre-approved advertising brochures, marketing plans and marketing collateral materials for purchase (Franchise Agreement – Section 7).
7. Provide consolidated billing services where appropriate to facilitate integrated web based ordering and photo processing and final product delivery systems. (Franchise Agreement-Section 7.14).
8. Maintain a support line during regular business hours to provide on-going consultation and assistance during regular business hours (Franchise Agreement – Section 7).
9. At your request and in consideration of the On-site Assistance Fee described in Item 7, provide assistance at an agreed upon location, dates and times (Franchise Agreement – Section 7.6).
10. Provide and maintain an e-commerce enabled web site for your franchise (Franchise Agreement – Section 6.5.).
11. Provide and maintain an email system and up to 4 email address for your use in the operation of the franchise
12. Provide and maintain an online forum to facilitate communication with us and other PortraitEFX® franchisees.

Site Selection

We make no attempt to select the location of the PortraitEFX Franchised Business within the Protected Area. Since the PortraitEFX Franchised Business is amenable to a home-type operation, it is anticipated you will utilize your home as your business location, if your home is within the Protected Area, is suitable to enable you to comply with operational standards, and zoning and other laws and regulations permit.

If you choose to operate your PortraitEFX franchise from a commercial or store front studio location, you must first identify a proposed site and submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines and any other information we require. We have 30 days after we receive this information to review and accept or not accept the proposed site and lease or contract of sale. You must notify us within 10 days of our acceptance of the site that you intend to acquire or lease the location. Our acceptance of a site does not guarantee that a PortraitEFX® Studio location will be profitable or successful at that site. If we do not approve the first site you propose, you have one additional 30 day period to provide us with a secondary site location. You must provide us a written description of this site, and we have 15 days to either approve or reject your second proposed site. If you and we are unable to agree on an acceptable

commercial store front studio location for your Franchised Business, you will have the option of operating your Franchised Business from your home, if your home complies with our operational standards, and any local zoning or other regulatory or permitting requirements. You must notify us within 10 days of our rejection of your second proposed site if you desire to operate your Franchise Business from your home. If you refuse to operate your Franchised Business from your home, we have the right to terminate the Franchise Agreement upon written notice.

You must obtain all zoning classifications, clearances and approvals relating to the site and all required permits, licenses, and certifications. You must also certify that the insurance coverage required by the Franchise Agreement is in full force and effect. (Franchise Agreement, Section 2).

Advertising- We currently do not require franchisees to provide local advertising. Any advertising or promotional marketing campaign that you intend to run must first be approved by us in writing. You must at all times comply with our instructions regarding the use of advertising materials, including modifying or ceasing to use these materials, whether or not these materials had been previously been prepared or approved by us. You understand that we have the right to disapprove any advertising materials at any time if we determine that such materials do not comply with our standards for use of our Marks or other intellectual property (Franchise Agreement-Sections 7.13, 8.5).

We currently do not have an advertising fund ("Fund"), however we retain the right to establish an advertising fund at a later date, and to establish the policies and procedures for the maintenance and administration of such fund. We reserve the right to establish the Fund by providing you one month notice of the implementation of the Fund. We estimate that we will require you to contribute from one to three percent of your Gross Revenues to the Fund when established. When, and if we develop an advertising fund, we will communicate those policies and procedures through amendments to our Manuals.

The media in which advertisements may be disseminated include print ads, radio and television and may be conducted on a regional and/or national basis. We intend to internally create and place advertising. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. Fund contributions are not used primarily to sell additional franchises, but may be used to establish and maintain a marketing website, a portion of which may be dedicated to the offer of franchises. We will prepare an annual unaudited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request.

Computer Equipment. Currently, PortraitEFX Franchised Businesses use a customized computer and software package. We may modify the specifications and the components of any such Computer System from time to time and may require you to obtain specified computer hardware and/or software, including, a license to use proprietary software developed by us or others, as well as service and support contracts for the hardware and software. We will have the right to access the sales information and data produced by your Computer System. There are no contractual limitations on the frequency and cost of this obligation or on our right to access this information and data. (Franchise Agreement – Sections 8.5 and 11.1). **We provide our franchisees with a remote order entry system we refer to as "PortraitEFX Producer" for submitting orders to approved labs for production and final product delivery. There is no additional charge for the use of this software. You are required to install certain software on your computer. This software includes:**

- Adobe Photoshop Elements 5.0 or newer versions
- ACDSee Pro Photo Manager
- Microsoft Office Professional – current version (may be bundled with computer purchase)
- Quickbooks Pro
- Photodex ProShow Gold

We recommend a PC based computer system with the following minimum configuration:

- **Processor/Display**
Intel® Core™2 Duo processor E6300 (1.86GHz)
- **Operating System**
Genuine Windows® XP Professional with re-installation CD
- **Video Card**
Intel® Graphics Media Accelerator 3000
- **Memory**
1GB Dual Channel DDR2 SDRAM at 533MHz- 2DIMMs
- **Hard Drive**
250GB Serial ATA 3Gb/s Hard Drive (7200RPM) w/DataBurst Cache™
- **Monitor**
17 inch E196FP Analog Flat Panel
- **CD or DVD Drive**
24X CD-RW/ DVD Combo Drive
- **Security Software**
PC-Internet Security with AntiVirus and Spyware removal

We intend to provide our franchisee with a web enabled e-commerce system, including use of up to 4 email addresses using the ProtratiEFX.com extension, and a forum platform to facilitate communications between us, you and other system franchisees. We reserve the right to suspend your use of any web based service we provide, including access to our e-commerce site, forum and email extension, if you are in default of your Franchise Agreement or any other agreement between you, your affiliates and us and our affiliates. We reserve the right to charge you a fee for providing you these services.

Time Period from Franchise Agreement Execution to Opening- We estimate that there will be an interval of up to 60 days between the signing of the Franchise Agreement and your ability to provide services to your first customer. This interval may vary based on factors like the following: whether you operate your Franchised Business from home or from a commercial store front location, how quickly you decide to attend the initial training session, the delivery schedule for equipment and supplies and your compliance with local laws and regulations. You must begin operating your Franchised Business within 180 days after the execution of the Franchise Agreement unless we agree otherwise. However, because the Franchise Agreement establishes Minimum Productivity Levels, the sooner you begin operation after you sign the Franchise Agreement and complete training, the better the likelihood that you will be able to meet your productivity requirements.

Initial Franchise Training

At least 30 days prior to your right to begin operating your franchise you must complete our web-based introductory training program, and attend and satisfactorily complete our initial training program unless you have previously attended our initial franchise training. We recommend that two people attend our initial training program. If you are not the Operating Principal, we require that your Operating Principal and one other person, at your election, attend and successfully complete our initial training program. If you are a transferee, you must complete the initial training within 90 days of your franchise purchase. You are responsible for all travel expenses, lodging and other expenses you incur in connection with the training program.

Our initial franchise training is administered and directed by Chris Wunder, whose experience is described in Item 2 of this Disclosure Document, and will be supported by members of the PortraitEFX corporate and technical staff. We may also draw upon the experience of other PortraitEFX Franchisees and/or other training professionals. There is no charge for the first two persons who attend our initial training program. If you request that additional persons attend our training program, we have the right to charge you a training fee of no more than \$750 per extra person attending the training program. You will be responsible for all travel, lodging and meal expenses incurred with attending all training programs. We offer additional training programs for advanced photography services. We charge fees for attending such optional training programs, and the fees vary depending upon who is providing the instruction, and type of photography training offered. You are required to pay for your travel, lodging and meal expenses for all additional training programs you attend.

Our initial training program (Essentials Training) is typically offered on a bi-monthly basis and is limited to 10 franchisees. Initial franchise training takes place over 6 days. We currently conduct our initial training program at our training center in Memphis, TN, however we reserve the right to change our training facility to another location. The instruction materials used during training are in the Operations Manuals, as amended from time to time. The topics covered and other information relevant to our initial training are described in the chart below:

PortraitEFX Essentials Training Agenda

Day	Time	Subject
Day One	8:00 AM - 8:15 AM	Intros and Set Up
Day One	8:15 AM - 9:30 AM	Camera Basics
Day One	9:30 AM - 10:30 AM	Studio Equipment and Studio Set-Up
Day One	10:30 AM - 10:45 AM	Break
Day One	10:45 AM - 11:15 AM	Exposure Control
Day One	11:15 AM - 12:00 PM	Exposure Meter Calibration
Day One	12:00 PM- 12:45 PM	Lunch
Day One	12:45 PM 1:45 PM	Basic Studio Lighting + Basic Posing
Day One	1:45 PM - 3:00 PM	Studio Assignment Lighting Practice

Day One	3:00 PM - 3:15 PM	Break
Day One	3:15 PM - 4:00 PM	Studio Assignment Lighting Practice
Day One	4:00 PM - 5:00 PM	Basic Head and Shoulders Photography
Day One	5:00 PM - 6:00 PM	DINNER BREAK On your own
Day One	6:00 PM - 9:00 PM	Open Studio – Hands on Studio Practice
Day Two	8:00 AM - 10:30 AM	On-Camera Flash Techniques On Camera Flash Exercise-Part I
Day Two	10:30 AM - 10:45 AM	Break
Day Two	10:45 AM - 11:45 AM	Advanced on camera flash techniques
Day Two	11:45 AM - 12:45 PM	Vendor Luncheon
Day Two	12:45 PM - 1:15 PM	Wealth of Opportunities
Day Two	1:15 PM - 2:30 PM	Marketing, Sales & Business Development - Introduction to Promotional Photography
Day Two	2:30 PM - 2:45 PM	Break
Day Two	2:45 PM - 3:45 PM	Childs Play Technique
Day Two	3:45 PM - 6:00 PM	Pre-School and Elementary Age Children Studio Exercise
Day Two	6:00 PM - 6:15 PM	Break
Day Two	6:15 PM - 7:30 PM	Pre-School and Elementary Age Children Studio Exercise
Day Three	8:00 AM - 10:00 AM	Marketing, Sales & Business Development – Making Presentations and Closing Sales
Day Three	10:00 AM – 10:15 AM	Break
Day Three	10:15 AM – 11:30 AM	Marketing, Sales & Business Development Specific Promotions
Day Three	11:30 AM - 1:00 PM	Pounds Labs Tour
Day Three	1:00 PM - 3:00 PM	Box Lunches & Marketing
Day Three	3:00 PM - 3:15 PM	Break
Day Three	3:15 PM - 5:00 PM	Workflow Part 1- File Management and Image Editing
Day Three	5:00 PM - 6:00 PM	DINNER BREAK On your own

Day Three	6:00 PM - 7:00 PM	Family Group Photography – Posing and Lighting
Day Three	7:00 PM - 9:00 PM	Open Studio and Hands on Practice Time
Day Four	8:00 AM - 10:00 AM	Team and Individual Sports Introduction
Day Four	10:00 AM - 10:15 AM	Break
Day Four	10:15 AM - 12:00 PM	Team and Individual Sports
Day Four	12:00 PM - 12:45 PM	Lunch
Day Four	12:45 PM - 1:45 PM	Team and Individual Sports
Day Four	1:45 PM - 3:00 PM	Show Me The Money! Portrait Sales Protocols and Techniques to write BIG orders
Day Four	3:00 PM - 3:15 PM	Break
Day Four	3:15 PM - 6:30 PM	Family Shoot
Day Four	6:30 PM - 7:45 PM	PortraitEFX Producer & Lab Products
Day Five	8:00 AM - 10:00 AM	Outdoor Session Outdoor lighting and shooting
Day Five	10:15 AM - 10:30 AM	Break
Day Five	10:00 AM - 12:00 AM	Marketing
Day Five	12:00 noon – 12:45 PM	Lunch Administrative manual
Day Five	12:45 PM - 2:15 PM	Marketing
Day Five	2:15 PM – 2:30 PM	Break
Day Five	2:30 PM – 5:00 PM	Marketing
Day Six	9:00 AM - 11:00 AM	Critique of Outdoor Projects
Day Six	11:00 AM - 12:00 PM	Moving Forward
Day Six	12:00 PM - 1:00 PM	Lunch
Day Six	1:00 PM - 2:30 PM	Administrative Wrap Up
Day Six	2:30 PM - 3:30 PM	Final Question and Answer

In addition to the initial training, you are also required to attend at least one of our annual

conferences every two years. You will be required to pay for all travel, food, and lodging expenses you and your participants incur in attending this conference. In addition, we may assess a conference fee of up to \$400 per person to cover our costs of training, round tables and other conference activities.

ITEM 12

TERRITORY

The Franchise Agreement gives you the right to operate a PortraitEFX Franchised Business and to advertise market and provide approved PortraitEFX photography services and related photography products within a specified territory (the "Protected Territory") identified in attachment D of the Franchise Agreement. As long as you are in full compliance with the Franchise Agreement and operating guidelines as set forth in the Manuals, and except for those rights that we specifically retain in the Protected Territory, we will not grant a PortraitEFX Franchise to be located within, or to operate within the Protected Territory, operate ourselves as a PortraitEFX Franchise in the Territory, or allow any other PortraitEFX Franchise to advertise or market PortraitEFX photography services within the territory without your consent.

The Protected Territory granted for each PortraitEFX Franchised Business is comprised of, and is defined by one or more zip codes or postal codes. A franchise territory will typically consist of one or more zip codes which within their boundaries include a minimum of 10,000 qualified households (households with a combined income of \$50,000 or higher) and/or a minimum of 10,000 children 14 years of age or younger.

In certain circumstances, a Protected Territory may have specific businesses or organizations that are already protected by a previous Franchise Agreement, and these businesses or organizations may be excluded from your Protected Territory. Exclusions of any business or customer in a Protected Territory will be disclosed in the Franchise Agreement prior to your signing the agreement, and will be set forth on Attachment D of your Franchise Agreement. As a matter of policy, we generally do not allow franchisees in one Protected Territory to serve customers outside their Protected Territory, however circumstances may arise justifying allowing one franchisee to serve limited customers outside their specific Protected Territory. Other exclusions may occur due to the size of a potential business or organization which may require the resources of more than one franchisee. These businesses or organizations are referred to as Regional Accounts, and would fall under the PortraitEFX Franchising Corporation's Regional Account Program. Any exclusion is subject to the guidelines as defined in the operations Manual which are subject to change based upon our best Business Judgment.

Because each franchise territory is protected, we do not allow you to advertise, market or provide photography services outside your Protected Territory without our prior written consent. You may however, provide authorized photography services (refer to item 16) outside your Protected Territory in circumstances when a customer or client residing within your territory contracts with you to provide individual or family photography services (including weddings) at a location outside your territory. You may not under any circumstance, without our prior written consent provide individual, group or event photography services outside your Protected Territory for commercial accounts including daycares, preschools, private schools, public schools, churches, real estate offices, insurance offices, law offices or other businesses. In addition, you may not provide photography services outside your Protected Territory from customer solicitations made from outside the Protected Territory. If you receive a call from a customer residing outside your Protected Territory, you must immediately notify us of having received this call. If the customer resides in a Protected Territory of another Franchised Business, such franchisee shall have the right to provide photography services to such customer. If no franchisee is located in the customer's territory, then we may grant you the right to provide photography services to such customer. In no event will our approval or consent to providing such photography services to an area outside your Protected Territory be deemed an expansion of your Protected Territory. You will not be able to provide any additional photography services to other customers located outside your Protected Territory, and must seek our written consent.

We may develop a central referral system in which we solicit customers for the benefit of our franchisees. We retain the right to charge a reasonable fee for providing such services at a future date.

If you provide unauthorized services in another franchisee's territory without our prior written consent, except as under the condition as stated above, then all proceeds from the services will belong to and must be paid directly to the affected franchisee. In addition, the company has the right to impose an encroachment fee as described in Item 6.

Except as stated above, we can establish and give others the right to establish and operate Franchised Businesses anywhere. In addition, regardless of the protection afforded to you under the Franchise Agreement, we may:

(a) perform and to franchise others the right to offer photography services under the Marks and System outside the Protected Territory;

(b) offer services other than photography services under any proprietary marks (including the Marks) in or outside the Protected Territory;

(c) offer and sell any products or services (regardless of their similarity to the services that Franchised Businesses offer) under any name or trademarks or service marks *other than* the Marks;

(d) host one or more websites on the Internet and advertise Franchised Businesses, and all the services they offer, even though the website is accessible to or viewable by Persons in the Protected Territory;

(e) market and distribute training programs bearing any proprietary marks (including the Marks) through other channels of distribution as we deem appropriate; and

(f) develop an internet system whereby we can solicit referrals or photography processing requests for our ourselves and for System franchisees.

By not having an exclusive territory, you may face competition from other channels of distribution or competitive brands that we may control. In addition, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we own or control. The Franchise Agreement only provides you with limited protections within your Territory, but does not grant you the right to service customers outside your Territory.

Territory Reserve Area: The Territory Reserve area is an additional territory that the franchisee can develop and transact business within. The Franchisee does not own this territory unless they exercise their option to purchase it. Upon written approval from PortraitEFX a franchisee in good standing may designate a "Territory Reserve Area" under the following conditions.

A: A maximum period not to exceed 12 months. (Exception See Item E)

B: A Non-Refundable Deposit Fee of \$1000 to reserve this area, must be paid in full for the Territory Reserve Area to become effective. The Deposit Fee will be applied to the purchase of the reserve area, if the Franchisee exercises their option to purchase an additional territory.

C: The Reserve territory area will be similar in size and demographics to the franchisee current territory.

D: A maximum of two reserve areas may be designated by a franchisee which would be in addition to their initial territory.

E: Franchisee will have the right of first refusal in the event another prospective franchisee candidate wishes to purchase this area. Notification for the purchase of the reserve area will be issued in writing and the franchisee will have 10 calendar days from receipt of the notice, to advise PortraitEFX if they plan to exercise this option or decline to purchase it. If the Franchisee agrees to exercise their purchase option for the reserve area, they will have 60 days from the initial notification date to complete the payment for the reserve area. If they decline to purchase the Reserve Area within the 10 day decision period, or fail to purchase the reserve territory by the end of 60 days after notification, the reserve territory agreement will become void and PortraitEFX can sell this reserve territory to any prospective franchisee candidate.

We retain all rights not expressly granted under the Franchise Agreement.
You do not receive the right of first refusal to acquire additional franchises.

ITEM 13

TRADEMARKS

The Franchise Agreement gives you a non-exclusive license to operate a PortraitEFX Franchise under the Mark "PortraitEFX" and to use any future Marks we authorize.

On September 12, 2006 we filed an actual use application to register the Mark "PortraitEFX" on the Principal Register of the United States Patent and Trademark Office. Upon filing, we were assigned serial number 78972008. On November 27, 2007, we received our Certificate of Registration, and notice that our mark was registered on the Principal Register. We were assigned Registration Number 3,344,353. We will renew the registration and file all appropriate affidavits.

There is no currently effective determination of the U.S Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceeding or any pending material litigation involving the Marks. We know of no superior prior rights or infringing use that could materially affect your use of the Mark, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

You must follow our rules when using the Mark. You may not use the Mark as part of your corporate name. You may not register the Mark as part of any Internet domain name or URL, and may neither display nor use the Mark in connection with, or associate the System with (through a link or otherwise) any web site advertising, address or listing on any portion of the Internet without our prior written consent. You may not use the Mark in connection with the advertisement, promotion, sale or distribution of any products or services, except for those that we authorize.

You may not permit, and must promptly report to us, any challenge to your use of the Mark, any apparently unauthorized use of the Mark, or the use of a trade name, trademark, service mark or symbol that might be construed as an infringement of our Mark or as unfair competition or passing-off at common law. We reserve the right to make the final determination of infringement or other unlawful use, to conduct all legal proceedings related to the Mark, and to compromise or settle all infringement claims. We may require, if a condition of settlement, that you use a different or modified version of a Mark to identify the Franchised Business in your market area. We are not required to defend or indemnify you against third party infringement claims based on your use of the Mark.

We have the right to add, eliminate, or modify the Mark or add additional Marks in our sole discretion. You must promptly take all action necessary to adopt all new and modified Marks and to discontinue using eliminated Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents (pending or otherwise) that are material to the Franchise. We claim copyright protection in many elements of the System including the design elements of our Mark, the content of our Manual, the content of our training programs, the content and design of our web site, computer software programs, and our advertising and marketing materials (our "Copyrighted Works"). These materials are considered proprietary and confidential and are considered our property, and you may use them only as provided in the Franchise Agreement.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any

court regarding any of the copyrighted materials. There are no agreements in effect which limit our right to use or license the copyrighted materials. We are not aware of any infringing uses which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any copyrights or you in connection with any copyrights.

We will disclose to you certain confidential or proprietary information and trade secrets. Except as necessary for the operation of the Franchised Business, and as we approve, you may not, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of the Franchised Business or the System. You may disclose to your employees only the confidential, proprietary or trade secret information necessary to operate the business and then only while the Franchise Agreement is in effect.

You must acknowledge that your knowledge of the operation of a PortraitEFX Franchise will be derived from information we disclose to you and that information, including the contents of the Manuals, is proprietary and confidential. You must agree that you will maintain the absolute confidentiality of all the information during and after the term of the Franchise Agreement, and that you will not use any of the information in any other business or in any manner we do not specifically authorize in writing.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We will allow you to operate your PortraitEFX franchise through any individual you designate who has attended and successfully completed our initial training program ("Operating Principal"), and entered into a confidentiality and non-competition agreement acceptable to us. You are not obligated to participate personally in the direct operation of your PortraitEFX franchise, however, you are responsible for the successful operation of your PortraitEFX franchise, and are directly responsible to us under the Franchise Agreement, whether you participate in day-to-day operations, or designate another individual to operate, manage and supervise your operations under the Franchise Agreement. We do not require that your Operating Principal own an interest in you if you are a business entity.

Each of your principals, including your Operating Principal, must sign the Personal Guaranty and Undertaking attached as Attachment A to the Franchise Agreement. Any officers, directors, principals, and any employees that have access to our Manual must sign Confidentiality and Non-Competition Agreement substantially in the form attached as Attachment B to the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Because the reputation and goodwill of PortraitEFX is based upon, and can be maintained and enhanced only by providing professional quality photography services and related products, you may offer and provide only those photography services and related products that you are certified or authorized by us to provide. By successfully completing our Essentials Training Program you will be authorized and certified by PortraitEFX to offer and provide portrait photography services for children, families and individuals as well as promotional volume photography programs for preschools, daycares, private schools and small scale youth sports leagues. Until you successfully complete certain PortraitEFX advanced training modules, you are limited to the types of photography services you may offer to customers. PortraitEFX has

the right to waive this restriction based on an evaluation of your skill level by the Director of Photography. In some instances we may substitute on-site assistance for an advanced training to certify you in an advanced type of photography.

You have the option to attend advanced PortraitEFX training modules, which upon your successful completion of each module, will give you the required PortraitEFX certification and authorization to offer and provide photography services and related products associated with that specific module.

Advanced PortraitEFX training and certification modules to be offered for: K-11 Photography & Yearbook Services; Team Sports and League Photography; Event Photography and On-Site Printing; Engagement and Wedding Photography; Church Photography and Directory Services; High School Senior Photography; Advanced Photography for Child & Family Portraiture; and Photoshop (Basic and Advanced trainings. The fees and other cost associated with attending advanced PortraitEFX trainings and obtaining PortraitEFX certifications are not included in your initial franchise fee. (Refer to Exhibit C for PortraitEFX Advanced Training and Certification Modules pricing.) We have the right to add or reduce the number and/or types of services we authorize franchisees to offer through Franchised Businesses, including providing specialized training programs for advanced photography. There are no limits on our right to add or reduce the photography services and/or products. We reserve the right to contract, manage, fulfill and service Regional Accounts through our Regional Account Management Program.

You may offer and provide only the services and related products you are authorized and certified to offer and provide these services only in the Protected Territory (regardless of your customer or client's office or billing address) except under the condition described in Item 12.

On-Site Printing Technology and Retail Sales: To help maintain its' company standard for quality control, the Franchisee's use of inkjet, dye sublimation, laser or other printing technology for the production of prints intended for retail sales is permitted only by written authorization of the Franchisor who may specify the scope, equipment, nature and duration of the permission granted for such sales. Franchisee agrees to provide to the Franchisor a written report monthly detailing such sales conducted. In consideration of the license to conduct such sales outside the typical business model of the Franchisor, Franchisee agrees to pay a rebate to the Franchisor equal to 5% of the gross sales collected; less state and local sales taxes, such rebate to be paid to the Franchisor no later than the 10th of the month subsequent such sales.

Sales of Digital Images: Retail sales of digital images for customer use require the Franchisee to pay a rebate to the Franchisor equal to 5% of the gross sales collected; less state and local sales taxes, such rebate to be paid to the Franchisor no later than the 10th of the month subsequent such sales.

ITEM 17

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.

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 3.1	10 years
b. Renewal or extension of the term	Section 3.2	If you are in full compliance, you can extend the franchise for one consecutive renewal term of 10 years.
c. Requirements for you to renew or extend	Section 3.2	You must give timely notice of your intent to renew, sign a current franchise agreement, sign a general and full release of all claims against us and our affiliates, and satisfy all monetary obligations. The franchise agreement that we may require you to sign upon renewal may have terms which are materially different than the terms of your current Franchise Agreement. The new franchise agreement may impose additional charges, costs or expenses, all of which will be disclosed to you prior to your signing of any new agreement upon renewal.
d. Termination by franchisee	No provision	Not applicable.
e. Termination by Company without cause	No provision	Not applicable.
f. Termination by Company with cause	Section 15.2	We can terminate the franchise only if you default.
g. "Cause" defined - curable defaults	Section 15.2	The following events may be cured: (i) failure to begin operating the Franchised Business or complete the training program; (ii) failure to pay any sum due to us; (iii) any misuse of the Marks or other Intellectual Property (iv) offering photography services outside your territory without prior written consent; (v) failure to meet minimum productivity levels in any six month period
h. "Cause" defined - defaults that cannot be cured	Section 15.2	The following events may not be cured: (i) conviction or plea of "no contest" by you or any Principal to a felony; (ii) misrepresentation of any information contained in your franchise application or any other information you have given us in connection with your purchase of the franchise; (iii) failure to maintain the

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
		confidentiality of Confidential Information; (iv) selling substantially all of your inventory or assets; (v) repeated violations of this Agreement.
i. Your obligations on termination/non-renewal	Section 16.1	You shall immediately: (i) discontinue use of the Marks, Copyrighted Material, the System and the Confidential Information; (ii) return to us the entire Manual and any other material designated by Company as containing Confidential Information or bearing any of the Marks; and (iii) pay us all sums due and owing.
j. Assignment of contract by Company	Section 14.1	We, in our sole judgment and discretion, may assign this Agreement and its rights and obligations as franchisor to any assignee.
k. "Transfer" by you - definition	Section 14.2	You agree not to assign, transfer, give way, pledge, mortgage or otherwise dispose of any interest in the Franchised Business, the franchise or your rights under the Franchise Agreement.
l. Our approval of transfer by you	Section 14	You must get our prior written consent before any transfer.
m. Conditions for Our approval of transfer	Section 14.4	You must be in full compliance with your obligations under the Franchise Agreement. Each proposed transferee must meet our standards for qualifying as a new Business Franchisee. We must receive payment of the Transfer fee. If we agree to release you from further liability under the Franchise Agreement, you must also give us an unconditional, general release of all claims against us and our affiliates.
n. Our right of first refusal to acquire your Franchised Business	Section 14.7	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions offered by a third party.
o. Our option to purchase your Franchised Business	Section 14.7	See Item 17(n) above.
p. Your death or disability	Sections 14.5 & 14.6	Any transfer must be concluded within three months and shall be subject to the conditions of 15.4.
q. Non-competition covenants during the term of the franchise	Section 10.4	You must have no involvement in a competing business anywhere.
r. Non-competition covenants after the franchise is terminated or	Section 10.5	For two years after the franchise ends, you must have no involvement in a competing

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
expires		business within your Territory or in any other area where a Franchised Business exists or is under development.
s. Modification of the agreement	Section 19.2	No modifications without a written agreement
t. Integration/merger clause	Section 19.3	The provisions of the Franchise Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding should not affect the legality, validity or enforceability of any other provision.
u. Dispute resolution by arbitration or mediation	Section 18.2	If parties cannot resolve or settle a dispute, the unresolved issues shall be submitted to binding arbitration.
v. Choice of forum	Sections 18.2	Arbitration and/or Litigation must take place in Chicago, IL. This requirement may not be enforceable in some states. See the state-specific Amendment to the Franchise Agreement.
w. Choice of law	Section 20.1	Illinois law applies, except for U.S. Arbitration Act and Lanham Act. This requirement may not be enforceable in some states. See the state-specific Amendment to the Franchise Agreement.

The following states have statutes that may supersede the Franchise Agreement and other related agreements in your relationship with Company. These statutes may affect the enforceability of provisions in the agreements relating to termination; transfer; renewal; covenants not to compete; choice of law and jurisdiction; venue selection; waivers and releases of claims; injunctive relief; waiver of rights to jury trial; punitive and liquidated damages and other remedies; arbitration; and discrimination between franchisees: Arkansas Code Ann. § 4-72-201 (Michigan 1993); California Corp. Code §§ 31000 – 31516 (West 1994); Cal. Bus. & Prof. Code §§ 20000 – 20043 (West 1994); Connecticut Gen. Stat. § 42-133e (1994); Delaware Code Ann. Tit. 6 § 2552 (1993) Hawaii Rev. Stat. § 482E-1 – 482E-12 (1993); Illinois Compiled Stat. Ch. 815 paragraph. 705/1 – 705/44 (1994); Indiana Code §§ 1 – 51 (1994); Ind. Code Ann. § 23-2-2.7 (West. 1994); Iowa Code § 523H.1 – 523H.17 (1994); Maryland Code Ann., Bus. Reg. §§ 14-201 – 14-233 (1998 Repl. Vol. & Supp. 2002); Michigan Comp. Laws §§ 445.1501 – 445.1545 (1994); Minnesota Stat. §§ 80C.01 – 80C.22 (1994); Minn. Stat. §§ 80C.01 – 80C.14 (1994); Mississippi Code Ann. § 75-24-51 (1993) Missouri Ann. Stat. § 407.400 (Vernon 1994); Nebraska Rev. Stat. § 87-401 (1993); N.J. Stat. Ann. § 56:10-1 (West 1994); N.Y. Gen. Bus. Law §§ 680 – 695 (1994); N.D. Cent. Code § 51-19-01 (1993); Oregon Rev. Stat. §§ 650.005 – 650.085; Rhode Island Gen. Laws §§ 19-28.1-1 – 19-28.1-34 (1993); South Dakota Codified Laws Ann. §§ 37-5A-1 – 37-5A-87 (1994); Texas Rev. Civ. Stat. Ann. Art. 16.01 (1994); Virginia Code Ann. §§ 13.1-557 – 13.1-574; Washington Rev. Code §§ 19.100.010 - 19.100.940 (1994); Wisconsin Stat. §§ 553.01 – 553.78 (1996); Wis. Stat. §§ 135.01 – 135.07 (1984). These and other states may have fair practice laws and other civil statutes affecting contracts. There may also be state and federal court decisions that affect the enforcement of provisions in the Franchise Agreement, and other related agreements. Federal law may preempt these state laws and regulations with respect to arbitration.

A provision in the Franchise Agreement that terminates the agreement on your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

Please see the Appendix to this Disclosure Document for more information.

ITEM 18

PUBLIC FIGURES

We do not currently use any public figure to promote the franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Chris Wunder at 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708 or phone 800-765-7561 ext. 803 or cwunder@portraitefx.com, the Federal Trade Commission, and/or the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System wide Outlet Summary for 2008, 2009, 2010

Outlet Type	Year	Outlets at Start of Year	Outlets Opened	Net Change
Franchised	2008	29	46	17
	2009	46	52	6
	2010	52	59	7
Company-Owned	2008	0	0	0
	2009	0	0	0
	2010	0	0	0
Total	2008	29	46	17
	2009	46	52	6
	2010	52	59	7

Note. See Exhibit A to this Disclosure Document for the names, addresses and telephone numbers of our franchisees.

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for years 2008, 2009, 2010

State	year	Number of Transfers
AK	2008	0
	2009	0
	2010	0
AL	2008	0
	2009	0

	2010	0
AR	2008	0
	2009	0
	2010	0
AZ	2008	0
	2009	0
	2010	0
CA	2008	0
	2009	1
	2010	0
CO	2008	0
	2009	0
	2010	0
CT	2008	0
	2009	0
	2010	0
DE	2008	0
	2009	0
	2010	0
FL	2008	0
	2009	0
	2010	0
GA	2008	0
	2009	0
	2010	0
HI	2008	0
	2009	0
	2010	0
IA	2008	0
	2009	0
	2010	0
ID	2008	0
	2009	0
	2010	0
IL	2008	0
	2009	0
	2010	0
IN	2008	0
	2009	0
	2010	0
KS	2008	0

	2009	0
	2010	0
KY	2008	0
	2009	0
	2010	0
LA	2008	0
	2009	0
	2010	0
MA	2008	0
	2009	0
	2010	0
MD	2008	0
	2009	0
	2010	0
MI	2008	0
	2009	0
	2010	0
MN	2008	0
	2009	0
	2010	0
MO	2008	0
	2009	0
	2010	0
MS	2008	0
	2009	0
	2010	0
MT	2008	0
	2009	0
	2010	0
NC	2008	0
	2009	0
	2010	0
ND	2008	0
	2009	0
	2010	0
NE	2008	0
	2009	0
	2010	0
NH	2008	0
	2009	0
	2010	0

NJ	2008	0
	2009	0
	2010	0
NM	2008	0
	2009	0
	2010	0
NV	2008	0
	2009	0
	2010	0
NY	2008	0
	2009	0
	2010	0
OH	2008	0
	2009	0
	2010	0
OK	2008	0
	2009	0
	2010	0
OR	2008	0
	2009	0
	2010	0
PA	2008	0
	2009	0
	2010	0
SC	2008	0
	2009	0
	2010	0
SD	2008	0
	2009	0
	2010	0
TN	2008	0
	2009	0
	2010	0
TX	2008	0
	2009	0
	2010	0
UT	2008	0
	2009	0
	2010	0
VA	2008	0
	2009	0

	2010	0
WA	2008	0
	2009	0
	2010	0
WI	2008	0
	2009	0
	2010	0
WV	2008	0
	2009	0
	2010	0
WY	2008	0
	2009	0
	2010	0
Totals	2008	0
	2009	1
	2010	0

Table No. 3
Status of Franchised Outlets for years 2008-2010

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
AK	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
AL	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
AR	2008	0	1	0	0	0	0	1
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
AZ	2008	0	0	0	0	0	0	0

	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
CA	2008	2	2	0	0	0	0	4
	2009	4	2	0	0	0	1	5
	2010	5	1	0	0	0	2	4
CO	2008	0	1	0	0	0	0	1
	2009	0	1	0	0	0	1	1
	2010	1	0	0	0	0	0	1
CT	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
DE	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	1	0
	2010	0	0	0	0	0	0	0
FL	2008	4	1	0	0	0	0	5
	2009	5	2	0	0	0	1	6
	2010	6	1	0	0	0	0	7
GA	2008	3	1	0	0	0	0	4
	2009	4	2	0	0	0	2	4
	2010	4	4	0	0	0	3	5
HI	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
IA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	1	0	0	0	0	0	1
ID	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
IL	2008	2	1	0	0	0	1	2
	2009	2	0	1	0	0	0	2
	2010	2	1	01	0	0	2	1
IN	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
KS	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
KY	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	2	0	0	0	0	3

LA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
MA	2008	0	0	0	0	0	0	0
	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
MD	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
MI	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
MN	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
MO	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
MS	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	1	0
MT	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NC	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
ND	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NE	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NH	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NJ	2008	1	1	0	0	0	0	2
	2009	2	0	1	0	0	0	1
	2010	1	0	0	0	0	0	1
NM	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0

	2010	0	0	0	0	0	0	0
NV	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NY	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	2	0	0	0	1	2
OH	2008	1	0	0	0	0	0	1
	2009	1	2	0	0	0	0	3
	2010	3	0	0	0	0	0	3
OK	2008	1	0	0	0	0	1	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
OR	2008	0	0	0	0	0	0	0
	2009	0	2	0	0	0	0	2
	2010	2	0	0	0	0	0	2
PA	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	1	0	0	0	0	2
SC	2008	0	1	0	0	0	0	1
	2009	1	1	0	0	0	0	1
	2010	1	2	0	0	0	0	3
SD	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
TN	2008	1	1	0	0	0	0	2
	2009	2	1	0	0	0	0	3
	2010	3	2	0	0	0	1	4
TX	2008	5	4	0	0	0	0	9
	2009	9	3	2	0	0	0	10
	2010	10	2	0	0	0	1	11
UT	2008	0	0	0	0	0	0	0
	2009	0	1	0	0	0	0	1
	2010	1	1	0	0	0	0	2
VA	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
WA	2008	0	2	0	0	0	0	2
	2009	2	2	0	0	0	0	0
	2010	0	1	0	0	0	0	1
WI	2008	0	0	0	0	0	0	0

	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
WV	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
WY	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
Totals	2008	29	19	0	0	0	2	46
	2009	46	19	5	0	0	8	52
	2010	52	20	0	0	0	13	59

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with PortraitEFX. You may wish to speak with current and former franchisees, but be aware that not all of those franchisee will be able to communicate with you.

Table No. 4

Status of Company-Owned Outlets for years 2008-2010

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re- Acquir ed from Franch isee	Outlets Closed	Reacq uired by Franch isor	Outlets Sold to Franchise e	Outlets at End of the Year
ALL STATES	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	1	0
	2010	0	0	0	0	0	0	0
Totals		0	0	0	0	0	0	0

Table No. 5

Projected Openings as of December 31, 2010

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
AK	0	0	0
AL	0	0	0
AR	0	0	0
AZ	0	1	0
CA	0	2	0
CO	0	1	0
CT	0	0	0
DE	0	0	0
FL	0	1	0
GA	0	1	0
HI	0	1	0
IA	0	1	0
ID	0	0	0
IL	0	0	0
IN	0	0	0
KS	0	0	0
KY	0	0	0
LA	0	0	0
MA	0	0	0
MD	0	1	0
MI	0	0	0
MN	0	0	0
MO	0	0	0
MS	0	0	0
MT	0	0	0
NC	0	0	0
ND	0	0	0
NE	0	1	0
NH	0	1	0
NJ	0	1	0
NM	0	0	0
NV	0	1	0
NY	0	2	0
OH	0	0	0
OK	0	1	0
OR	0	0	0
PA	0	0	0
SC	0	1	0
SD	0	0	0
TN	0	1	0
TX	0	2	0

UT	0	0	0
VA	0	0	0
WA	0	1	0
WI	0	1	0
WV	0	0	0
WY	0	0	0
TOTALS	0	22	0

Table No. 5

Projected Openings as of December 31, 2010

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
AK	0	0	0
AL	0	0	0
AR	0	0	0
AZ	0	1	0
CA	0	2	0
CO	0	1	0
CT	0	0	0
DE	0	0	0
FL	0	1	0
GA	0	1	0
HI	0	1	0
IA	0	1	0
ID	0	0	0
IL	0	0	0
IN	0	0	0
KS	0	0	0
KY	0	0	0
LA	0	0	0
MA	0	0	0
MD	0	1	0
MI	0	0	0
MN	0	0	0
MO	0	0	0
MS	0	0	0
MT	0	0	0
NC	0	0	0
ND	0	0	0
NE	0	1	0
NH	0	1	0
NJ	0	1	0
NM	0	0	0
NV	0	1	0
NY	0	2	0
OH	0	0	0
OK	0	1	0
OR	0	0	0
PA	0	0	0
SC	0	1	0
SD	0	0	0
TN	0	1	0
TX	0	2	0

UT	0	0	0
VA	0	0	0
WA	0	1	0
WI	0	1	0
WV	0	0	0
WY	0	0	0
TOTALS	0	22	0

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit F are our Audited Financial Statements for PortraitEFX for the years ending December 31, 2008, December 31, 2009 and December 31, 2010.

There are no unaudited financials.

PLEASE NOTE THAT ANY UNAUDITED FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit G Franchise Agreement with Attachments

ITEM 23

RECEIPTS

Two copies of an acknowledgement of your receipt of this Disclosure Document appear as Exhibit J. Please sign and date one copy and return it to us. Retain the other copy for your records.

APPENDIX
STATE REQUIRED DISCLOSURE

PortraitEFX Franchising Corporation

APPENDIX TO DISCLOSURE DOCUMENT

We are required to provide you're the following information about certain state laws, and how they may affect your franchise contracts. By providing you this information, we are not agreeing that the laws apply to your franchise contract, or waiving our right to challenge the validity or enforceability of the state law in the future. We are giving you this information solely for purposes of satisfying our disclosure obligations.

CALIFORNIA

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.

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Corporations, prior to solicitation of a proposed material modification of your Franchise Agreement.

The following is added to Item 3 of the Disclosure Document:

Neither the franchisor nor any person, or franchise broker identified in Item 2 of the Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code, Section 20000 through 20043 provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 2000 through 20043).

The Franchise Agreement contains a covenant not to compete that extends beyond expiration or termination of the Agreement. This provision may not be enforceable under California law.

Certain liquidated damages clauses are unenforceable under California Civil Code Section 1671.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

Our website can be found at www.portraitefx.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

NORTH CAROLINA

The State of North Carolina requires the following statement in the disclosure document:

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your

contract, you may notify the seller in writing and demand that the contract be cancelled.

WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with PortraitEFX Franchising Corporation including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with PortraitEFX Franchising Corporation including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, Washington law currently requires that the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "WFIPA") shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the WFIPA 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 WFIPA, rights or remedies under the WFIPA such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect PortraitEFX Franchising Corporation reasonable estimated or actual costs in effecting a transfer.

EXHIBIT A**LIST OF CURRENT FRANCHISEES
AS OF MARCH 31, 2011**

Addy	Chris	5960 Platt Springs Rd. Lexington, SC 29073	803 348-8243
Alfano	Stephen	58 Rolling Ridge Ln., Methuen, MA 01844	978-423-4949
Anthony	Mark	518-7 Old Post Rd., #373, Edison, NJ 08817-4683	877-811-7529
Arviso	Leilani and Erick	1180 Festival Rd, Lunas, NM 87031	505-553-2374
Asher	Jackie	64 Saint Martins Lane Hazard, KY 41701	606-438-3400
Becker	Rick / Kathy	197 Great Oaks Trail #116, Wadsworth, OH 44281	330-690-8568
Burnette	Deck	#125, 2946 Fairview Drive, Owensboro, KY 42303	270-570-2440
Butler	Ron / Joan	25422 Trabuco Rd. Suite 105-602, Lake Forest, CA 92630	949-887-2930
Caruso	Lynn	73 Russwood Ave, Brighton, TN 38011	901-476-1213
Caulkins	Todd	PO Box 878, Blountville, TN 37617	423-340-0436
Chandler	Roy	718 Highway 82 E PMB #330, Sherman, TX 75090	903 818 1218
Chindavong	Liz	5698 Snow Dr., Hilliard, OH 43026	614-783-6589
Christian	Roy and Judy	8650 Spicewood Springs, Suite 145-545, Austin, TX 78759	512-814-0950
Clark	Geri	3713 Ben Key, Virginia Beach, VA 23452	757-777-2493
Clark	Scott	13394 SW 64th Ave., Portland, OR 97219	503-880-4747
Contorakes	George / Maria	7160 S.W. 47th Street, Miami, FL 33155	305-661-0731
Darling	Michael	5250 Grand Avenue, Suite # 14 -- 360, Gurnee, Illinois 60031	847-815-7428
Delgado	Daniel	3750 FM 1488, Ste D-111, The Woodlands, TX 77384	832-813-85119
Doyle	Steven	6021 SW 29th Street, Suite A PMB 315, Topeka, KS 66614	785-478-9427

Duck	Kalina and Tom	2314 Cox Road, Richmond VA 23233	804-965-9998
Dunn	Ruthann	4070 Hidden Springs Lane NE, Poulsbo WA 98370	360 271-6535
Dykes	Charlene	515 Wilmslow Road, Rock Hill, SC 29730	803 920-5607
Feick	Bob	125 E. Jackson Blvd., Ste 6 #105, Jonesborough, TN 37659	423-946-8045
Fernandez	Miguel "Mig"	811 104th Ave N, Naples, FL 34108	(239) 653-9876
Gaskins	Greg / Kelly	17039 Mercantile Blvd., Suite 228, Noblesville, IN 46060	
Graham	Tammie	2337 Sylvan Grove Rd., Stapleton, GA 30823	478-494-2975
Graves	Bob / Cathe	1739 SW Loop 410 Suite #804-163, San Antonio, TX 78227	210-323-1794
Green	Curtis & Patrica	553 Wellington Way, Jonesboro, GA 30238	(770) 828-8926
Griego	Bridget	7609 S Waverly Mtn., Littleton, CO 80127	720-291-4403
Griffith	Richard	3870 La Sierra Ave., #285, Riverside, CA 92505	951-314-2069
Gurr	Lark & Gary	2115 South 1840 West, Syracuse, UT 84075	801-721-6174
Hale	Charles / Tish	6031 East Main Street, Suite 172, Columbus, OH 43213	614-358-4509
Hamilton	Samuel	1049 Monroe St., Lakeland, FL 33801	863-808-7688
Heisey	Ron	75 Cedarhurst Drive, West Henrietta, NY 14586	585 335-6114
Hisey	Charles	1576 Bella Cruz Drive Suite #351, The Villages, FL 32159	352-454-9308
Hisey	Robert / April	1576 Bella Cruz Drive Suite #351, The Villages, FL 32159	352-553-8349-R 352-553-9839-A
Hocking	Colin / Christi	10719 Back Ridge Road, Charlotte, NC 28277	704-804-2000
Holbrook	Nikki	98-1277 Kaahumanu St, Ste 106 PMB 532, Aiea, Hawaii 96701	808-222-3467
Hurst	Shauna	2131 W. Republic Road # 128, Springfield, MO 65807	417-429-3642

Jackson	Jan	12685 Dorsett Rd. #135, Maryland Heights, MO 63043-2100	
Jackson	Kristin	2400 Pole Line road, Suite 92, Davis, CA 95618	530-574-1618
James	Dennis	3839 Pacific Ave., #111, Forest Grove, OR 97116	(503) 535-9295
Johnson	Lucy / Chris	5000 US Highway 17, Suite 18, #175, Orange Park, FL 32003	904-705-7480 / 904-200-8242
Kalidonis	Steve / Ruby	105 Serra Way, #222, Milpitas, CA 95035	415-738-2228
Kirkpatrick	Jeff	4950 Hunt Rd, Cedar Rapids, IA 52411	319 360-1089
Klaudt	Allen	107 Phelps Street Lyons, NY 14489	315 879-7979
Klinger	Denise / Jim	9926 Barnsbury Road, Douglasville, GA 30135	(678) 738-5522
Lough	Karri	2911 Tazewell Pike #118, Knoxville, TN 37918	865-300-8608
McGavock	Jeanine / Dennis	1314 Northridge Drive, Longwood, FL 32750	407-574-7393
Moore	Mitchell	#132, 120 E FM 544, Suite 72, Murphy, TX 75094	(972) 839-3686
Oakley	Laura / Mike	2600 E Southlake Blvd., Suite 120-369 Southlake, Texas 76092	214-295-5250
Pennington	Scott	1950 S. Main St., Suite #227, Weatherford, TX 76086	817-360-8424
Reed	Jeff	104 E Fairview Ave., #216, Meridian, ID 83642	208-362-8600
Richards / McGough	Ron / Maxine	4029 Thoms Run Road, Oakdale, PA, 15071	724-693-9300
Rodgers	Kendall	710 N. Jefferson, Bowie, TX 76230	940-531-0123
Schumacher	Jim / Linda	12527 Central Ave., Ste. 205, Blaine, MN 55434	612-600-1835
Wooldridge	Bill	215 Lepanto Ave, Louisville, KY 40243	502 244-0144
Wooten	Lee / Alison	845 Ermine Rd. West Columbia, SC. 29170	803-331-4285
Wunder	Chris	6525 Outer Bridge Ln. Charlotte, NC 28270	704-763-0409

Zarak / Johnson	Alan / Krista	6231 PGA Blvd., Suite 104-208, Palm Beach Gardens, FL 33418	561-254-6128
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**LIST OF FORMER FRANCHISEES
AS OF MARCH 31, 2011**

Elizabeth Lambird	87 Holiday Park Granite City, IL 62040	(618) 219-2810
Doug Wyatt	95 Estate Drive, Sharpsburg, GA, 30277	(678) 416-9646
Doug Lingefelt	13194 U.S. Hwy 301 S., Suite 326, Riverview, FL 33579	(813) 767-2424
John Cicchine	1 Orient Way, Suite F #357, Rutherford, New Jersey 07070	(201)460-1134
Doyle Hill	1543 Tuley St, Cedar Hill, TX 75104	(972) 291-6266
Tony Jorr	187 Duranzo Aisle, Irvine, CA 92606	(949) 310-9959
Ed and Janet Hoover	20703 Chicago Ln. NE, Suquamish, WA 98392	(360) 813-2075
Steve and Michael Beck	2095 Hwy 211 NW, Suite 2F-215, Braselton, GA 30517	(770) 883-3772
Bob Foshay	2324 W. Memphis Place, Broken Arrow, OK 74012	(918) 384-9422
Jim Malone	4 Casho Mill Road, Newark, DE 19711	(302) 533-5789
LR May	5319 Hwy 90 Suite 286, Mobile, AL 36619	(251) 295-8327
Diane Bonner	637 W Highway 50, #108, O'Fallon, IL 62269	(618) 589-3186
Alan Montgomery	8628 60th Ave West, Mukilteo, WA 98275	(206) 779-9991
Betty Dixon	8992 Preston Rd., Suite 110-752, Frisco, TX 75034	(214) 995-3441
Mike Tadlock	P.O. Box 305, Hamburg, AR 71646	(870) 853-7737
Sheila and Joe Vessels	2740 W. 116th Court, Westminster, CO 80234	(303) 995-2842

Marbury	Ritchey	1005-A N. Slappey Blvd. #113 Albany, GA 31701	229-792-8044
Bhatti	Arif	3352 Broadway Blvd, # 489, Garland, TX. 75043	972-741-4909
Hanna	Chuck	1888 Main St. Ste. C #202 Madison, MS 39110	601-383-6339
Hunter	Mona	25920 Iris Ave., Suite 13A-154, Moreno Valley, CA 92551	951-601-0087
Lubbers-Reyes	Mary Kay	300 Cheyenne Ct S, Irving, TX 75062	214-282-8654

Pennington	Scott / Patty	1950 S. Main St., Suite #227, Weatherford, TX 76086	817-360-8424
Persekian	Denise	32108 Alvarado Blvd. #355, Union City, CA 94587	
Pritchett	Renee	376 Maxham Rd., Suite A-#614, Austell, GA 30168	770-739-4881
Sexton	Alan	7112 FM 1960 Rd. East - Atascocita, Texas 77346	(281) 812-3456
Stewart	Vicki	Jackson, TN 38305	731-343-3898
Whitty	Jerry	2300 McDermott Rd, Suite 200-367, Plano, TX 75025	
Zanone	Melissa	#530, 400 Peachtree Industrial Blvd., Suite 5, Suwanee, GA 30024	678-889-5146

EXHIBIT B

“Designated Equipment, Accessories & Software”

PortraitEFX Franchisee Starting Equipment List

This package is appropriate for a franchisee planning to operate a basic home-based and/or location based photography business offering in-home and location family portraits, as well as a variety of higher volume opportunities such as special events, private schools, daycares and some sports leagues. As an owner progresses in growing this franchise one can expect to enhance this basic package with additional/back up camera bodies, multiple light sets, extra accessories and at least one back up computer. While this franchise only requires one computer to operate, it is our “best practices” recommendation that each owner purchase an identical computer to serve as a backup. Owners with a back up computer and currently backed up files on their external drive, experience an almost seamless transition in the event of a system failure.

Components from these packages can be mixed and matched to suit any particular business need. We will evaluate all requests and make recommendations based on specific needs.

Equipment you may already own – Professional level digital cameras, professional quality lenses and flash lighting will be accepted into the system in lieu of a like component on our equipment package lists. A member of our photography training staff will evaluate your equipment and grant the exception in writing if the equipment is deemed suitable to produce professional quality results.

Film based camera equipment - The PortraitEFX photography workflow, product offering and marketing programs are all developed and based on using digital cameras as the original capture device. Film cameras will not be accepted for use in PortraitEFX franchise.

(see charts on following pages for detailed description and current pricing)

Portrait EFX Franchising Corporation
Starting Equipment Recommendations
Prices subject to change. Revision Date: 4/12/2011

Plan to bring all the highlighted equipment with you to your Essentials Training Week. If you wish, you can wait to order the other equipment until after Training. This will provide you an opportunity to ask questions about which lighting / etc. will be right for you. Depending on what type of business you choose to pursue, it may not be necessary to purchase everything on this list.

QTY	ITEM	Good Quality Outfit and price ea	Better Quality Outfit and price ea	Best Quality Outfit and price ea
	CAMERA EQUIPMENT			
1	Primary Camera Body* call for market price	Choice of Canon 60D \$1041.00 Nikon D7000 \$1175.00 Both use "SD" cards.	Choice of Canon 60D \$1041.00 Nikon D300S \$1625.00	Choice of Canon 7D-SV* \$2395.00 Canon 7D \$1609.00 Nikon D300S \$1625.00 (* Canon 7D-SV is the ultimate Hi—Volume camera out today.
1	Add a Barcode Reader only if you are purchasing a 7D-SV Camera. The camera supplier can provide the proper model to use with the 7D-SV	N/A	N/A	Honeywell USB Model – NOT Bluetooth version. About \$150
1	Back-Up Camera Body* call for market price. Your choice, but make it the same brand as your primary camera so you can swap lenses.	Canon T2i \$757.00 Nikon D7000 \$1041.00	Canon T2i \$757.00 Nikon D7000 \$1041.00	Canon T2i \$757.00 Nikon D300S \$1625.00
1	Hotshoe to PC Adapter	Needed	Needed	N/A
1	IMPORTANT ADDITION: For each of your Cameras, We strongly suggest you have your viewfinders modified to include a "school-version" viewfinder mask for proper cropping control. Information on this is available at www.viewfinder masks.com. The cost is approximately \$175 per camera, but a PortraitEfx Discount may be available on request. For Pro-level Canon Cameras, they can send you the screen and you can install it yourself. For all other cameras it is necessary to ship your camera to them for modification. If possible, plan to have this modification done PRIOR to attending the Essentials Training in Memphis. Allow TWO WEEKS production which includes shipping time. If you are unable to get this done prior to Training you can have it done immediately after. The crop lines program you want on your camera is the: <u>Head and Shoulders (Top Shooter) UNIVERSAL SCREEN</u>			
1	Remote Trip (corded or wireless)	RS-60E3 \$25.00 f/T2i-D60 MC-DC2 \$27.00 f/D90	RS-60E3 \$25.00 f/T2i-D60 MC-30 \$85.00 f/D300s MC-DC2 \$27.00 f/D90	Hahnel Combi AF Remote \$89.00
2	Extra Batteries for Camera	LP-E6 \$85 f/60D LP-E8 \$60.00 f/T2i EN-EL15 \$69.00 Nikon	LP-E6 \$85 f/60D LP-E8 \$60.00 f/T2i EN-EL3e \$50.00 Nikon	LP-E6 \$80.00 f/7D LP-E8 \$60.00 f/T2i EN-EL3e \$50.00 Nikon
2	2-4GB Memory Cards primary camera	CF-SDHC CALL	CF-SDHC CALL	CF-SDHC CALL
2	2-4GB Memory Cards back-up camera			

	LENSES: These are just recommended lenses. Almost any high quality lens from a reputable manufacturer will work. You only need one lens if the zoom range covers a minimum of 28mm thru 270mm. If not, you may need two lenses; a short focal-length zoom covering a minimum of 28mm-135mm, and a longer focal length zoom covering a minimum of 70mm – 270mm which is sufficient for action sports photography. If you don't plan to do action sports, a long zoom in the 70mm-200mm range is sufficient. Extra lens coverage on either end of the recommended zoom range is always helpful.			
1	18-270 VC w/shade,- Before rebates 28-300 Zoom w/ shade call for rebate	Tamron \$629.99 Tamron \$419.99	Tamron \$629.99 Tamron \$419.99	Tamron \$629.99 Tamron \$419.99
1	UV Filter for 28-300 Zoom 62MM Digital	\$28	\$28	\$28
ON-CAMERA FLASH				
1	On-Camera Flash	Canon 430 EX/Nikon SB700 \$309.00	Canon 580EX II \$499.00 Nikon SB-900 \$499.00	Quantum Qflash T5DR w/ TURBO 2X2 \$1260.00
1	TTL Cord for above	Canon OC-E3 \$79.00 Nikon SC-28 \$69.00	Canon OC-E3 \$79.00 Nikon SC-28 \$69.00	Quantum D23WR/D22WR \$135.00
1	Flash Bracket w/ mounting plate if req'd If your budget permits, we strongly suggest the Pro M Kit w/ FQ-1	Custom Bracket Digital S \$39	Custom Bracket Folding Flip S \$65	Custom Bracket Pro M Kit \$360 FQ-1 \$25
1	Flash Diffuser	Lumi Pocket \$24.00	Lumi Softbox \$35.00	Lumi Softbox \$35.00
OTHER EQUIPMENT & ACCESS.				
1	Light / Flash Meter	Polaris \$199.00 or Sekonic L-358 - \$299	Polaris \$199.00 or Sekonic L-358 - \$299	Polaris \$199.00 or Sekonic L-358 - \$299
1	20-24" Tri-tone White Balance Target	Cal target \$75.00	Cal target \$75.00	Cal target \$75.00
1	Case for Cameras / Lenses/ Flash	Lowepro Pro Roller x100 \$249.00	Lowepro Pro Roller X200 \$298.00 Think Tank Airport Take Off \$259.00	Lowepro Pro Roller X200 \$298.00 Think Tank Airport Take Off \$259.00
1	Tripod w/ mounting plate	Vanguard Alta Pro 263AT Legs plus SBH-100 Ball Head - \$168.00	Vanguard Alta Pro 263AT Legs plus SBH-100 Ball Head - \$168.00	Manfrotto w/ Ball head 055xdb/804RC2 \$229.00
STUDIO LIGHTING here is "manufactured / distributed by Alien Bee Lighting" 1-800-443-5542 / www.alienbees.com				
1	Studio Monolight – Main Light- 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-1600 in black or white w/ 13' stand
1	Studio Monolight – Fill Light- 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-1600 in black or white w/ 13' stand

1	Studio Monolight – Hair Light –13’ stand	Alien Bees B-400 in black or white w/ 13’ stand	Alien Bees B-800 in black or white w/ 13’ stand	Alien Bees B-800 in black or white w/ 13’ stand
1	Studio Monolight – Backlight – 2’ stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand
1	Studio Monolight – Rim Light– 2’ stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand
1	Light Modifier for Main Light	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.
1	Light Modifier for Fill Light	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.
1	Light Modifier for Hair Light	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid
1	Light Modifier for Rim Light	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid
1	Light Modifier for Background Light	HGX4 Set of four honeycomb grids, plus #UMF Gel Holder	HGX4 Set of four honeycomb grids, plus #UMF Gel Holder	HGX4 Set of four honeycomb grids, plus #UMF Gel Holder
2	White 36"- 42" Umbrellas	36"-42" Umbrella	36"-42" Umbrella	36"-42" Umbrella
1	Wired Remote Control – For Alien Bee Lights only.	LG4X Four Channel Wired remote control	LG4X Four Channel Wired remote control	LG4X Four Channel Wired remote control
1	(optional) Beauty Dish for Main Light Order only if you intend to do lots of Sports teams taken outdoors.	<u>22HOBD-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOBD-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOBD-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>
1	(optional) Beauty Dish for Fill Light Order only if you intend to do lots of sports teams taken outdoors.	<u>22HOBD-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOBD-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOBD-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>
1	Reflector panel w/ Stand	ALP1018SW 40x72 \$115.00	ALP1018SW 40x72 \$115.00	ALP1018SW 40x72 \$115.00

REMOTE RF FLASH TRIGGERS: NOT IMMEDIATELY NECESSARY. These are not necessary for inside shoots where only one portable studio will be present. However, for large, multiple camera shoots, you will need to purchase 1 Transmitter and 1 Receiver for each light. When your need does exist, Contact Management on recommendations on Makes, Models and Prices.

BACKGROUNDS AND POSING EQUIPMENT

1	10x24 Muslin Background – # MM2211 “Nightfall” This is a good all-around portrait background for Families, Children and Seniors. It is available from Denny Manufacturing Co. 800-844-5616 or online at www.dennymfg.com . Be sure to ask for the 10% PEFX discount. It's a “quick ship” background which means it's always in stock.			
1	SPECIAL Greenscreen Background – ONLY Greenscreen material from recommended vendors is supported	Cat. #4105675 Size: 9x10' \$75	Cat #4105670 Size: 9x20' \$139	Cat #4105670 Size: 9x20' \$139
	SPECIAL Blackscreen Material	Uses and Vendors and will be discussed at Training. Sizes required for the type of work you do will determine the cost		
2	Adjustable Posing Stools – Available from Showcase Photo or Denny Mfg.	\$75 ea. = \$150.00 TL.	\$75 ea.	\$75 ea. = \$150.00
1	Set of Posing Boxes – Denny Mfg.	\$125.00	\$125.00	\$125.00

OTHER EQUIPMENT, SERVICES AND SOFTWARE – VARIOUS VENDORS OR AVAILABLE ONLINE

1	Adobe Elements Software	\$79.00	\$79.00	\$79.00
1	ACDSee Photo Manager – newest vers.	Online @ \$169.00	Online @ \$169.00	Online @ \$169.00
1	Photodex ProShow Gold Software Order at www.photodex.com	Online @ \$99.00	Online @ \$99.00	Online @ \$99.00
	Portrait Professional Retouch Software Order at www.portraitprofessional.com	Online @ \$79.00	Online @ \$79.00	Online @ \$79.00
1	LAPTOP Computer – PC ONLY – any reputable brand. These are just the Minimum Requirements – Windows 7, Vista or XP Operating System. 2.1GHz processor (or faster) 4GB Ram (or more) 350GB Hard Drive (or bigger) 16” Screen (or bigger) plus 4X (or more) CD / DVD Writer. We DO recommend buying an all-risk protection policy on Laptops.			
1	External CF / SD Card Reader	Buy one for USB 2 or higher. Cost \$15 - \$25.		

EXHIBIT C

ADVANCED TRAINING MODULES & PRICING

TRAINING MODULE	FEE
Event Photography & On-Site Printing	\$575
K-11 Photography & Yearbook Services	\$950
Team Sports and League Photography	\$1450
High School Senior Photography	\$950
Engagement and Wedding Photography	\$1350
Advanced Photography for Child & Family Portraiture	\$1450
Church Photography and Directory Services	\$950
Basic Photoshop	\$575

*availability of advanced training modules will vary depending upon demand and skill level/needs of individual franchisees

EXHIBIT D

TABLE OF CONTENTS OF MANUALS

On-Line Photography Training:	
Introduction	Attributes of Professional Level Photographs
Lesson I	Basics of Digital Photography
Lesson II	Natural Light Photography
Lesson III	Understanding Exposure Control Modes
Lesson IV	Understanding Histograms
Lesson V	Understanding White Balance and Color Management
Lesson VI	Basic Image Editing and Workflow

Photography Manual:	# of Pages
Section A Index	1
Section B Portrait Exposure Control	6
Section C Professional Studio Lighting	12
Section D Meter Settings for 3:1 Light Ratio	1
Section E Lighting Ratios	1
Section F Lighting Diagrams	5
Section G Basic Posing of Individuals and Groups	10
Section H Image Editing and Workflow	2
Section I Using ACDSee Software Browser	4
Section J Fundamental Portrait Manual	24
Section K Creating a MotionEFX DVD using Pro Show Gold software	21

Policies and Procedures Manual:	# of Pages
1. Getting Started	16
Choosing a Business Structure	
DBA Requirements	
Obtaining an EIN	
Liability and Insurance	
Banking and Merchant Accounts	
PortraitEFX Forum	
PortraitEFX Director	
Photo Lab Account	
Mission and Vision Statements	
2. Hiring Practices	13
Employee Positions	
Employment Applications	
Verifying Legal Work Status	
Complying with New Hire Laws	
Federal Income Tax Withholding	
Confidentiality and Noncompete Agreements	
3. Wages, Tips and Independent Contractors	16
Fair Labor Standards Act	
State Employment Laws	
Anti-Discrimination, Disability and Medical Leave	
Health and Safety	
4. Use of Our Marks	7
Licensed Marks	
Rules for Using the Marks	
Graphic Standards	
5. Technology Requirements	1
Computer Requirements	
Software Requirements	
6. Record Keeping	1
7. Taxes	1
8. Backgrounds of the Trainers	3
9. PortraitEFX Company Directory & Approved Vendors	4
10. FDD and Franchise Agreement	98

Marketing Manual:	# of Pages
Section A Sales and Marketing Training-Power Point Notes	52
Section B Addt'l Marketing Notes and Materials added at Training	21
Section C Bunny Promotions Materials	3
Section D "Little Grads" Program Materials	6
Section E Martial Arts Photography Program Materials	2
Section F Business and Executive Portraits Promotion Materials	6
Section G Dance School Photography Materials	2
Section H Beauty Promotion	2
Section I Daycare and Preschool Program Materials	26
Section J K-11 Undergrad School Photography Materials	69
Section K Family Portrait Fundraising Program Materials	5
Section L Church Directory Promotion	17
Section M Special Events-Other Promotions: Dances, Galas, Proms, Pet/Pet & Family, Wedding Promotions	22
Section N Forms & Items of Interest-Marketing Miscellaneous	56
Section O Location Based Portrait Promotions-Birthday Memories and Portrait Party Promotions	9
Section P Sports Programs-Team & Individual (T&I), Action Photos, Sports Posters	45
Section Z "How to" Instructions for "Birthday Memories" & "Portrait Party"	61

EXHIBIT E
LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS

California
Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, California 90013

Hawaii
State of Hawaii
Commissioner of Securities
335 merchant St., Room 203
Honolulu, Hawaii 96810

Illinois
Office of Attorney General
500 S. Second Street
Springfield, Illinois 62706
(217) 782-4465

Indiana
Securities Commissioner
Indiana Secretary of State
Securities Division
302 W. Washington St., Room E-111
Indianapolis, Indiana 46204

Maryland
Office of Attorney General
Division of Securities
200 St. Paul Place
Baltimore, MD 21202

Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, MD 21202
(for service of process)

Michigan
Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Section
P.O. Box 30213
Lansing, Michigan 48909

Michigan Department of Consumer and Industry Services
Bureau of Commercial Services
Corporation Division
P.O. Box 30054
Lansing, MI 48909
(for service of process)

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

New York
New York State Department of Law
Bureau of Investor Protection & Securities
120 Broadway, 23rd Floor
New York, New York 10271

Secretary of State of new York
41 State Street
Albany, NY 12231
(for service of process)

North Dakota
North Dakota Securities Dept.
600 East Blvd., Fifth Floor
Bismarck, North Dakota 58505
(for service of process)

Oregon
Division of Consumer and
Business Services
Finance and Corporate Securities
350 Winter Street N.E.
Labor and Industries Building, Room 21
Salem, Oregon 97310

Rhode Island
Department of Business Regulation
Securities Division
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
South Dakota
State of South Dakota
Dept. of Commerce & Regulation
Division of Securities
445 E. Capitol Avenue
Pierre, SD 57501

Virginia
State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(for service of process)

Washington
Department of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WZ 98051

Wisconsin
State of Wisconsin
Office of the Commissioner of Securities
111 W. Wilson St., Box 1768
Madison, Wisconsin 53701

All other states:
PortraitEFX Franchising Corp.
c/o Claude Rich
5412 West Plano Parkway
Suite 100
Plano, TX 75093

EXHIBIT F

FINANCIAL STATEMENTS

Attached as Exhibit F are our Audited Financial Statements for PortraitEFX for the years ending December 31, 2008, December 31, 2009 and December 31, 2010.

There are no unaudited financials.

PLEASE NOTE THAT ANY UNAUDITED FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

PORTRAITEFX FRANCHISING CORPORATION
FINANCIAL STATEMENTS
December 31, 2009 and 2008



PINEIDER, FORD & ASSOCIATES, PLLC

Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
PortraitEFX Franchising Corporation
Southlake, Texas 76092

We have audited the accompanying balance sheets of PortraitEFX Franchising Corporation as of December 31, 2009 and 2008, and the related statements of income, equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PortraitEFX Franchising Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

Pineider, Ford & Associates, PLLC

Pineider, Ford & Associates, PLLC
Southlake, Texas
June 8, 2010

PortraitEFX Franchising Corporation
Balance Sheet
December 31, 2009 and 2008

Assets

	<u>2009</u>	<u>2008</u>
Current assets		
Cash	\$ 44,797	\$ 68,528
Accounts receivable trade	8,821	32,909
Accounts receivable other	53,922	16,537
Total current assets	<u>107,540</u>	<u>117,974</u>
Property and equipment		
Equipment	68,531	68,531
Office furniture	5,000	5,000
Library	12,000	12,000
Total cost of property and equipment	85,531	85,531
less: accumulated depreciation	<u>(35,831)</u>	<u>(18,985)</u>
Net property and equipment	<u>49,700</u>	<u>66,546</u>
Other assets		
Intellectual property net of amortization	27,900	46,500
Total other assets	27,900	46,500
Total assets	<u>\$ 185,140</u>	<u>\$ 231,020</u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Balance Sheet
December 31, 2009 and 2008

Liabilities and Equity

	<u>2009</u>	<u>2008</u>
Current liabilities		
Accounts payable trade	\$ 43,265	\$ 92,281
Related party accounts payable	108,636	61,903
Accrued expenses	21,613	19,822
Line of credit	82,211	82,211
Total current liabilities	<u>255,725</u>	<u>256,217</u>
Total liabilities	<u>255,725</u>	<u>256,217</u>
Equity		
Common stock (\$.01 par, 100,000 shares authorized, 12,050 issued, and outstanding)	121	121
Retained earnings	<u>(70,706)</u>	<u>(25,318)</u>
Total equity	<u>(70,585)</u>	<u>(25,197)</u>
Total liabilities and equity	<u>\$ 185,140</u>	<u>\$ 231,020</u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Statement of Income
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Sales	\$ 711,697	\$583,661
Cost of sales	<u>449,276</u>	<u>380,154</u>
Gross profit	<u>262,421</u>	<u>203,507</u>
Selling, general and administrative expenses	<u>303,553</u>	<u>243,810</u>
Other income (expense)		
Interest expense	4,247	5,072
Miscellaneous income (expense)	<u>9</u>	<u>1,015</u>
Total other income (expense)	<u>4,256</u>	<u>6,087</u>
Net income (loss)	<u><u>\$ (45,388)</u></u>	<u><u>\$ (46,390)</u></u>

The accompanying notes are an integral part of these financial statements.

Portrait EFX Franchising Corporation
Statement of Equity
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ (25,318)	\$ 21,072
Common stock	121	121
Current net income	<u>(45,388)</u>	<u>(46,390)</u>
Ending balance	<u>\$ (70,585)</u>	<u>\$ (25,197)</u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Statement of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Net income (loss)	\$ (45,388)	\$ (46,390)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	16,846	10,823
Amortization	18,600	18,600
(Increase) decrease in accounts receivable	(13,297)	(33,957)
Increase (decrease) in accounts payable	(49,016)	87,439
Increase (decrease) in accrued expenses	1,791	19,714
Net cash provided by (used in) operating activities	<u>(70,464)</u>	<u>56,229</u>
Cash flows from investing activities		
Purchase of equipment	-	(57,913)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(57,913)</u>
Cash flows from financing activities		
Proceeds from borrowing	46,733	61,903
Principal payments on debt	-	(7,789)
Net cash provided by (used in) financing activities	<u>46,733</u>	<u>54,114</u>
Net increase (decrease) in cash	(23,731)	52,430
Cash beginning of year	<u>68,528</u>	<u>16,098</u>
Cash end of year	<u>\$ 44,797</u>	<u>\$ 68,528</u>
Supplemental disclosures of cash flows information		
Cash paid during the year for:		
Interest	<u>\$ 4,247</u>	<u>\$ 5,072</u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Notes to the Financial Statements
Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of PortraitEFX Franchising Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company is a subchapter S corporation formed June 12, 2006 in the state of Texas with its headquarters currently located in Southlake, Texas. The primary business of the Company is to sell franchises that participate in an on-line, innovative photographic system.

Revenue and Expense Recognition

The transactions of the Company are recorded on the accrual basis of accounting. Revenues from the sale of franchises is recognized when the franchise agreement is entered into. The franchise fees are not refundable. Other services provided to the franchisees are billed separately as services are performed. Royalties are recorded when earned. General and administrative expenses are recorded when the liability is incurred. Initial franchise fees for the year ended December 31, 2008 and 2009 were \$255,469 and \$287,666, respectively.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Bad Debts

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The basis of accounting described above requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Concentration of Credit Risk

The company deposits its temporary cash investments with high quality financial institutions. At times, deposits may exceed federally insured limits. The company has not experienced any losses in such accounts.

Property and Equipment

Property and equipment are generally recorded at cost. Depreciation is computed using the straight-line method of accounting over the estimated useful life of the respective asset, usually five to ten years. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation expense for the year ended December 31, 2008 and 2009 is \$10,823 and \$16,846, respectively.

PortraitEFX Franchising Corporation
Notes to the Financial Statements
Years Ended December 31, 2009 and 2008

Income Taxes

The financial statements do not include a provision or liability for federal income taxes because the members of a limited liability company are taxed individually on their share of the Company's earnings.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Expense

Advertising expenses are charged to operations as incurred. Advertising expense for the years ended December 31, 2008 and 2009, respectively were \$2,452 and \$3,846.

Financial Instruments

The carrying amount of financial instruments including cash and cash equivalents, trade receivables and accounts payable approximate fair value as of December 31, 2008 and 2009.

Note 2 - Related Party Transactions

The Company is affiliated with a related party through common ownership and management. Lab fees of \$104,048 and \$110,862 were paid to a related party for the years ended December 31, 2008 and 2009, respectively. The Company received from a related party a rebate of lab fees of \$46,265 and \$42,516 for the years ended December 31, 2008 and 2009 respectively.

The Company owes a related party \$61,903 and \$108,636 for the years ended December 31, 2008 and 2009 respectively.

The existence of this control could result in operating results or financial position of the company significantly different from those that would have been obtained if the Company and the Company's affiliates were autonomous. (SFAS No. 57)

Note 3 -Line of Credit

The Company has a revolving line of credit of \$84,545 secured by a shareholder's personal assets. Interest accrues at a rate of 5% and the balance matures August 31, 2010. The outstanding balance as of December 31, 2008 and 2009 is \$84,545.

PORTRAITEFX FRANCHISING CORPORATION
FINANCIAL STATEMENTS
December 31, 2010



PINEIDER, FORD & ASSOCIATES, PLLC

Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
PortraitEFX Franchising Corporation

We have audited the accompanying balance sheet of PortraitEFX Franchising Corporation as of December 31, 2010, and the related statements of income, equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PortraitEFX Franchising Corporation as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Pineider Ford & Associates, PLLC

Pineider, Ford & Associates, PLLC
Southlake, Texas
May 10, 2011

PortraitEFX Franchising Corporation

Balance Sheet

December 31, 2010

Assets

Current assets

Cash	\$ 20,583
Accounts receivable trade	19,034
Accounts receivable other	<u>27,564</u>
Total current assets	<u>67,181</u>

Property and equipment

Equipment	11,104
Office furniture	5,000
Library	<u>12,000</u>
Total cost of property and equipment	28,104
less: accumulated depreciation	<u>(24,262)</u>
Net property and equipment	<u>3,842</u>

Other assets

Intellectual property net of amortization	<u>9,300</u>
Total other assets	<u>9,300</u>
Total assets	<u><u>\$ 80,323</u></u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Balance Sheet
December 31, 2010

Liabilities and Equity

Current liabilities

Accounts payable trade	\$18,038
Related party accounts payable	25,225
Accrued expenses	91
Promissory note	<u>84,545</u>
Total current liabilities	<u>127,899</u>
Total liabilities	<u>127,899</u>

Equity

Common stock (\$.01 par, 100,000 shares authorized, 12,050 issued, and outstanding)	121
Retained earnings	<u>(47,697)</u>
Total equity	<u>(47,576)</u>
Total liabilities and equity	<u><u>\$ 80,323</u></u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Statement of Income
For the Year Ended December 31, 2010

Sales	\$ 394,666
Cost of sales	<u>188,697</u>
Gross profit	<u>205,969</u>
Selling, general and administrative expenses	<u>178,299</u>
Other income (expense)	
Interest expense	4,649
Miscellaneous income (expense)	<u>12</u>
Total other income (expense)	<u>4,661</u>
Net income (loss)	<u><u>\$ 23,009</u></u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Statement of Equity
For the Year Ended December 31, 2010

Beginning balance	\$ (70,706)
Common stock	121
Current net income	<u>23,009</u>
Ending balance	<u><u>\$ (47,576)</u></u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities	
Net income (loss)	\$ 23,009
Adjustments to reconcile net income to net cash used in operating activities:	
Disposal of assets	37,619
Depreciation	8,239
Amortization	18,600
(Increase) decrease in accounts receivable	16,145
Increase (decrease) in accounts payable	(25,227)
Increase (decrease) in accrued expenses	(21,522)
Net cash provided by (used in) operating activities	<u>56,863</u>
Cash flows from financing activities	
Principal payments on debt	(83,411)
Proceeds from borrowing	<u>2,334</u>
Net cash provided by (used in) financing activities	<u>(81,077)</u>
Net increase (decrease) in cash	(24,214)
Cash beginning of year	<u>44,797</u>
Cash end of year	<u><u>\$ 20,583</u></u>
Supplemental disclosures of cash flows information	
Cash paid during the year for:	
Interest	<u><u>\$ 4,649</u></u>

The accompanying notes are an integral part of these financial statements.

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of PortraitEFX Franchising Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company is a franchising corporation formed June 12, 2006 in the state of Texas with its headquarters currently located in Memphis, Tennessee. The primary business of the Company is to sell franchises that participate in an on-line, innovative photographic system.

Revenue and Expense Recognition

The transactions of the Company are recorded on the accrual basis of accounting. Revenues from the sale of franchises is recognized when the franchise agreement is entered into. The franchise fees are not refundable. Other services provided to the franchisees are billed separately as services are performed. General and administrative expenses are recorded when the liability is incurred. Initial franchise fees for the year ended December 31, 2010 were \$275,250.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Bad Debts

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The basis of accounting described above requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2010

Concentration of Credit Risk

The company deposits its temporary cash investments with high quality financial institutions. At times, deposits may exceed federally insured limits. The company has not experienced any losses in such accounts.

Property and Equipment

Property and equipment are generally recorded at cost. Depreciation is computed using the straight-line method of accounting over the estimated useful life of the respective asset, usually five to ten years. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized.

Income Taxes

The financial statements do not include a provision or liability for federal income taxes because the shareholders of the franchising corporation are taxed individually on their share of the Company's earnings.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the company. The company has determined whether any tax positions have met the recognition threshold and have measured the company's exposure to those tax positions. Management believes that the company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Expense

Advertising expenses are charged to operations as incurred. Advertising expense for the year ended 2010 was \$4,913.

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2010

Financial Instruments

The carrying amount of financial instruments including cash and cash equivalents, trade receivables and accounts payable approximate fair value as of December 31, 2010.

Subsequent Events

Subsequent events have been evaluated through May 10, 2011, which is the date the financial statements were available to be issued.

Note 2 - Related Party Transactions

The Company is affiliated with a related party through common ownership and management.

Lab fees of \$10,505 were paid to a related party and an additional \$25,225 are still outstanding. Also, a rebate of \$38,484 of lab fees was received from a related party in the current year.

On April 1, 2010, the Company transferred ownership of the photography services of a territory and the assumption of a related party payable of \$62,904 to a related party.

The existence of this control could result in operating results or financial position of the company significantly different from those that would have been obtained if the Company and the Company's affiliates were autonomous. (SFAS No. 57)

Note 3 -Promissory Note

On September 7, 2010, the Company borrowed \$84,545. The Company will repay this loan in one payment of all outstanding principal plus all accrued interest on September 6, 2011. In addition, the Company will pay regular monthly payments of all accrued unpaid interest due each month, beginning on October 7, 2010, with all subsequent interest payments to be due on the same day of each month after that. The interest rate on this note is subject to change from time to time based on changes in an index which is the lenders prime rate. The rate on December 31, 2010 is 4.75%.

Exhibit G
FRANCHISE AGREEMENT

Portrait EFX Franchising Corporation
FRANCHISE AGREEMENT

SUMMARY PAGES

Effective Date _____

Franchisee _____

Type of Entity ☐ Individual
☐ Corporation
☐ Limited Liability Company
☐ Other (specify) _____

Franchisee's Address _____

Franchisee's Home Tel. No. _____

Franchisee's Cell Phone No. _____

Franchisee's E-Mail _____

Training Date (Anticipated) _____

Initial Term 10 Years

Territory _____

Commencement Date _____

Expiration Date _____

Initial Franchise Fee \$ 16,750.00

Amount of Initial Franchise _____

Fee Financed _____

Royalty Fee \$ None

Transfer Fee 25% of then current franchise fee

PortraitEFX Franchising Corporation
FRANCHISE AGREEMENT

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Attachments:

Attachment A – Undertaking and Guaranty
Attachment B – Confidentiality and Non-competition Agreement
Attachment C – Designated Equipment, Accessories & Software
Attachment D – Protected Territory
Attachment F – Minnesota Addendum to Franchise Agreement
Attachment G – Illinois Addendum to Franchise Agreement
Attachment H – Promissory Note

PortraitEFX Franchise Corporation

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into between PortraitEFX Franchise Corporation., a Nevada corporation (hereinafter referred to as: "Company", "Franchisor", "we", "us" or "our"), and _____ (hereinafter referred to as: "Franchisee", "you" or "your") doing business as PortraitEFX®.

BACKGROUND

- A. **The PortraitEFX System.** We have developed a distinctive system for operating a professional photography business which includes proprietary programs for training, marketing, advertising, managing, and operating such businesses. We have made a strategic decision to use franchising to create brand identity, maximize market penetration and achieve and maintain a competitive advantage for our brand. We refer to franchisees operating businesses under our Marks as "Franchise Businesses". PortraitEFX franchisees use certain proprietary knowledge, procedures, systems, printed materials, specifications, standards, technology and techniques authorized or developed by us and feature distinctive marketing materials, product offerings, formats, procedures and advertising (the "System"). We identify PortraitEFX franchisees and various components of the System by certain trademarks, service marks, designs, and other commercial symbols, including "PortraitEFX" (collectively, the "Marks"). We may in the future, develop or modify various aspects of the System and/or discontinue the Marks as well as add new trademarks. If we make any changes, modifications, alterations or add or discontinue the use of any marks, including the Marks, you are obligated to make those changes that we specifically require, all at your sole cost and expense.
- B. **Acknowledgements.** We are offering this opportunity to you because you expressed the desire to operate a Franchised Business, and you satisfy our minimum requirements for franchisees of our System. You understand and agree that the terms of the Agreement are reasonable and necessary to maintain our high quality and uniform service standards at each Franchised Business, thereby, preserving the goodwill of the Marks and the System. By signing this Agreement, you acknowledge: (a) the importance of operating your Franchised Business in strict conformity with our standards; (b) that you recognize that the System may change over time as we specify and that you will be required to conform with such changes; and (c) that the purchase of a PortraitEFX franchise involves business risks, and that the success of your Franchised Business is not guaranteed, is dependent on your business abilities, acumen and efforts, including your diligent and thorough knowledge and application of the System.
- C. **No Representations or Guarantees.** You specifically acknowledge that you have not received or relied upon (nor have we or anyone else, working in our name or on our behalf, provided) any statements, promises or representations that you will succeed in your Franchised Business; achieve any particular sales, income or other levels of performance; earn any particular amount, including any amount in excess of your Initial Franchise Fee or other payments to us; or receive any rights, goods, or services not expressly set forth in the Agreement. Any statements regarding actual, potential or probable revenues or profits of any Franchised Business not contained in our Uniform Franchise Disclosure Document is unauthorized, unwarranted and unreliable, and we do not endorse any statements not specifically set forth in our Uniform Franchise Disclosure Document. We will not be responsible for any statements not contained in the Uniform Franchise Disclosure Document, and you should immediately report any such statement, if made.
- D. **Grant of Franchise.** We desire to grant you the non-exclusive right to operate a Franchised Business, and you desire to accept the franchise and obligations to operate, a Franchised Business in accordance with the terms and conditions of this Agreement.

AGREEMENT

WHEREFORE, in consideration of the mutual promises contained in this Agreement and other valuable consideration, the receipt and sufficiency of which is acknowledged by the parties, the parties

agree as follows:

1. DEFINITIONS

To simplify this Agreement we have defined certain terms used in the Agreement. When you see a capitalized word, or if you do not understand the definition of a particular reference, look below at this Section to see whether the term has been defined. Capitalized words that are not defined in this Section are defined in the section where they first appear. The following capitalized terms shall have the meanings ascribed to them in this Section unless the context otherwise indicates.

“Affiliate” - as used herein with respect to you, or us, means any Person directly or indirectly owned or controlled by, under common control with or owning or controlling you or us. For purposes of this definition, "control" of a Person means ownership or control of a majority of the voting rights of the Person that afford control of the management and policies of such Person.

“Agreement” - This Franchise Agreement, including its attachments.

“Approved Name” – The name under which you shall conduct the Franchised Business as consented to by us under this Agreement.

“Business Entity” means a corporation, a general or limited partnership, or a limited liability company.

“Business Judgment” - means that we are allowed to exercise our judgment however we consider appropriate in our sole and absolute discretion, except that we will not do so arbitrarily. You and we agree that provisions in this Agreement where we describe instances in which we may exercise our Business Judgment, we must and do have the unrestricted right to make decisions and/or take (or refrain from taking) actions, except that we will not do so arbitrarily. We have this right even if a particular decision/action may have negative consequences for you, a particular individual or group. You understand and agree that the exercise of Business Judgment is critical to our role as a Franchisor and to our goals for our continuing improvement. This is a defined term for purposes of ease and clarity in the Agreement and is not intended and should not be construed to incorporate principles related to the application of the business judgment rule in a corporate law context.

“Commencement Date” - The date specified on the Summary Page of this Agreement that indicates the date you officially begin operating your business. This date is typically the first weekday after you have successfully completed your initial training.

“Confidential Information” – All information used or useable (current or future) in connection with the operation of a Franchised Business or which relates to the System, including, among other things, all: (1) techniques, policies, procedures, information, systems, and knowledge regarding the development, marketing, operation and franchising of PortraitEFX, (2) information regarding, and suppliers of, items used and/or offered by Franchised Businesses, including the products and services, and (3) all information regarding customers and/or franchisees, including any statistical and/or financial information and all lists, and (4) any trade secrets, including PortraitEFX training, marketing, management, technology and customer service systems. Confidential Information includes the content of all Manuals as well as materials, information and advice provided by us during training or thereafter. Confidential Information does not include: information that, (a) is or becomes generally available to the public, except as a result of a breach of this Agreement; (b) becomes available to you from a source other than us, except where such source has breached a legal obligation of confidentiality; (c) is developed by you without reliance on any Confidential Information, except that where such developed information is applicable to the operation or otherwise of a Franchised Business, it will become part of the Confidential Information upon our election and incorporation of such information into the System. In addition, we may designate certain other information as Confidential Information which you agree to keep confidential pursuant to this Agreement

“Contract Customer Account” customers with more than one location situated within two or more Protected Territories

“Copyrighted Materials” means all versions, variations and adaptations of the following materials in tangible form, either produced by us or produced on our behalf as works for hire, or derived from works we produce or works that are produced on our behalf: (i) the design elements of the Marks, (ii) the

content of the Manual and our web site, (iii) the contents of our web site www.portraitefx.com, (iv) our training programs and content, (v) our internet and intranet content, (vi) proprietary marketing systems and collateral materials, and (vi) our advertising and promotional materials.

“Designated Equipment” means equipment that meets our requirements, and which must be obtained and used in the operation of a Franchised Business. Designated Equipment includes (among other things) certain makes and models of cameras, lighting systems, photographic accessories and supplies, computer(s), operating system and software.

“Designated Equipment Package” means the Designated Equipment that you are required to acquire prior to attending the initial franchise training program (Essentials Training).

“Effective Date” means the date identified as such on the Summary Page and pertains specifically to the date the Franchise Agreement is executed by one of our authorized officers.

“Franchise” means the non-exclusive license to operate a PortraitEFX Franchised Business as described in and under the terms of this Agreement.

“Franchised Business” means the right to provide professional photography services under the Marks and the System in accordance with this Agreement.

“Good Standing” – You are in “Good Standing” if you (and each of your principles and/or affiliates) are not in default of any obligation to us, whether arising under this Agreement or any other agreement between you (or any of your principles and/or affiliates) and us, the Manuals or other System requirements (collectively, the “Obligations”); provided that you are not in Good Standing if you have been in default at any time throughout the Term of this Agreement of any of your obligations and such defaults are either not subject to cure, or as of the date of determination of whether you are in Good Standing, have not been timely and adequately cured, and/or the defaults are part of a series of repeated or cross defaults as set forth in this Agreement.

“Gross Revenue” means all revenues of every kind and nature derived from the operation of the Franchised Business by you or your employees or subcontractors under your direction or control (whether or not performed under the name PortraitEFX or any other name), and revenues accruing on account of your sale or lease of equipment or supplies, , and whether from cash, check, credit card or credit transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority.

“Initial Franchise Fee” means the fee set forth on the Summary Pages which you will pay us for the rights granted under the Franchise Agreement

“Intellectual Property” means all Marks, Confidential Information, Copyrighted Works, and patented designs and processes that we designate for use in connection with the System.

“Manual” means all manuals (including, if applicable, audiotapes, videotapes, magnetic media, computer software and written materials), policy statements, directives, bulletins and memoranda that contain prescribed or recommended specifications, standards, procedures, policies and advice relating to operating, managing and promoting the Franchised Business.

“Marks” refers to and includes (i) trade name and service mark “PortraitEFX” (ii) PortraitEFX logo, and (iii) any and all additional or different trade names, trademarks, service marks, logos and slogans that we may adopt in the future and require franchisees to use in connection with their Franchised Business, and the products and services that they offer.

“Operating Principal” means, you if you are an individual, or another person that has at least a 10% ownership interest in the Business Entity that owns and/or operates the Franchised Business, and which you designate as having the responsibility of operating and/or managing the Franchised Business.

“Ownership Interest” means in relation to a (i) corporation, the shares of capital stock of the corporation; (ii) limited liability company, the membership or other ownership interests in such company; or (iii) partnership, the general and limited partnership interest in such partnership.

“Person” means natural persons, corporations, limited liability companies, general or limited partnership

and any other form of legal entity.

“Principals” mean, collectively and individually, your spouse (if you are an individual), all of your officers, directors and shareholders (if you are a corporation), all of your general and limited partners, and the principals of your general partner, as applicable (if you are a general or limited partnership), all of your members, officers, directors and managers (if you are a limited liability company), and all other Persons holding an Ownership Interest in you, regardless of how large or small of an Ownership Interest held by such Person. When we refer to Principals, we also refer to the Operating Principal, unless otherwise stated.

“Proprietary Products” mean any item bearing the Marks, including without limitation, Company proprietary marketing and training materials.

“Protected Territory” means the geographic area that is defined by a zip code or zip codes wherein you are authorized to operate a Franchised Business. The Protected Territory population may vary depending upon the characteristics related to the particular Protected Territory in our Business Judgment. Should boundaries of any zip code within the Protected Territory change due to political re-districting, or other such action, your Protected Territory will be deemed the same geographic boundaries as those designated in Attachment D of this Franchise Agreement for that zip code on the Effective Date of this Agreement.

“Regional Account” accounts that require the resources of more than one franchisee, and may also be located in multiple Protected Territories. These are commonly under the direction of the franchisor.

“Services” - The photography services provided under the Marks and System

“Similar Business” means any business, other than the Franchised Business, that offers or is otherwise involved in or deals with any goods, products and/or services which are substantially similar to those goods, products and/or services now or in the future authorized by us for sale at or from your Franchised Business.

“Standards” mean the mandatory standards, specifications, policies, procedures and techniques that we have developed relating to the operation of a Franchised Business, all of which may be changed by us in our sole discretion. The Standards include, among other things, required and recommended business practices; marketing programs and systems; customer service standards; sales techniques and procedures and other management, operational and accounting procedures.

“Summary Page” means the page that appears at the beginning of this Agreement that summarizes certain key information related to the parties’ relationship and the terms of this Agreement.

“System” means the proprietary business system for operating a Franchised Business. The distinguishing features of the System include, without limitation, the Marks, Intellectual Property, Confidential Information and Standards; the Proprietary training and marketing systems and materials; proprietary operational procedures; and other policies, procedures, standards and specifications that we have developed for use in connection with operating a Franchised Business, all of which may be changed, improved upon, and further developed from time to time, all of which we have the right to require our franchisees to follow and adhere to.

“Term” means the initial term of years beginning on the Effective Date and ending at midnight on the Expiration Date.

“Transfer” means either: (a) the direct or indirect sale, assignment, transfer, conveyance, gift, pledge, mortgage, or encumbrance of your interest, or any Principal’s interest, in this Agreement, or (b) the direct or indirect sale, assignment, transfer, conveyance, gift, pledge, mortgage, or encumbrance of any Principal’s interest in you (if you are a Business Entity).

“Transfer Fee” means the fee reflected in the Summary Pages.

“Undertaking and Guaranty” means the personal undertaking and guarantee of your obligations under this Agreement by each Principal as set forth in Attachment A.

“We, Us or Our” – refers to the Franchisor.

“You or Your” - refers to the Franchisee and collectively and individually, your spouse (if you are an individual), all of your officers, directors and shareholders (if you are a corporation), all of your general and limited partners, and the principals of your general partner, as applicable (if you are a general or limited partnership), all of your members, officers and directors (if you are a limited liability company) and all other Persons holding an Ownership Interest in you.

2. GRANT OF FRANCHISE

2.1 Subject to the terms and conditions of this Agreement, we are pleased to grant you a non-exclusive right to operate a Franchised Business within the Protected Territory as per Attachment D to this Agreement, and, to use the Marks and System, in the operation of your Franchised Business pursuant to the terms and conditions of this Agreement. You hereby accept the Franchise and undertake and agree to perform the obligations and covenants contained in this Agreement.

2.2. During the Term, you may operate, advertise and promote the Franchised Business in the Protected Territory that is defined in Attachment D of this Agreement. You may not advertise or promote the Franchised Business, and may not offer or provide photography services outside the Protected Territory without our prior written consent. We will grant consent if: (1) Services will not be performed in another franchisee's Protected Territory, or (2) if Services will be performed in another franchisee's area, the affected franchisee first grants their consent, and you agree to abide by the Standards which may include sharing fees with the affected franchisee. We may revoke our consent at any time if, in our Business Judgment, your provision of Services outside your Protected Territory adversely affects another System franchisee.

2.3. You acknowledge and agree that, from time to time, we may enter into agreements with customers that we consider a “Contract Customer Account” that contemplate performance of photography services in your Protected Territory. To the extent that we enter into a Contract Customer Account Agreement with any such customer, we will offer you the opportunity to service any account located in your Protected Territory that you are certified by us to fulfill and you must provide services to the customer, on terms on which we and the customer agree. If you refuse to provide services to the Contract Customer Account customer, or if you fail to provide services to the National Account customer on two consecutive occasions or on any two occasions in any 12-month period, then we may grant other system franchisees the right to perform such Services within your Protected Territory, without violating your rights under this Agreement.

2.4 You acknowledge that Regional Accounts must be managed and fulfilled exclusively by the franchisor and under our supervision or that of the regional director.

2.5. Except for (i) our reservation of rights set forth in Section 2.5, and (ii), the right to assign Services for Contract and Regional Accounts as provided in Section 2.3. and 2.4., above, we will neither perform nor grant other system franchisees the right to perform photography services in the Protected Territory during the Term without first obtaining your prior written consent, which consent will not be unreasonably withheld, denied or conditioned.

2.6. We reserve all rights and opportunities not expressly granted in the Franchise Agreement, including the right to, or to grant third parties the right to (a) perform and to franchise others the right to offer photography services under the Marks and System outside the Protected Territory, (b) offer services other than photography services under any proprietary marks (including the Marks) in or outside the Protected Territory, (c) offer and sell any products or services (regardless of their similarity to the services that Franchised Businesses offer) under any name or trademarks or service marks *other than* the Marks, (d) host one or more websites on the Internet and advertise Franchised Businesses, and all the services they offer, even though the website is accessible to or viewable by Persons in the Protected Territory, (e) market and distribute training programs bearing any proprietary marks (including the Marks) through other channels of distribution as we deem appropriate; and (f) develop an internet system whereby we can solicit referrals or photography processing requests for our ourselves and for System franchisees, in which case we have the right to charge you a reasonable fee for maintaining and promoting the internet referral system or charge you a reasonable fee for processing your photography orders.

3. TERM AND RENEWAL

3.1. This initial term of this Agreement shall commence on the Commencement Date, and continue for a consecutive period of 10 years.

3.2. At your option, you shall have the right to renew, without having to pay us an Initial Franchise Fee, your rights under this Agreement for one successive term of 10 years, provided that all of the following conditions have been fulfilled:

- 3.2.1. You must not be in default of this Agreement, neither you nor your Affiliates can be in default of any other agreement with us or any of our Affiliates; and your Affiliates must have substantially and timely complied with the terms and conditions of such agreements during their respective terms;
- 3.2.2. You have delivered to us written notice of your election to renew the franchise not less than three (3) months nor more than six (6) months prior to the end of the then-current term;
- 3.2.3. You have satisfied all monetary obligations owed by you to us and have met these obligations on a timely basis throughout the term of this Agreement;
- 3.2.4. You sign, and the Principals personally undertake and guarantee your performance under, our then-current form of franchise agreement provided that you will not be required to pay any Initial Franchise Fee imposed thereunder; and
- 3.2.5. You and each Principal sign a general and full release of all claims against us, and our Affiliates, and their respective present and former officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities including, without limitation, claims arising under this Agreement or the offer or sale of the franchise represented by this Agreement, or under any federal, state or local laws, rules, regulations or orders; provided, that the release will not be inconsistent with any state law regulating franchising.

4. PAYMENTS BY FRANCHISEE

4.1. Upon execution of this Agreement, you must pay to us the Initial Franchise Fee in the amount set forth on the Summary Page. Certain qualified franchisees may finance up to \$5,000.00 of the Initial Franchise Fee. If you qualify and decide to finance a portion of the Initial Franchise Fee, we will require you to sign a Promissory Note, the form of which is attached hereto as Exhibit "H". Under the terms of such note, we may accelerate the entire amount due if you are in default of your payment obligations. Otherwise, the Initial Franchise Fee is fully earned upon payment, and payment of the Initial Franchise Fee is nonrefundable, except as described in this paragraph. If we determine that you are unable to satisfactorily complete the initial training program, we may terminate the Franchise Agreement, in which case we shall refund the Initial Franchise Fee that you actually paid less any out-of-pocket expenses that we incurred in connection with the franchise sale (including, without limitation, attorneys' fees, third party sales commissions or brokerage fees) provided you and your Principals sign a general release in favor of us and our officers, directors, employees, agents, independent contractors, or any other person, in their corporate and individual capacities including, without limitation, claims arising under this Agreement or the offer or sale of the franchise represented by this Agreement, or under any federal, state or local laws, rules, regulations or orders; provided, that the release will not be inconsistent with any state law regulating franchising.

4.2. Minimum Productivity Levels

The Company does not collect "royalty" on Your sales. Instead, the Company receives financial incentives from vendors based on Our combined purchasing volume. You must meet the Minimum Productivity Levels (Franchise Agreement Section 4.2) in order for the Company to receive these incentives. If you fail to meet any Minimum Productivity Level for any 90-Day Period, You must compensate the Company for the shortfall.

The Processing Revenue Shortfall Rebate Fee (Shortfall Fee). The Shortfall Fee is calculated at one-third or 33.3% of the shortfall in the Minimum Productivity Levels for each applicable period.

Example: If during months 13-18 from the Effective Date of this Agreement you spend an average of only \$1,500 during a 3-month period (quarter) instead of the Minimum of \$2,250, you will be required to submit a payment (Shortfall Fee) to The Company of \$250 which is equal to one third, or 33% of the shortfall in the Minimum Productivity Levels for the applicable period.

- 4.2.1. You are required to submit to us, or to our approved vendor digital files or images for processing and printing, all as defined as Products and Services under this Agreement.
- 4.2.2. During the first 90 days after the Effective Date ("Grace Period"), there will be no Minimum Productivity Levels (as defined below).
- 4.2.3. During the first 6 months following the Grace Period, your Minimum Productivity Levels shall be (a) \$250/month or (b) \$1,500 for the first 6 month period of this Agreement. During the second 6 months following the Grace Period you are required to spend (a) at least \$350 per month or (b) \$2,100. Thereafter, you will be required to maintain the Minimum Productivity Levels set forth in the chart below:

PERIOD	BEGINNING DATE	DURATION	MINIMUM PRODUCTIVITY LEVELS
Initial 90 days	Effective date (day after completion of training)	90 days	None
1 st 6 month term	1 st day of the 1st month following the initial 90 day period	6 months	\$250 for each month or a total of \$1,500 for the six month period
2 nd 6 month term	1 st day of the 7th month following the initial 90 day period	6 months	\$350 for each month or a total of \$2,100 for the six month period
Subsequent 6 month terms	1 st day of the 13th month following the initial 90 day period	On going	\$500 for each month or a total of \$3000 for the six month period

Beginning on the second anniversary of the Effective Date and continuing on each anniversary thereafter during the term of this Agreement, we have the right to increase the Minimum Productivity Levels for the succeeding twelve month period by a percentage commensurate with the percentage increase in the population of the Territory since the commencement of the preceding twelve month period. For purposes of calculating the percentage increase in such population, we will utilize information available from the United States Department of Commerce - Bureau of the Census and other licensed resources. Our determination of the percentage increase, if any, shall be final and not subject to challenge by you. If we elect to exercise our right to increase the Minimum Productivity Levels as provided above, we will notify you in writing within 45 days of the end of the preceding twelve month period of the new Minimum Productivity Levels for the succeeding twelve month period. Upon the renewal of the Franchise Agreement, if any, we may establish new Minimum Productivity Levels based upon such factors as population growth in the Territory since the Effective Date, our minimum fees for new franchises, changes in our System or Methods, and such other factors as we deem in good faith determine to be appropriate.

Upon request, we will furnish a calendar outlining the specific dates, terms and requirements in relation to the Effective Date of your Agreement.

- 4.2.4 Upon Renewal of this Agreement, we may establish new Minimum Productivity Levels based upon factors other than increases in population in your Territory, including increase in System goodwill, other franchisees in the surrounding territories, and other factors we deems necessary or appropriate.

- 4.2.5. Under certain circumstances, we have the right to suspend any Minimum Productivity Levels for a franchisee for any reason and in our sole and absolute discretion.
- 4.2.6. We receive financial incentives from our vendors in direct proportion to your meeting the Minimum Productivity Levels for any twelve month period. If you fail to meet any Minimum Productivity Level for any period, we have the right to declare this Agreement in default, unless you compensate us for any shortfall in meeting your Minimum Productivity Levels. Within 15 days of the end of each three month period, we will send you a report on your Minimum Productivity Levels. If you are short for the preceding period, we will notify you of the shortage, and the amount owed to us to cure any default. You must pay any shortage within 5 days of receipt of the report. For illustration purposes only, if during months 13-18 from the Effective Date of this Agreement you only spend \$250 (as a monthly average during such period) on processing and printing, for a total six month period revenue of \$1,500, where you should have spent no less than \$3,000, in order to remain in compliance with this Agreement, you will have to pay us \$375 or 25% of the shortfall in the Minimum Productivity Levels for the applicable period.

5. PAYMENT AND COLLECTION RESPONSIBILITIES

5.1. We require that you establish and pay the appropriate fees to set up a credit card merchant account, through our approved merchant account provider, which will allow your customers to make payments and pay for services and products you provide by credit card. All transactions processed through your merchant account will be deposited directly into your business banking account through the merchant account system.

5.2. Notwithstanding the foregoing, you acknowledge and agree that you are solely responsible for collecting customer payments for Services that you perform and products that you sell; we are not required to collect or assist you in collecting such payments.

5.3 Upon reasonable prior written notice to you (not to exceed thirty (30) days), amounts payable under this Agreement, including, but not limited to, payments for Designated Equipment, advertising fund contributions, and any interest charges due thereon, shall be made by electronic funds transfer or such other method as we may reasonably direct. You agree to comply with procedures we specify in our Manuals, and/or perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish any payment method designated in accordance with this Section, including, as required, authorization in the form that we designate for direct debits from the Account. If we require payment by electronic funds transfer, you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the due date for payment.

6. DESIGNATED EQUIPMENT, ACCESSORIES, SOFTWARE, SERVICES AND SUPPLIERS

6.1. In order to maintain professional standards and train and support you in providing professional photography services and products, we require that you utilize only designated makes, models and versions of certain equipment, accessories and software in the operation of your Franchised Business. You must purchase from us, or from other vendors we approve, specific equipment, accessories and software we require for use in the operation of your Franchised Business. (Refer to Attachment C for a complete list of required items). These items must be obtained prior to attending the initial training at our facility.

6.2 If you already own any of the items we require for the operation of the franchise business or if you already own any item that is of comparable quality and that we deem acceptable in writing, we will allow you to substitute that item or items and will adjust our requirements accordingly.

6.3 Because the reputation and goodwill of PortraitEFX and the System are based upon, and can be maintained and enhanced only by providing professional quality photography services and related products, you may offer and provide only those photography services and related products that you are certified or authorized by us to provide. By successfully completing our Essentials Training Program you will be authorized and certified by PortraitEFX to offer and provide portrait photography services for children, families and individuals as well as promotional volume photography programs for preschools, daycares, private schools and small scale youth sports leagues.

6.4 You have the option to attend advanced PortraitEFX training modules which, upon your successful completion of each module, will give you the required PortraitEFX certification and authorization to expand your services by offering and providing photography services and related products associated with that specific module. Until you successfully complete certain PortraitEFX advanced training modules, you are limited to the types of photography services you may offer to customers. PortraitEFX has the right to waive this restriction based on an evaluation of your skill level by the Director of Photography. In some instances we may substitute on-site assistance for an advanced training to certify you in an advanced type of photography. Unless we provide our prior written consent, we require that you attend and successfully complete additional training and obtain certification and authorization from us prior to offering and/or providing photography services for: Event Photography & On-Site Printing, K-11 Photography & Yearbook Services, Team Sports and League Photography, High School Senior Photography, Engagement and Wedding Photography, Advanced Photography for Child & Family Portraiture & Church Photography and Directory Services; and prior to opening a "Store Front" or commercial studio (collectively, "Advanced Photography Services"). The fees and other cost associated with attending advanced PortraitEFX trainings and obtaining PortraitEFX Certification and/or authorization are not included in your initial franchise fee. We have the right to add additional photography services to the list contained in this Section 6.4, and require that you attend additional training and receive additional certifications, at your cost and expense, prior to authorizing you to provide these photography services. If you elect not to become certified in any Advanced Photography Service, we have the right to either provide those services ourselves, or to grant other franchisees the right to perform those services, even if the franchisee we designate to provide the Advanced Photography Services is required to perform those services in your Protected Area. In this case, we will not be deemed to have violated any of your rights under this Agreement, or any other Agreement between us and you, including our respective Affiliates, if any.

6.5 We currently intend to provide system franchisees with an e-commerce enabled web site to assist you with providing Services to your customers. As part of this system, we give you the right to maintain 4 e-mail addresses using the PortraitEFX.com extension. We will be responsible for maintaining the e-commerce web site, as well as controlling your use of the PortraitEFX e-mail system. If at any time you are in default of this Agreement, or any other agreement between you, us or our respective Affiliates, we have the right to suspend your use of the e-commerce web site as well as suspending your PortraitEFX e-mail privileges. We also intend to provide a web based forum to facilitate communication between us and other system wide franchisees. We have the right to control the content and use of such forum, and have the right to suspend your forum privileges for any reason. Although we currently do not charge a fee to our franchisees for web support and maintenance, we reserve the right, in the future to charge you a fee to assist with defraying some of the costs associated with web, e-mail and forum maintenance. We will give you 30 days written notice prior to implementing any fees. We reserve the right to discontinue providing any service contemplated by this Section 6.5 for any reason, upon 30 days written notice to you.

7. TRAINING AND ASSISTANCE

7.1. At least 30 days prior to your right to begin operating the Franchised Business, we will provide a training program which includes an introductory web-based training curriculum and five and one half days of hands on training at our office in Memphis, TN, or such other training facility we designate, which you or your operating principal must attend and successfully complete to our satisfaction. We do not charge tuition or impose a materials charge for the attendance of two persons at our initial training program. You are responsible for all other training-related expenses that you and/or your employees incur during training, including travel to and from the training site, and other personal expenses. Lodging for up to 7 nights and some meals are provided. At your request, we may permit your personnel to attend future initial training programs, subject to space availability. We may impose a fee not to exceed \$750 per person, for such attendance.

7.2. If you fail to begin operating the Franchised Business within twelve (12) months after successfully completing the initial training program, we may require that you or your Operating Principal re-attend the initial training program. If we require re-attendance for the initial training, you must pay to us a training fee, not to exceed \$750 for each individual attending any such required training.

7.3. During the term of the franchise, we may periodically provide and may require you or your Operating Principal to attend additional training programs or seminars; however, neither you nor your Operating Principal will be required to attend more than six days of additional training or seminars per calendar year. These programs may be held at any location we designate. We may charge a reasonable tuition fee or impose a reasonable materials charge for attendance at such programs. You are responsible for all training or seminar-related expenses which may include travel, lodging, dining and other incidental expenses.

7.4. We shall communicate to you our Standards via the Manual or otherwise in writing and shall loan you one copy of our Manual upon your arrival at the initial training program. We shall provide additions and supplements to the Manual as they become available, and shall disclose information concerning developments relating to the System as we deem appropriate, in our Business Judgment.

7.5. We shall, at our own expense, maintain a telephone support line to provide ongoing consultation and assistance during regular business hours. For purposes of this Agreement, regular business hours shall be from 8:30 a.m. to 5:00 p.m. Central Standard Time, Monday-Friday, excluding holidays. We have the right to change the hours of telephone support as we deem necessary, provided that we will notify you in writing of any changes.

7.6. We shall, at your request, provide advisory, analysis, consulting, photographic and marketing assistance at your location or within your Protected Territory ("On-site Assistance") at times and dates mutually agreed upon. You will be responsible for paying reasonable travel expenses plus \$500 for the first two days, and \$250 per day thereafter for such assistance.

7.7. During the Term, we shall have the right, but not the obligation, to host and maintain an e-commerce enabled web site for the Franchised Business. The web site shall include an intranet, email system, and sales management system. We retain ownership of all intellectual property and copyrights for this web site. If we develop such an intranet, you agree to use the facilities of the intranet in strict compliance with the standards, protocols and restrictions that we include in the Manuals (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

7.8. Advise and assist you regarding operating issues concerning your PortraitEFX franchise. In addition, we will provide guidance to you on standards, specifications, marketing and operating procedures and methods used by PortraitEFX franchises. This guidance will, at our discretion, be furnished in the Manual, bulletins, electronic media, newsletters or other materials and/or during telephone consultations and/or consultations at such places as we mutually agree.

7.9. Revise the Manual from time to time. The Manual contains mandatory and suggested specifications, standards, operating procedures and rules ("System Standards") that we prescribe from time to time, issue, modify and supplement.

7.10. We may hold a conference at least once each year for all franchisees to exchange ideas and provide suggestions on methods to improve operation of a PortraitEFX franchise.

7.11. At our option, we may inspect and observe the operations of your Franchised Business from time to time to determine whether you are complying with this Agreement and all System Standards

7.12. Provide optional fee-based advanced training modules and PortraitEFX® certification programs which you may be required to successfully complete prior to expanding your services and product offerings beyond those photography services and related product offerings we authorize you to offer upon completion of the initial training program. Advanced PortraitEFX training and certification modules are listed in Section 6.4. The fees and other cost associated with attending advanced PortraitEFX trainings and obtaining PortraitEFX Certifications is not included in your initial franchise fee. In addition, we have the option to introduce additional advanced training programs, combine or discontinue any training programs currently being offered and charge fees for attendance and materials as we deem appropriate.

7.13. We may provide and continue to develop pre-approved marketing and advertising brochures, marketing plans and marketing collateral materials for you to purchase.

7.14. We may provide consolidated billing services where appropriate to facilitate integrated web based

ordering and photo processing and final product delivery systems.

7.15 We will pay a referral fee of \$1,000 towards Franchisee Advertising and Marketing, Training costs to a franchisee who introduces a prospective franchisee to us, if we approve the prospect and we and the prospect sign a PortraitEFX® Franchise Agreement within 6 months after the referral is made and the prospective franchisee pays us the associated initial fee. The prospective franchisee must have liquid assets of at least \$16,750 and a total net worth of \$75,000. We will pay this referral fee towards the franchisees Advertising, Training, or other fees when the referred prospective franchisee's Franchise Agreement is fully signed and the initial fee is fully paid.

7.16 You are required to attend at least one of our annual conferences every two years at a location of our choosing. You are required to pay all travel, meal and lodging expenses for you and anyone who attends the national conference. In addition, we may charge up to \$500.00 per person for attending the annual conference.

8. IMAGE AND OPERATION

8.1. You will always operate your Franchised Business in full compliance with the then-current System, System Standards and the Manuals, as each is modified by us from time-to-time in our Business Judgment.

8.2. You must promptly comply with all ongoing requirements, standards and operating procedures relating to the operation, appearance, function, products, and services; and with our other requirements for a Franchised Business. Mandatory specifications, standards and operating procedures prescribed from time-to-time in the Manuals, or otherwise communicated to you in writing, electronically or otherwise, will constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all such mandatory specifications, standards and operating procedures.

8.3. Your Franchised Business may not be used for any purposes, other than the operation of a Franchised Business in full compliance with this Agreement and the Manual.

8.4. You will operate your Franchised Business in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. You will not engage in any illegal discriminatory practices. We make no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with the establishment or operation of your Franchised Business, and it is your sole responsibility to determine what licenses, permits, authorizations or otherwise are required and to obtain them, all at your sole cost.

8.5. All advertising by you must be completely factual, in good taste, and will conform to high standards of ethical advertising, and must conform to the Standards for advertising set forth in the Manual. We do not require you to spend a minimum amount of your Gross Revenues on local advertising; however we strongly recommend that you conduct a local advertising program. We have the right, upon one months' written notice to you that we have established an advertising / marketing fund to promote system franchisees generally. You must contribute to the advertising fund up to \$100 per month based on monthly invoice once we have established the advertising / marketing fund. Once an advertising fund has been established, we will supplement our Manuals to reflect the policies and procedures relating to the advertising fund.

8.6. You will, in all dealings with your customers, suppliers and public officials, adhere to high standards of honesty, integrity, fair dealing and ethical conduct.

8.7 You will refrain from any practice which may injure or diminish the goodwill associated with the Marks.

8.8. You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, you and/or your Franchised Business.

8.9. You acknowledge that the System is dependent on (among other things) the establishment of good relationships with your customers. You therefore agree:

- (a) to adopt and adhere to all aspects of the System, including (among others) systems whereby any inquiries by customers or potential customers are responded to within twenty four (24) hours;
- (b) to immediately report all customer complaints to us and to participate in any procedures specified by us for the resolution of such complaints. In addition, you will fully cooperate with all means of quality control as we specify from time-to-time, including (among others) pro-active quality control systems, such as “secret shoppers,” “phone phantoms,” “customer thank-you programs”, customer response cards, and similar customer satisfaction programs we develop or employ.

8.10. You understand and agree that each employee or independent contractor you hire will be required to sign an Employment Confidentiality and Non-Compete Agreement, the form of which must be approved by us and that we recommend that you retain local counsel in your state to review and conform the language of such agreements to ensure that it complies with state and federal laws applicable to your Franchised Business. You will be solely responsible for any and all legal and other fees incurred by you to do so. You will be solely responsible for the supervision, termination, terms of employment, compensation and proper training for each employee or independent contractor you hire.

8.11. If you choose to operate your PortraitEFX franchise from a commercial or store front studio location, you must first obtain our prior written consent and/or attend and successfully complete our advanced training for “Store Front Studio Operations”.

8.12. Prior to acquiring a site for a commercial store front studio location by lease or purchase, you must first identify a proposed site and submit to us in writing a description of the proposed site, evidence that the site satisfies our site selection guidelines and any other information we require. We have up to 30 days after we receive this information to review and accept or not accept the proposed site and lease or contract for sale. You agree to furnish to us a copy of the executed lease or contract of sale within ten (10) days after execution.

8.13. You must obtain all zoning classifications, clearances and approvals relating to the site and all required permits, licenses, and certifications at your sole expense. You must also certify that the insurance coverage required by this Agreement is in full force and effect prior to commencing business operations at the site.

8.14. You understand and agree that our acceptance of a site does not guarantee that your PortraitEFX® Studio location will be profitable or successful at that site.

8.15. You agree that you (i) will offer and sell only the Designated Equipment, Products and Services that we periodically specify; (ii) will not offer or sell at or from the Franchised Business any products or Services that we have not authorized; and (iii) will discontinue selling and offering for sale any products or Services that we at any time disapprove..

8.16. You agree to obtain items and/or services only from our approved suppliers (including manufactures, distributors, photo processors, labs, marketing organizations, service providers, dealers and other sources) for any supplies, services, materials, equipment, computer hardware, software, warranty services and products used or offered for sale by your franchise.

8.17. You understand and agree that we may designate ourselves or our Affiliates (if any) as approved suppliers of any item or service, including the Services.

8.18. You may operate your Franchised Business through any individual you designate who has attended and successfully completed our initial training program and signed a confidentiality and non-competition agreement, in a form acceptable to us. You are not obligated to participate personally in the direct operation of your Franchised Business, however, you are responsible for the successful operation of your Franchised Business, and are directly responsible to us under this Franchise Agreement whether you participate in the day-to-day operations or designate another individual to operate, manage and supervise your operations under this Franchise Agreement.

8.19. Each of your Principals, including your Operating Principal, must sign the Personal Guaranty and Undertaking attached as Attachment A to this Franchise Agreement. Any officers, directors, Principals, and any employees or independent contractors that have access to our Manual must sign a

Confidentiality and Non-Competition Agreement substantially in the form attached as Attachment B to this Franchise Agreement.

9. MARKS AND INTELLECTUAL PROPERTY

9.1. You understand and expressly acknowledge that:

- 9.1.1. We own and retain all rights, title and interest in and to the Intellectual Property and to all goodwill associated with and symbolized by the Marks; We have the right to use and to license the use of the Intellectual Property; and we have the right, standing and capacity to enforce all provisions of this Agreement related to the Intellectual Property;
- 9.1.2. Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our exclusive benefit and, upon expiration or termination of this Agreement, no monetary amount shall be assigned or payable to you for any goodwill associated with your performance of your obligations hereunder; and
- 9.1.3. Your right and license to use the Marks and Intellectual Property under this Agreement is nonexclusive and we retain all other rights in and to the Intellectual Property. You agree to use the Marks as the sole identification of the Franchised Business.

9.2. You may not use the Marks in your corporate name. During the Term, you must prominently identify yourself (by your individual name, if you are an individual, or the name of your entity, if you are a Business Entity) in connection with any use of the Marks including, without limitation, on business cards, invoices, order forms, receipt and contracts, as well as in such conspicuous locations as we may designate. You must comply with our requirements and all requirements imposed by the jurisdiction in which you operate the Franchised Business concerning fictitious name registration and usage.

9.3. You may not register the Marks as part of any Internet domain name or Uniform Resource Locator ("URL"), and may neither display nor use any of the Marks or other Intellectual Property in connection with, or associate the System with (through a link or otherwise) any website advertising, address, or listing on the World Wide Web or any other portion of the Internet without our prior written consent. You acknowledge that, as between you and us, we own all rights in and to the URL and domain name "www.portraitefx.com." You further agree not to register or use any URL or domain name that contains the word "PortraitEFX".

9.4. You may not use the Marks to incur any obligation or indebtedness on our behalf. You may not enter into any contracts or agreements on our behalf.

9.5. You acknowledge that your unauthorized use of any of the Intellectual Property will constitute infringement of our rights therein, which will entitle us to obtain an injunction in any court of competent jurisdiction, under applicable equity rules, to restrain such infringement.

9.6. You must promptly notify us of any apparent infringement of, or challenge to, your use of any of the Marks or other Intellectual Property. We are not required to take affirmative action when notified of a claim, or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks or Intellectual Property, or if the proceeding is resolved unfavorably to you, but will take whatever action we determine to be appropriate under the circumstances. We have the right to control all administrative proceedings or litigation involving the Marks and Intellectual Property. If we undertake the defense or prosecution of any litigation pertaining to any of the Marks or Intellectual Property, you must sign all documents and perform such acts and things as may, in the opinion of our counsel, be necessary to carry out the defense or prosecution.

9.7. We may designate new, modified or replacement Marks for your use in your Franchised Business, and require you to use them in addition to or instead of any of the previously designated Marks (this change may require you and other System franchisees to do business under a trade name other than the trade name "PortraitEFX"). In the event we require you to discontinue the use of one or more of our Marks, you must pay your own expenses associated with implementing required changes, including the use of a new Mark.

9.8. All ideas, concepts, techniques or materials relating to a Franchised Business, whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your Principals to the extent you are permitted, will be promptly disclosed to us, deemed to be our sole and exclusive property and part of the System and deemed to be works made-for-hire for us; except that you shall be entitled to use all such ideas, concepts, techniques or materials without charge by us. You and your Principals agree to sign whatever assignment or other documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials. You agree to sign all documents necessary to complete the assignment contemplated under this Section 9.8.

9.9. You and each Principal hereby assign to us all tangible media of expression derived from any of the Copyrighted Works, and agree to sign any additional assignment documents that we ask you to sign which we believe are reasonably necessary to give effect to the purpose and intent of this Section 9.

10. CONFIDENTIAL INFORMATION AND NONCOMPETITION COVENANTS

10.1. We will loan to you a copy of our Manual prior to your completion of our initial training program and will loan you additions and supplements to the Manual as they become available. You must operate the Franchised Business in accordance with the Manual. The Manual at all times will remain our property. You must keep it in a secure place, and must return it to us immediately upon request or upon termination or expiration of this Agreement or upon any Transfer. We may periodically revise the contents of the Manual, or any Standards contained in the Manual, and you must immediately comply with all revised Standards. You must keep the Manual current and up-to-date. If any dispute arises as to the contents of the Manual, the terms of the master copy of the Manual that we maintain at our corporate headquarters will control. If you lose or misplace the Manual, we may impose a reasonable replacement fee to cover the cost of providing you with a replacement Manual.

10.2. You acknowledge that all Confidential Information (including, without limitation, all customer information) belongs exclusively to us. You must maintain the confidentiality of all Confidential Information, and may neither duplicate nor divulge the Confidential Information to any Person not affiliated with the System, except to your employees and advisors on a need-to-know basis; provided that prior to disclosing any Confidential information, such employees or advisors, other than legal or accounting, shall sign a confidentiality agreement, in a form acceptable to us. The failure to obtain the confidentiality agreement required in this Section 10.2., shall be deemed a material default of this Agreement for which, if we chose, we may immediately terminate your rights. You may use the Confidential Information only for the purpose of operating the Franchised Business. This obligation will survive the expiration or termination of this Agreement and any Transfer, and will be perpetually binding upon you.

10.3. You acknowledge that you and certain of your employees, agents, independent contractors and other persons will receive valuable, specialized training and Confidential Information that are beyond your present skills, knowledge and experience. You further acknowledge that such specialized training and Confidential Information provide a competitive advantage to you, and are valuable in the operation of the Franchised Business, and that gaining access to such specialized training and Confidential Information, therefore, is a primary reason for entering into this Agreement. In consideration for such specialized training and Confidential Information, you agree that:

10.4. During the Term, neither you nor any Principal, including your Operating Principal, may directly or indirectly, for themselves or through, on behalf of or in conjunction with any Person(s):

10.4.1. Divert, or attempt to divert, any business, customer or potential customer to any competitor, by direct or indirect inducement or otherwise;

10.4.2. Employ, or seek to employ, without our prior written consent, any person who is employed, or at any time in the preceding twelve (12) month period has been employed, by us or any other System franchisee, nor otherwise directly or indirectly induce or seek to induce such person to leave his employment; or

10.4.3. Own, operate, engage in, perform services for, participate or have any direct or indirect (e.g., through an immediate family member or otherwise) as a disclosed or beneficial

owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Similar Business located or operating at any location within the United States or any of its territories or commonwealths, or any other jurisdiction in which we or any of our franchisees do business.

10.5. For a continuous uninterrupted period of two (2) years, beginning on date that this Agreement expires (unless you have entered into a successor franchise agreement) or is terminated (regardless of the reason for termination), or that you effect a Transfer of all of your interest in this Agreement, or with respect to any Principal, on the date that the Principal ceases to satisfy the definition of "Principal" under this Agreement, neither you nor any Principal may, directly or indirectly, for themselves or through, on behalf of or in conjunction with any other Person:

10.5.1. Divert, or attempt to divert, any business, customer or potential customer to any competitor, by direct or indirect inducement or otherwise;

10.5.2. Employ, or seek to employ, without our prior written consent, any person who is employed, or at any time in the preceding twelve (12) month period has been employed, by us or any other System franchisee, nor otherwise directly or indirectly induce or seek to induce such person to leave his employment; or

10.5.3. Own, operate, engage in, perform services for, participate or have any financial, direct or indirect (e.g., through an immediate family member or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Similar Business located or operating on the effective date of termination or expiration: (a) at the site of any Franchised Business; (b) within the Protected Territory; (c) within a ten (10) mile radius of the Protected Territory; or (d) within a ten (10) mile radius of any other Franchised Business in operation or for which we have granted a franchise to, and such Franchised Business is scheduled to begin operation within six (6) months from the date on which a person restricted by this Section becomes subject to this Section.

10.6. The parties acknowledge and agree that each of the covenants contained in Section 10.5 are reasonable limitations as to time, geographic area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or other business interests or the system, generally. The parties agree that each of the covenants in Section 10 will be construed as independent of any other covenant or provision of this Agreement. Except as expressly provided to the contrary herein, each section, subsection, paragraph, term and provision of this Section 10, and any portion thereof, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, nonappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt from us of a notice of non-enforcement thereof..

10.7. We have the unilateral right, in our sole discretion, to reduce the scope of any covenant set forth in Section 10.5, above, or any portion thereof, which reduction will become effective immediately upon delivery of notice to you; and you must comply with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 10.6, above. We may enforce the covenants contained in this Section 10 notwithstanding any claim that you or any Principal may have or allege to have against us or our Affiliate.

10.8. You must cause (a) all Principals to sign the Undertaking and Guaranty and (b) any officers, directors, principals, and any key employees that have access to our Manual, or other Confidential Information must sign Confidentiality and Non-Competition Agreement substantially in the form attached as Attachment B. You must provide us with executed copies of such agreements within thirty (30) days after they are signed.

10.9. You and each Principal acknowledge that a violation of any of the terms of this Section 10 would

result in irreparable harm to us for which no adequate remedy at law may be available. Accordingly, you and each Principal consent to the issuance of an injunction prohibiting any conduct in violation of this Section 10 without the necessity of showing actual or threatened harm, likelihood of success on the merits of the claim and without being required to furnish a bond or other security.

11. RECORDS AND REPORTS

11.1. You shall (i) adopt a calendar year fiscal year for accounting purposes, (ii) adopt and follow the accounting principles, policies and practices we prescribe, including use of our web based order entry system, (iii) acquire, install and use the computer systems and software we specify from time to time, (iv) install and continually maintain a broadband Internet connection. You acknowledge that we may electronically access the Franchised Business's data captured by and contained within our order entry system to obtain Gross Revenue figures, as well as other financial and operating information.

11.2. At Our request, you shall furnish to us copies of all federal and state income and sales tax returns that you have filed with respect to the Franchised Business's income or sales.

11.3. You shall permit us, at any time during the term of this Agreement and for two years after its expiry or termination, to audit your books and records relating to the Franchised Business's operation. To assist us in planning and conducting our audit program, you expressly authorize us to obtain from any vendor with which you do business copies of invoices and other sales data related to your account with the vendor.

11.4. You shall maintain complete and accurate books and records relating to the operation of the Franchised Business in accordance with Section 11.1. You will also permit our representatives to inspect such books and records at reasonable times and, within 45 days after the end of each fiscal year of the Franchised Business. You are also required to submit to us a balance sheet, income statement and statement of cash flow for the year then ended. These financial statements shall disclose separately the items specified by us on forms we provide, and shall be prepared in accordance with the accounting principles and practices we prescribe and/or endorse. If you are at any time required to furnish any lender, lessor, and government agency or other Person audited or un-audited financial statements with respect to your franchised business, you shall concurrently furnish us a copy of such financial statements.

12. RELATIONSHIP OF THE PARTIES

12.1. Independent Contractor Relationship. You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venture, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, personnel and others as the owner of the Franchised Business under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we require from time to time.

12.2. You are solely responsible for all the debts and obligations of the Franchised Business and the franchise represented by this Agreement, including, but not limited to, all bills, debts, taxes (including sales taxes), rents, employee payroll taxes, unemployment compensation insurance and employee benefits. We shall not be liable for any of your debts or obligations.

12.3. You, as an independent business person or entity, recognize that there are economic hazards in connection with the operation of any business, including the type contemplated by this Agreement. We do not guarantee success, whether financial or otherwise, even though you may follow or may rely on our advice, recommendations, programs, policies and procedures, including System Standards. You acknowledge that you have made an independent investigation of the Franchised Business and that we have made no representations regarding the potential or future profitability of your Franchised Business. You understand that any income or profits you may realize will be the result of your efforts and labors and not those of third parties. This Franchised Business is not a security and you acknowledge that you are not relying on us our Affiliates, or their respective officers, directors, member, independent contractors, agents, salesman or any third party to produce your income pursuant to this Agreement.

12.4. No Authority. Nothing in this Agreement authorizes you to make any contract, agreement,

warranty or representation on our behalf, or to incur any debt or other obligation in our name. We shall in no event assume liability for or be deemed liable under this Agreement for any act, omission, claim or judgment arising from any action you undertake as a PortraitEFX Franchise owner.

13. INSURANCE AND INDEMNIFICATION

13.1. You shall procure at your sole cost and expense and maintain in full force and effect during the Term of this Agreement, a business liability insurance policy or policies protecting yourself and us against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with the Franchised Business, as we may reasonably require for our own and your protection. We shall be named as an additional insured or loss payees on such policy or policies. The insurance required hereunder will not limit your liability nor release you from any liability under this Agreement.

13.2. Such policy or policies shall be written by an insurance company satisfactory to us, and shall include, at a minimum, the coverage specified in the Manual. You acknowledge that such specified coverage is a minimum requirement only; there is no assurance that specified minimum coverage will be sufficient to meet your individual needs.

13.3. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by us. No later than ten days prior to the Commencement Date, you must provide us with a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by you to us. Such certificate shall state that said policy or policies will not be canceled or altered without at least twenty (20) days prior written notice to us and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by you of the obligations of this Section 13 shall not relieve you of liability under the indemnity provision set forth in this Agreement. Minimum limits as required above may be modified from time to time, as conditions require, by written notice to you.

13.4. If you fail to maintain the required insurance coverage, we have the right, but are not obligated, to procure and maintain such coverage on your behalf and shall be entitled to reimbursement for all out-of-pocket costs we may incur in procuring and maintaining such coverage on your behalf, and to collect an administrative fee equal to twenty-five percent (25%) of the annual insurance premium.

13.5. You acknowledge and agree that you are responsible for all losses, damages, judgments, liabilities, claims, injuries and illness to persons, and all related costs and expenses, arising directly or indirectly out of your ownership and operation of the Franchised Business.

13.6. You agree to indemnify, defend and hold harmless us, our franchisees and Affiliates, and our and their respective shareholders, members, partners, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against and to reimburse any one or more of the Indemnified Parties for all claims, any and all taxes described in this Agreement, and any and all claims and liabilities directly or indirectly arising out of the operation of the Franchised Business or your breach of this Agreement, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your Principals, Operating Principals, officers, directors, employees, independent contractors or Affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or

mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

13.7. Your obligations to defend, hold harmless and indemnify us shall not be affected by the existence or non-existence of insurance.

13.8. Our right to indemnity under this Agreement shall arise even if joint or concurrent liability may be imposed on us by statute, ordinance, regulation, or otherwise. We are not required to seek recovery from third parties or otherwise to mitigate our losses in order to maintain a claim for recovery against you under this Section 13. The terms of this Section 13 will survive termination or expiration of this Agreement or any Transfer.

14. TRANSFER OF INTEREST

14.1. You acknowledge that we may transfer or assign, without your consent this Agreement and all or any part of our rights or obligations in this Agreement to any entity, including an entity who operates one or more businesses that are similar to or competitive with the Franchised Business. We may also may sell our assets, our rights in the Marks, any of the Confidential Information or other Intellectual Property, or the System to a third party; may offer our securities privately or publicly; may merge, spin-off, acquire other companies or be acquired by another company; may undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and you expressly and specifically waive any claims, demands or damages against us arising from or related to any or all of the above sales, assignments and dispositions. Upon any such transfer, the transferee shall be solely responsible to you for all obligations and duties arising subsequent to such sale, assignment or disposition, and we shall have no further liability to you. We are not required to provide to you prior notice of any intended sale, assignment or disposition.

14.2. You acknowledge that the integrity of the PortraitEFX concept and the stability of PortraitEFX franchise network depend on the business qualifications, financial capabilities, honesty and integrity of our franchisees. You further acknowledge that our lack of opportunity to evaluate and approve each potential franchisee's qualifications and the terms of each proposed transfer could irreparably damage the PortraitEFX franchise system. Consequently, you acknowledge and agree that neither you nor any Principal may affect a Transfer without our prior written consent. Any transfer lacking our prior written consent or that otherwise violates the restrictions in this Section 14.2 will be ineffective against us and will constitute a material breach of this Agreement and shall be grounds for immediate termination of this Agreement.

14.3. If you are in full compliance with this Agreement, and entered into this Agreement as an individual, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than operation of the Franchised Business, in which you maintain management control and of which you own and control at least fifty one percent of the equity and voting power of all issued and outstanding capital stock or other ownership interest, and further provided, that all assets of the Franchised Business are owned, and the entire business is conducted, by a single corporation or limited liability company. Transfers of ownership interests in such corporation or Limited Liability Company will be subject to the provisions of Sections 14. Notwithstanding anything to the contrary herein, you agree to remain personally liable under this Agreement as if the transfer to such corporation or limited liability company had not occurred, and will execute any and all documents and instruments we may reasonably require to evidence that liability, including the Undertaking and Guaranty, the form of which is attached as Attachment A to this Agreement.

14.4. We may condition our consent, in the case of any other proposed Transfer, on any or all of the following:

14.4.1. All of your financial obligations are fully paid and satisfied;

14.4.2. The proposed transferee meets our then-current qualifications for new franchisees;

14.4.3. The proposed transferee has attended and satisfactorily completed our initial training program;

14.4.4. You and each Principal have executed a general release, in a form acceptable to us, of

all claims against us, our Affiliates and their respective present and former officers, directors, members, employees, agents, independent contractors or any other Person, arising under this Agreement or the offer or sale of the franchise represented by this Agreement, or under any federal, state or local laws, rules, regulations or orders; provided, that the release will not be inconsistent with any state law regulating franchising;

14.4.5. We have received payment of the Transfer Fee; and

14.4.6. Upon our request the transferee has executed our then-current franchise agreement for the remainder of the Term; provided that the transferee shall not be required to pay any initial franchise fee due thereunder.

14.4.7. If you utilize the services of any of our sales consultants (including outside agencies and brokers) in completing the transfer, then, prior to transfer, you or the transferee must reimburse us an amount equal to any commission or other sales compensation which we must pay to such persons by virtue of the Agreement or any other contract with such party.

14.5. If you are a natural person and you die during the Term, the executor, administrator or other personal representative of your estate shall transfer your interest in this Agreement and sell the Franchised Business assets to a third party whom we have approved. If you are a corporation or other legal entity and any of your Operating Principals die during the Term, we may, at our option, require either that you repurchase, assign or extinguish the deceased person's interest, or cause the transfer of the deceased person's interest to a third party whom we have approved. Any transfer required under this paragraph must be concluded within a reasonable time after communication by us in writing of our intent to enforce the provisions of this Section 14.5, but in no event shall any required Transfer under this Section 14.5 occur later than twelve (12) months following your death, or the death of one of your Operating Principals. Any Transfer under this Section 14.5 shall be subject to the conditions of Section 14.4; provided that no Transfer Fee will be payable on account of the Transfer.

14.6. If your Operating Principal dies or becomes permanently disabled during the Term, you must designate a new Operating Principal within one hundred eighty (180) days from the date of such death or permanent disability. Any replacement Operating Principal must complete to our satisfaction the initial training program before assuming responsibility as Operating Principal. To the extent that such replacement requires a Transfer of an interest in this Agreement or in ownership of a Business Entity franchisee, such Transfer shall be subject to the conditions described in Section 14.4, above; provided that no Transfer Fee will be payable on account of the Transfer.

14.7. If you or any Principal wish to transfer all or part of your interest in the Franchised Business or this Agreement or if you or a Principal wish to transfer any ownership interest in yourself, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify us in writing of each such offer, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation describing the terms of such offer, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that we elect to purchase the seller's interest, closing on such purchase must occur within sixty (60) days from the date of notice to the seller of the election to purchase by us, or such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. Our failure to exercise the option afforded by this Section 14.7 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14, with respect to a proposed Transfer.

15. DEFAULT AND TERMINATION

15.1. This Agreement shall terminate automatically without notice, if (a) you become insolvent, file a voluntary petition under any bankruptcy law or under any similar law or statute, (b) you make a general assignment for the benefit of creditors, (c) you admit in writing your inability to pay any debt as and when it becomes due; (d) an involuntary bankruptcy action is instituted against you and is not dismissed within

sixty (60) days from the date of filing; (e) you are adjudicated bankrupt or insolvent in proceedings filed under any bankruptcy laws or under any similar law or statute; (f) a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or the Franchised Business is filed and you consent, or if a receiver or other custodian (permanent or temporary) of any of your assets or property is appointed by any court of competent jurisdiction; (g) proceedings for a composition with creditors are instituted by or against you; (h) a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless an appeal bond is filed); (j) execution is levied against the Franchised Business or your property; (k) suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; (l) a significant portion of the personal property related to the operation of the Franchised Business is sold after levy thereupon by any government official; or (m) you (if you are a Business Entity) are dissolved, or your corporate charter is forfeited for any reason, under the laws of the jurisdiction under which you were formed.

15.2. We have the right to terminate this Agreement if you are in Default, effective upon delivery of written notice of termination to you or, where expressly applicable, upon your failure to cure to our satisfaction any breach of this Agreement before the expiration of any time period within which such breach may be cured in accordance with the provisions set forth below. "Default," for purposes of this Section 15, means and includes, without limitation, any of the following:

- 15.2.1. Failure to satisfactorily complete our initial training program as required by Section 7 of this Agreement;
- 15.2.2. you or any of your Affiliates fail, refuse, or neglect promptly to pay any monies owed to us or any of our Affiliates, when due under this Agreement or any other agreement, and do not correct such failure within ten (10) days after written notice of such failure is delivered to you.
- 15.2.3 The conviction or plea of "no contest" by you or any Principal to a felony, crime involving moral turpitude, or other crime or offense that we believe is reasonably likely to have an adverse effect on the System or the Marks;
- 15.2.4. you (or any of your Principals) have made any material misrepresentation or omission in connection with your application for and purchase of the Franchised Business, including the franchise application you submitted to us for our evaluation, or breach of any representation or warranty contained in Section 21 of this Agreement, or any other Section of this Agreement;
- 15.2.5. Commission by any Person in connection with the operation of the Franchised Business any fraud, illegal activity, or act that we believe is reasonably likely to threaten public health or safety;
- 15.2.6. Any attempt by you or any Principal to affect a Transfer in violation of this Agreement;
- 15.2.7. Any misuse of the Marks or other Intellectual Property by you or any Principal, and failure to correct such misuse within twenty-four (24) hours after receiving from us written demand for corrective action;
- 15.2.8. Failure to maintain the confidentiality of Confidential Information by you or any Principal as required by Section 10 of this Agreement;
- 15.2.9. Any other violation of this Agreement and failure to correct such violation within thirty (30) days after receiving written demand from us for corrective action;
- 15.2.10. Repeated violation of this Agreement, whether or not such violations are timely cured. For purposes of this provision, "repeated" means two (2) or more violations occurring within any twelve (12) month period for which you have received written notice from us;
- 15.2.11 You (or any of your Principals) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records, to pay when due amounts owed to us or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you;

- 15.2.12 You (or any of your Principals) fail to comply with any other provision of this Agreement, or any other agreements between you, your Principals, your Affiliates and us and our Affiliates, or any System Standards, and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you; or
- 15.2.13 In the event of your death or disability or the death or disability of the owner of a Controlling Interest (51%) in you, this Agreement or such owner's interest in you is not assigned as herein required.
- 15.2.14 You fail to meet any Minimum Productivity Levels for a six month ending period, and you fail to cure such default within 10 days of receiving written notice from us that you are in default of this Agreement.

16. PROCEDURES AFTER EXPIRATION OR TERMINATION

- 16.1. Upon termination or expiration of this Agreement, you shall immediately:
 - 16.1.1. Pay to us all sums due and owing;
 - 16.1.2. Cease all use of all Marks and other Intellectual Property;
 - 16.1.3. You may not directly or indirectly at any time or in any manner promote and market yourself or your business as a current or former PortraitEFX Franchised Business, or as one of our current or former franchisees; use any Mark, any colorable imitation thereof or other indicia of a PortraitEFX franchisee in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark or other commercial symbol that indicates or suggests a connection or association with us, including but not limited to, by use of a website;
 - 16.1.4. Return to us the all documents containing Confidential Information or bearing the Marks, including all marketing materials, brochures, business cards, stationery and other item bearing the Marks;
 - 16.1.5. Turn over to us all advertising and promotional materials, manuals, records, files, materials, instructions, correspondence, brochures, forms, agreements, Manuals, and any and all other materials and all copies thereof in your possession related to our business, and otherwise cease to represent yourself to the public as a current or former PortraitEFX franchisee;
 - 16.1.6. Surrender to us all signs, stationery, letterhead, forms, and printed packaging and advertising materials, and remove any signage or graphics, reflecting any of the Marks or Intellectual Property;
 - 16.1.7. Cease providing Services to any former customers acquired under the PortraitEFX Mark and adhere, and ensure that each Principal adheres, to the post term confidentiality and no compete obligations set forth in Section 10.5 of this Agreement;
 - 16.1.8. Provide us within thirty (30) days after the effective date of termination or expiration with evidence satisfactory to us of your compliance with the foregoing obligations;
 - 16.1.9. Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark, including but not limited to, any electronic address, domain name or website which displays any Mark or that identifies you as associated with us or with a Franchised Business;
 - 16.1.10. Pay to us all damages, costs, and expenses, including reasonable attorney's fees and expenses, incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 17; and
 - 16.1.11. Adhere to all provisions of this Agreement which by their nature survive the termination or expiration hereof.

17. NOTICES

17.1. All notices, request and reports required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by any of the following delivery methods: (a) expedited delivery service; (b) certified or registered mail, return receipt requested; (c) first-class mail, postage prepaid; or (d) via electronic mail, facsimile or other electronic system (provided, confirmation is sent by expedited delivery service or registered or certified mail. Notices shall be sent to the parties at the addresses reflected in the Summary Page, unless and until a different address or number has been designated by written notice to the other party. Notices delivered or sent pursuant to (a) or (b) will be considered to have been delivered at the time of personal delivery by the sender or receipt by the recipient. Notices delivered or sent pursuant to (c) will be considered to have been delivered on the third business day following the date that the notice was deposited in the U.S. Mail. Notice delivered by (d) shall be deemed delivered one (1) business day after transmission by electronic mail, facsimile or other electronic system.

18. DISPUTE RESOLUTION

18.1. Except as otherwise provided in this Article 18, in the event of any claim or controversy between the parties (a "Dispute"), the disputing party shall serve upon the other party written notice of the dispute, including a detailed description of all claims. The parties shall use good faith efforts to resolve the Dispute. If the Dispute is unresolved within fourteen (14) days after delivery of the notice described in this Section 18.1., then the parties shall meet face-to-face at our headquarters within sixty (60) days of delivery of the notice.

18.2. If any Dispute is unresolved after the sixty (60) day period described in Section 18.1., the Dispute shall be submitted for resolution by a single arbitrator in accordance with the American Arbitration Association's ("AAA") Rules of Commercial Arbitration. Arbitration shall be initiated, conducted and concluded in Chicago, IL. The parties shall jointly select an arbitrator from the panel of arbitrators maintained by the AAA. The arbitrator must be either a retired judge or an attorney experienced in the practice of franchise law who has no prior social, business or professional relationship with either party. If the parties are unable to agree on an arbitrator within 30 days after the arbitration demand is filed, the parties shall direct the AAA to select an arbitrator possessing these criteria. The arbitrator's award shall be final and binding on all parties, and neither party shall have any right to contest or appeal the arbitrator's award except on the grounds expressly provided by the Federal Arbitration Act (the "Arbitration Act"). The party who demands arbitration shall pay the arbitration filing fee, but the parties will otherwise separately bear their own costs and expenses (including legal fees) of participating in the arbitration process. The arbitrator shall not be authorized to award either party extra contractual damages (i.e., compensatory, reliance or punitive damages). Notwithstanding the foregoing sentence, the arbitrator shall award attorneys' fees and costs to the prevailing party in such arbitration proceeding. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof.

18.3. Nothing in Section 18.1 or 18.2, above, shall prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, and/or other emergency relief available to safeguard and protect Our Marks or Intellectual Property prior to the filing of any arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any arbitration proceeding.

18.4. Further, notwithstanding Sections 18.3, the parties mutually agree that we shall not be obligated to arbitrate any claim arising from your failure to pay when due any monetary obligation to us, unless you assert a counter-claim based on our alleged breach of a material obligation under this Agreement, in which case our suit will be stayed and the entire matter will be referred to arbitration.

18.5. The parties acknowledge and agree that this Agreement is entered into in Chicago, IL, and that valuable services will be provided from Chicago, IL. Accordingly, with respect to any action filed pursuant to Sections 18.3. or 18.4., above, the parties hereby consent to the personal jurisdiction of the state courts located in Chicago, IL and the appropriate U.S. District Court for Chicago, IL. The parties further agree that service of process by certified mail, return receipt

requested, shall be sufficient to confer *in persona* jurisdiction over them in connection with any such action.

19. ENTIRE AGREEMENT AND MODIFICATION OF AGREEMENT

19.1. The preambles and exhibits to this Agreement and your application for the Franchised Business are a part of this Agreement which, together with the Manuals, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement.

19.2. Except for our unilateral right to modify the Standards as provided in this Agreement, the parties acknowledge and agree that this Agreement may not be modified except by written agreement signed by both parties.

19.3. The provisions of this Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding shall not affect the legality, validity or enforceability of any other provision. Any illegal, invalid or unenforceable provision shall be reformed to the minimum extent necessary to render it legal, valid and enforceable and, as so reformed, shall continue in full force and effect.

20. CHOICE OF LAW AND CONSTRUCTION

20.1. This Agreement shall be governed by and interpreted and enforced under the laws of the state of Illinois, without regard to its conflicts of law principles, except that the non-competition covenants in this Agreement shall be governed by the laws of the state in which the Franchised Business is located or, if the Franchised Business operates in multiple states, the state in which you maintain your principal offices.

20.2. Section headings are inserted for convenience and reference only, and are not intended to define, limit or describe the scope, intent or language of this Agreement or any of its provisions.

20.3. The language of all provisions of this Agreement shall be construed according to fair meaning and shall not be strictly construed against either party.

20.4. The provisions of this Agreement are severable, and this Agreement shall be interpreted as if all completely invalid or unenforceable provisions were not contained herein, and all partially valid and enforceable provisions will be enforced to the extent that they are valid or enforceable. If any provision of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render it valid and enforceable, such provision shall have the meaning which renders it valid and enforceable.

20.5. The parties acknowledge that various provisions of this Agreement specify certain matters are within our discretion or judgment. If our discretion or judgment is challenged, you hereby acknowledge and agree, and direct the trier of fact in any arbitration or judicial proceeding to conclude, that the exercise of our discretion or judgment was reasonable and proper if it served or was intended to serve any legitimate business purpose, even if other motivating factors may have existed.

20.6. The parties acknowledge and agree that either party's failure to demand full compliance with any provision of this Agreement shall not be considered a waiver of the party's rights, regardless of any law, custom, usage or rule to the contrary. Any delay or omission by any party to enforce its rights with respect to any particular breach or default shall not affect the party's rights with respect to any subsequent breach or default.

20.7. Unless otherwise provided by this Agreement, all rights and remedies granted by this Agreement are cumulative. Our election to exercise any remedy available by law or contract shall not be deemed a waiver of, or preclude Our right to seek or obtain, any other remedy.

20.8. This Agreement shall be binding on the parties and their heirs, executors, personal representatives, successors and assigns. All signatories to this Agreement as "Franchisee" shall be jointly and severally liable for the performance of all terms, covenants and conditions hereof.

20.9. Any provision of this Agreement which reasonably may be interpreted to impose any obligation after Transfer or termination or expiration hereof shall survive such Transfer, termination or expiration and be binding on the parties.

21. REPRESENTATIONS AND WARRANTIES

21.1. We make no warranties or representations, except those expressly set forth in this Agreement.

21.2. You and each Principal warrant and represent to us that you and each Principal have the right and authority to enter into this Agreement, that no such person or entity is a party to any agreement that might interfere with the performance of this Agreement, and that entering into this Agreement will not interfere with or breach any contracts to which you or any Principal currently is a party. . If you are a Business Entity, you represent and warrant that you are duly organized or formed, validly existing and in good standing under the laws of the state of your organization or formation, and are duly qualified and authorized to do transact or conduct business in each jurisdiction where your business activities require qualification. You will also ensure that your organizational documents or partnership agreement, if you are a Business Entity franchisee, will state that the issuance and transfer of ownership interests in you are restricted by the terms of this Agreement, and your share certificates and other documents representing ownership interests in you will bear a legend referring to those restrictions.

21.3. You and each Principal warrant and represent to us that you have not received from us or any of our representatives any information concerning actual or potential earnings of the franchise contemplated hereunder, and that neither you nor any Principal have relied on any such earnings representations made by us or our representatives in making the decision to purchase the franchise represented by this Agreement.

21.4. Each party represents to the other party that it has full right and authority to enter into this Agreement.

22. ACKNOWLEDGMENTS

22.1. YOU ACKNOWLEDGE THAT NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO MAKE ANY REPRESENTATION OR AGREEMENT THAT IS BINDING ON US EXCEPT AN AUTHORIZED OFFICER BY WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON OUR BEHALF WHICH HAVE CAUSED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE DEPENDS SOLELY ON YOUR EFFORTS, BUSINESS JUDGMENT, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND OTHER FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE SUCCESSFUL, OR LESS SUCCESSFUL, THAN OTHER FRANCHISEES, AND THAT WE HAVE MADE NO REPRESENTATION OR PROMISE THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

22.2. YOU AND EACH PRINCIPAL ACKNOWLEDGE RECEIPT OF OUR UNIFORM FRANCHISE DISCLOSURE DOCUMENT AT LEAST TEN (10) BUSINESS DAYS (FOURTEEN CALENDAR DAYS IN ILLINOIS) PRIOR TO YOUR EXECUTION OF THIS AGREEMENT OR PAYMENT OF ANY CONSIDERATION FOR THE FRANCHISE. YOU AND EACH PRINCIPAL ACKNOWLEDGE THAT YOU HAVE RECEIVED THIS AGREEMENT AND ANY AMENDMENT HERETO, WITH ALL BLANKS FILLED IN, AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO EXECUTION OF THIS AGREEMENT.

22.3. AS AN INDEPENDENT BUSINESS PERSON, YOU AND EACH PRINCIPAL RECOGNIZE THAT THERE ARE ECONOMIC HAZARDS IN CONNECTION WITH OPERATING ANY BUSINESS, INCLUDING THE AREA DEVELOPMENT FRANCHISE. YOU ACKNOWLEDGE THAT WE HAVE NOT GUARANTEED YOUR SUCCESS, FINANCIAL OR OTHERWISE, EVEN THOUGH YOU MAY FULLY COMPLY WITH THIS AGREEMENT, CONFORM TO OUR STANDARDS, AND FOLLOW OUR ADVICE AND RECOMMENDATIONS.

22.4. YOU ACKNOWLEDGE THAT YOU HAVE MADE AN INDEPENDENT INVESTIGATION OF THE PORTRAITEFX FRANCHISE OFFERING. YOU ACKNOWLEDGE AND AGREE THAT THIS FRANCHISE IS NOT AN INVESTMENT CONTRACT OR OTHER SECURITY. YOU UNDERSTAND THAT ANY INCOME OR PROFITS THAT YOU MAY REALIZE WILL BE PRIMARILY THE RESULT OF YOUR EFFORT AND LABOR, AND NOT THE EFFORT OR LABOR OF US, OUR AFFILIATES OR ANY THIRD PARTY.

22.5. YOU ACKNOWLEDGE THAT COMPANY HAS RECOMMENDED, AND THAT YOU HAVE HAD

THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND OUR UNIFORM FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO ENTERING INTO THIS AGREEMENT.

22.6 WE HAVE APPROVED YOUR APPLICATION FOR A FRANCHISED BUSINESS IN RELIANCE ON THE MATERIALS YOU HAVE SUBMITTED AND THE STATEMENTS YOU HAVE MADE TO US IN CONNECTION WITH YOUR APPLICATION FOR THE PURCHASE OF THIS FRANCHISE. AS AN INDUCEMENT TO OUR ENTRY INTO THIS AGREEMENT, YOU REPRESENT TO US THAT ALL OF THOSE MATERIALS AND STATEMENTS ARE COMPLETE AND ACCURATE, AND DO NOT CONTAIN ANY MISREPRESENTATIONS OR MATERIAL OMISSIONS.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

FRANCHISOR

PortraitEFX Franchise Corporation

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

ATTACHMENT A

“Undertaking and Guaranty”

The undersigned (whether one or more, herein called "Guarantors"), general partners or holders of the outstanding equity interests in the Franchisee under the Franchise Agreement to which this Undertaking and Guaranty is annexed, jointly and severally, absolutely and unconditionally guarantee to Franchisor, its successors and assigns ("Company"):

(1) The faithful and punctual performance of each and every duty and obligation of the Franchisee under the Franchise Agreement;

(2) The payment in full when due of any and all amounts for which the Franchisee may become obligated pursuant to Sections 4, 11, 14, and 15 of the Franchise Agreement. The monetary obligations described in clauses (2) through (4) above are called "Debts".

This is a continuing Guaranty and applies to all Debts for or with respect to which the Franchisee may become obligated, whether during the initial Term of the franchise, any renewals or extensions thereof, or, with respect to Debts described in clause (4) above, after the franchise's expiration, termination or cancellation. This Guaranty shall be binding upon each Guarantor's heirs, executors, administrators, guardians, successors and assigns, and under no circumstances will any Guarantor's obligations under this Guaranty be released or extinguished without Our written consent and release or until all Debts have been paid in full, whether or not a Guarantor's interest in you is transferred, sold or otherwise surrendered.

Guarantors expressly waive demand and diligence on the part of the Company in the collection of any of the Debts and agree to all extensions that may be granted to the Franchisee by Company. Company shall be under no obligation to notify Guarantors of any sales or extensions of credit to the Franchisee in reliance on this Guaranty, or of the failure of the Franchisee to pay any of the Debts when due, or to use diligence in preserving the liability of any person on the Debts or in bringing suit or in taking other action to enforce collection of the Debts.

If the Franchisee's status should change through merger, consolidation or otherwise, this Guaranty shall cover the Debts of the Franchisee under its new status, according to the terms of this Guaranty.

Company shall not be required to pursue or exhaust any remedies against the Franchisee, to foreclose its interest in any collateral now or hereafter held by Company as security for the payment of the Debts, to terminate the Franchise Agreement or to take any other action before requiring payment under this Guaranty. Without in any manner impairing or diminishing the obligations of Guarantors under this Guaranty, Company may elect to pursue any legal or equitable remedy available against the Franchisee or against any collateral held by Company, even though the exercise by Company of such remedy results in loss to Guarantors of any right of subrogation or right to proceed against the Franchisee for reimbursement.

If the Franchisee is not liable on any of the Debts because the act of their creation is ultra vires, or if the officers or persons incurring any of the Debts acted in excess of their authority, and therefore the Debts cannot be enforced against the Franchisee, Guarantors shall nevertheless be liable under this Guaranty.

If any payment by the Franchisee to Company is held to be a preference under the United States Bankruptcy Code, or if for any other reason Company is required to refund such payment or pay the amount thereof to any other person, such payment by the You shall not constitute a discharge of Guarantors from any liability under this Guaranty, and Guarantors agree to pay such amount to Company upon demand.

Each Guarantor represents that he or she owns a substantial equity interest in the Franchisee and that he or she is receiving consideration from the Debts that is a material, direct benefit to such Guarantor.

Each Guarantor agrees that this Guaranty is to be performed by Guarantors in Chicago, IL, that this Guaranty shall be deemed to be a contract made under the laws of Illinois and that this Guaranty and the rights of the parties hereto shall be governed by, interpreted in accordance with, and enforced under Illinois law. Guarantors agree to pay our reasonable attorney's fees if this Guaranty is placed in the hands of an attorney for collection, or if it is collected through a proceeding in any court.

The provisions of Sections 4, 8, 9, 10, 19, 21, and 22 of the Franchise Agreement are incorporated into this Undertaking and Guaranty by this reference. Each Guarantor acknowledges the contents of and agrees to be personally bound by the restrictions, limitations and obligations set forth in each of those Sections to the same extent as though Guarantors were the Franchisee.

GUARANTORS' SIGNATURES

Signature: _____

Name Printed: _____

Street Address: _____

Telephone Number: _____

Signature: _____

Name Printed: _____

Street Address: _____

Telephone Number: _____

Signature: _____

Name Printed: _____

Street Address: _____

Telephone Number: _____

ATTACHMENT B

“Confidentiality and Non-Competition Agreement” (For trained employees, shareholders, officers, directors, members and general partners of Franchise)

SAMPLE FORM ONLY

In consideration of my being a _____ of _____
 (“Covenantor” of Franchisee, and for other good and valuable consideration, the receipt and sufficiency of
 which is acknowledged, I hereby acknowledge and agree that:

1. _____ doing business as _____ (the
 “Franchisee”), has acquired the right and franchise from PortraitEFX Franchise Corporation
 (“PortraitEFX”) to establish and operate a PortraitEFX Franchise and the right to use in the operation of
 the Franchised Business the PortraitEFX trade names, trademarks, service marks, including the service
 mark “PortraitEFX” (the “Marks”) and the system developed by PORTRAITEFX for operation and
 management of a PortraitEFX franchised businesses (the “System”), as they may be changed, improved
 and further developed from time to time in PortraitEFX’s sole discretion.
2. PortraitEFX possesses certain proprietary and confidential information relating to the operation of
 the System, which includes the Operations Manual, trade secrets and copyrighted materials, methods
 and other techniques and know-how (the “Confidential Information”).
3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge,
 know-how, and techniques which PortraitEFX specifically designates as confidential shall be deemed to
 be Confidential Information for purposes of this Agreement.
4. As a Covenantor of the Franchisee, PORTRAITEFX and Franchisee will disclose the Confidential
 Information to Covenantor in furnishing to Covenantor the training program and subsequent ongoing
 training, PortraitEFX Operations Manual (the “Manual”) and other general assistance during the term of
 this Agreement.
5. Covenantor agrees that he/she will not acquire any interest in the Confidential Information, other
 than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use
 or duplication of the Confidential Information for any use outside the System would constitute an unfair
 method of competition.
6. The Confidential Information is proprietary, involves trade secrets of PortraitEFX, and is disclosed
 to Covenantor solely on the condition that he/she agrees, and does hereby agree, that Covenantor shall
 hold in strict confidence all Confidential Information and all other information designated by PortraitEFX
 as confidential. Unless PortraitEFX otherwise agrees in writing, Covenantor will disclose and/or use the
 Confidential Information only in connection with the duties as _____ of the
 Franchise, and will continue not to disclose any such information even after Covenantor ceases to be in
 that position and will not use any such information even after Covenantor ceases to be in that position
 unless Covenantor can demonstrate that such information has become generally known or easily
 accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.
7. Except as otherwise approved in writing by PortraitEFX, Covenantor shall not, while in the
 position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or
 termination of Covenantors’ position with the Franchised Business, regardless of the cause for
 termination, and continuing for one (1) years thereafter, either directly or indirectly, for Covenantor or
 through, on behalf of, or in conjunction with any other person, partnership, corporation or other limited
 liability company own, maintain, engage in, be employed by, or have any interest in any other business
 which operates a professional photography service or offers other similar products or services offered by
 the Franchised Business, under the PortraitEFX System, as of the date of termination of Covenantors
 employment, within the Territory, as that term is defined in the Agreement. This restriction does not apply
 to Covenantors ownership of less than five percent beneficial interest in the outstanding securities of any

publicly-held corporation.

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

9. Covenantor understands and acknowledges that PortraitEFX shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without Covenantor's consent, effective immediately upon receipt of written notice thereof; and Covenantor agrees to comply forthwith with any covenant as so modified.

10. PortraitEFX is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. Covenantor is aware that a violation of this Agreement will cause PortraitEFX and the Franchisee irreparable harm; therefore, Covenantor acknowledges and agrees that the Franchisee and/or PortraitEFX may apply for the issuance of an injunction preventing Covenantor from violating this Agreement, and Covenantor agrees to pay the Franchisee and PortraitEFX all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against Covenantor. Due to the importance of this Agreement to the Franchisee and, any claim Covenantor has against the Franchisee or PortraitEFX is a separate matter and does not entitle Covenantor to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of Illinois. The only way this Agreement can be changed is in writing signed by both the Franchisee and Covenantor.

12. With respect to all claims, controversies and disputes, Covenantor irrevocably consents to personal jurisdiction of the state courts located in Chicago, IL. Covenantor acknowledges that this Agreement has been entered into in the state of Illinois and that Covenantor is to receive valuable information emanating from PortraitEFX's headquarters in Charlotte, NC. In recognition of information and its origin, Covenantor hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Illinois as set forth above. Notwithstanding the foregoing, Covenantor acknowledges and agrees that PortraitEFX may bring and maintain an action against Covenantor in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS AGREEMENT THE DAY AND YEAR FIRST ABOVE WRITTEN.

Signature: _____

ACKNOWLEDGED BY FRANCHISEE

Name: _____

Signature: _____

Title: _____

Name: _____

Address: _____

Title: _____

ATTACHMENT C

“Designated Equipment, Accessories & Software”

PortraitEFX Franchisee Starting Equipment List

This package is appropriate for a franchisee planning to operate a basic home based and/or location based photography business offering in-home and location family portraits, as well as a variety of higher volume opportunities such as special events, private schools, daycares and some sports leagues. As an owner progresses in growing this franchise one can expect to enhance this basic package with additional/back up camera bodies, multiple light sets, extra accessories and at least one back up computer. While this franchise only requires one computer to operate, it is our “best practices” recommendation that each owner purchase an identical computer to serve as a backup. Owners with a backup computer and currently backed up files on their external drive, experience an almost seamless transition in the event of a system failure.

Components from these packages can be mixed and matched to suit any particular business need. We will evaluate all requests and make recommendations based on specific needs.

Equipment you may already own – Professional level digital cameras, professional quality lenses and flash lighting will be accepted into the system in lieu of a like component on our equipment package lists. A member of our photography training staff will evaluate your equipment and grant the exception in writing if the equipment is deemed suitable to produce professional quality results in the volume market.

Film based camera equipment - The PortraitEFX photography workflow, product offering and marketing programs are all developed and based on using digital cameras as the original capture device. Film cameras will not be accepted for use in a PortraitEFX franchise.

(see charts on following pages for detailed description and current pricing)

Portrait EFX Franchising Corporation Starting Equipment Recommendations

Prices subject to change. Revision Date: 4/12/2011

Plan to bring all the highlighted equipment with you to your Essentials Training Week. If you wish, you can wait to order the other equipment until after Training. This will provide you an opportunity to ask questions about which lighting / etc. will be right for you. Depending on what type of business you choose to pursue, it may not be necessary to purchase everything on this list.

QTY	ITEM	Good Quality Outfit and price ea	Better Quality Outfit and price ea	Best Quality Outfit and price ea
	CAMERA EQUIPMENT			
1	Primary Camera Body* call for market price	Choice of Canon 60D \$1041.00 Nikon D7000 \$1175.00 Both use "SD" cards.	Choice of Canon 60D \$1041.00 Nikon D300S \$1625.00	Choice of Canon 7D-SV* \$2395.00 Canon 7D \$1609.00 Nikon D300S \$1625.00 (* Canon 7D-SV is the ultimate Hi—Volume camera out today.
1	Add a Barcode Reader only if you are purchasing a 7D-SV Camera. The camera supplier can provide the proper model to use with the 7D-SV	N/A	N/A	Honeywell USB Model – NOT Bluetooth version. About \$150
1	Back-Up Camera Body* call for market price. Your choice, but make it the same brand as your primary camera so you can swap lenses.	Canon T2i \$757.00 Nikon D7000 \$1041.00	Canon T2i \$757.00 Nikon D7000 \$1041.00	Canon T2i \$757.00 Nikon D300S \$1625.00
1	Hotshoe to PC Adapter	Needed	Needed	N/A
1	IMPORTANT ADDITION: For each of your Cameras, We strongly suggest you have your viewfinders modified to include a "school-version" viewfinder mask for proper cropping control. Information on this is available at www.viewfinder masks.com. The cost is approximately \$175 per camera, but a PortraitEfx Discount may be available on request. For Pro-level Canon Cameras, they can send you the screen and you can install it yourself. For all other cameras it is necessary to ship your camera to them for modification. If possible, plan to have this modification done PRIOR to attending the Essentials Training in Memphis. Allow TWO WEEKS production which includes shipping time. If you are unable to get this done prior to Training you can have it done immediately after. The crop lines program you want on your camera is the: <u>Head and Shoulders (Top Shooter) UNIVERSAL SCREEN</u>			
1	Remote Trip (corded or wireless)	RS-60E3 \$25.00 f/T2i-D60 MC-DC2 \$27.00 f/D90	RS-60E3 \$25.00 f/T2i-D60 MC-30 \$85.00 f/D300s MC-DC2 \$27.00 f/D90	Hahnel Combi AF Remote \$89.00
2	Extra Batteries for Camera	LP-E6 \$85 f/60D LP-E8 \$60.00 f/T2i EN-EL15 \$69.00 Nikon	LP-E6 \$85 f/60D LP-E8 \$60.00 f/T2i EN-EL3e \$50.00 Nikon	LP-E6 \$80.00 f/7D LP-E8 \$60.00 f/T2i EN-EL3e \$50.00 Nikon
2	2-4GB Memory Cards primary camera	CF-SDHC CALL	CF-SDHC CALL	CF-SDHC CALL
2	2-4GB Memory Cards back-up camera			

	LENSES: These are just recommended lenses. Almost any high quality lens from a reputable manufacturer will work. You only need one lens if the zoom range covers a minimum of 28mm thru 270mm. If not, you may need two lenses; a short focal-length zoom covering a minimum of 28mm-135mm, and a longer focal length zoom covering a minimum of 70mm – 270mm which is sufficient for action sports photography. If you don't plan to do action sports, a long zoom in the 70mm-200mm range is sufficient. Extra lens coverage on either end of the recommended zoom range is always helpful.			
1	18-270 VC w/shade,- Before rebates 28-300 Zoom w/ shade call for rebate	Tamron \$629.99 Tamron \$419.99	Tamron \$629.99 Tamron \$419.99	Tamron \$629.99 Tamron \$419.99
1	UV Filter for 28-300 Zoom 62MM Digital	\$28	\$28	\$28
ON-CAMERA FLASH				
1	On-Camera Flash	Canon 430 EX/Nikon SB700 \$309.00	Canon 580EX II \$499.00 Nikon SB-900 \$499.00	Quantum Qflash T5DR w/ TURBO 2X2 \$1260.00
1	TTL Cord for above	Canon OC-E3 \$79.00 Nikon SC-28 \$69.00	Canon OC-E3 \$79.00 Nikon SC-28 \$69.00	Quantum D23WR/D22WR \$135.00
1	Flash Bracket w/ mounting plate if req'd If your budget permits, we strongly suggest the Pro M Kit w/ FQ-1	Custom Bracket Digital S \$39	Custom Bracket Folding Flip S \$65	Custom Bracket Pro M Kit \$360 FQ-1 \$25
1	Flash Diffuser	Lumi Pocket \$24.00	Lumi Softbox \$35.00	Lumi Softbox \$35.00
OTHER EQUIPMENT & ACCESS.				
1	Light / Flash Meter	Polaris \$199.00 or Sekonic L-358 - \$299	Polaris \$199.00 or Sekonic L-358 - \$299	Polaris \$199.00 or Sekonic L-358 - \$299
1	20-24" Tri-tone White Balance Target	Cal target \$75.00	Cal target \$75.00	Cal target \$75.00
1	Case for Cameras / Lenses/ Flash	Lowepro Pro Roller x100 \$249.00	Lowepro Pro Roller X200 \$298.00 Think Tank Airport Take Off \$259.00	Lowepro Pro Roller X200 \$298.00 Think Tank Airport Take Off \$259.00
1	Tripod w/ mounting plate	Vanguard Alta Pro 263AT Legs plus SBH-100 Ball Head - \$168.00	Vanguard Alta Pro 263AT Legs plus SBH-100 Ball Head - \$168.00	Manfrotto w/ Ball head 055xdb/804RC2 \$229.00
STUDIO LIGHTING here is "manufactured / distributed by Alien Bee Lighting" 1-800-443-5542 / www.alienbees.com				
1	Studio Monolight – Main Light- 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-1600 in black or white w/ 13' stand
1	Studio Monolight – Fill Light- 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-800 in black or white w/ 13' stand	Alien Bees B-1600 in black or white w/ 13' stand

1	Studio Monolight – Hair Light –13’ stand	Alien Bees B-400 in black or white w/ 13’ stand	Alien Bees B-800 in black or white w/ 13’ stand	Alien Bees B-800 in black or white w/ 13’ stand
1	Studio Monolight – Backlight – 2’ stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand
1	Studio Monolight – Rim Light– 2’ stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand	B-400 in black or white w/ LS1100 Backlight stand
1	Light Modifier for Main Light	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.
1	Light Modifier for Fill Light	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.	FSB3240 Foldable Large Softbox (32"x40") w/ speedring.
1	Light Modifier for Hair Light	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid
1	Light Modifier for Rim Light	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid	FSB1036 Foldable) Stripbox w/ speedring. Plus G1036 Foldable Stripbox Grid Plus HG40 – 7" 40 degree grid
1	Light Modifier for Background Light	HGX4 Set of four honeycomb grids, plus #UMF Gel Holder	HGX4 Set of four honeycomb grids, plus #UMF Gel Holder	HGX4 Set of four honeycomb grids, plus #UMF Gel Holder
2	White 36"- 42" Umbrellas	36"-42" Umbrella	36"-42" Umbrella	36"-42" Umbrella
1	Wired Remote Control – For Alien Bee Lights only.	LG4X Four Channel Wired remote control	LG4X Four Channel Wired remote control	LG4X Four Channel Wired remote control
1	(optional) Beauty Dish for Main Light Order only if you intend to do lots of Sports teams taken outdoors.	<u>22HOB-D-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOB-D-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOB-D-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>
1	(optional) Beauty Dish for Fill Light Order only if you intend to do lots of sports teams taken outdoors.	<u>22HOB-D-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOB-D-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>	<u>22HOB-D-W</u> <u>22" High-Output</u> <u>White</u> <u>Beauty Dish</u> <u>Reflector</u>
1	Reflector panel w/ Stand	ALP1018SW 40x72 \$115.00	ALP1018SW 40x72 \$115.00	ALP1018SW 40x72 \$115.00

REMOTE RF FLASH TRIGGERS: NOT IMMEDIATELY NECESSARY. These are not necessary for inside shoots where only one portable studio will be present. However, for large, multiple camera shoots, you will need to purchase 1 Transmitter and 1 Receiver for each light. When your need does exist, Contact Management on recommendations on Makes, Models and Prices.

BACKGROUNDS AND POSING EQUIPMENT

1	10x24 Muslin Background – # MM2211 “Nightfall” This is a good all-around portrait background for Families, Children and Seniors. It is available from Denny Manufacturing Co. 800-844-5616 or online at www.dennymfg.com . Be sure to ask for the 10% PEFX discount. It's a “quick ship” background which means it's always in stock.			
1	SPECIAL Greenscreen Background – ONLY Greenscreen material from recommended vendors is supported	Cat. #4105675 Size: 9x10' \$75	Cat #4105670 Size: 9x20' \$139	Cat #4105670 Size: 9x20' \$139
	SPECIAL Blackscreen Material	Uses and Vendors and will be discussed at Training. Sizes required for the type of work you do will determine the cost		
2	Adjustable Posing Stools – Available from Showcase Photo or Denny Mfg.	\$75 ea. = \$150.00 TL.	\$75 ea.	\$75 ea. = \$150.00
1	Set of Posing Boxes – Denny Mfg.	\$125.00	\$125.00	\$125.00

OTHER EQUIPMENT, SERVICES AND SOFTWARE – VARIOUS VENDORS OR AVAILABLE ONLINE

1	Adobe Elements Software	\$79.00	\$79.00	\$79.00
1	ACDSee Photo Manager – newest vers.	Online @ \$169.00	Online @ \$169.00	Online @ \$169.00
1	Photodex ProShow Gold Software Order at www.photodex.com	Online @ \$99.00	Online @ \$99.00	Online @ \$99.00
	Portrait Professional Retouch Software Order at www.portraitprofessional.com	Online @ \$79.00	Online @ \$79.00	Online @ \$79.00
1	LAPTOP Computer – PC ONLY – any reputable brand. These are just the Minimum Requirements – Windows 7, Vista or XP Operating System. 2.1GHz processor (or faster) 4GB Ram (or more) 350GB Hard Drive (or bigger) 16” Screen (or bigger) plus 4X (or more) CD / DVD Writer. We DO recommend buying an all-risk protection policy on Laptops.			
1	External CF / SD Card Reader	Buy one for USB 2 or higher. Cost \$15 - \$25.		

ATTACHMENT D
“Protected Territory”

ATTACHMENT F

Addendum to Franchise Agreement Pursuant to The Minnesota Franchise Investment Law

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and soled in the State of Minnesota:

1. The general release language contained in the Franchise Agreement shall not relieve us or any other person, directly or indirectly, from liability imposed by the Minnesota Franchises Law and regulations promulgated thereunder.
2. The following language will appear at the end of Paragraph 18.5 in the Franchise Agreement:
Pursuant to Minn. Stat. Sec. 80C.21, this paragraph shall not in any way abrogate or reduce any rights of your rights as provided for in the Minnesota Statutes 1990, Chapter 80C, including, but not limited to, the right to submit matters to the jurisdiction of the Courts of Minnesota.
3. The following language will appear at the end of Paragraph 20.1 in the Franchise Agreement:
Pursuant to Minn. Stat. Sec. 80C.21, this paragraph shall not in any way abrogate or reduce any of your rights as provided for in the Minnesota Statutes 1990, Chapter 80C, including, but not limited to, the right to submit matters to the jurisdiction of the court of Minnesota.
4. The following language will appear in the Franchise Agreement:
Minnesota law provides licensees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that a licensee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the license agreement.
5. Section 13.6 of the Franchise Agreement is modified as follows:
The Minnesota Department of Commerce requires that we indemnify Minnesota Licensees against liability to third parties resulting from claims by third parties that the Licensees' use of the trade name infringes trademark rights of the third party. We agreed to indemnify you against the consequences of your use of the trade name in accordance with the requirements of the license, and, as a condition to indemnification, you must provide us with notice of any such claims within ten (10) days and tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

FRANCHISOR

PortraitEFX Franchise Corporation

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

By: _____

Name: _____

Title: _____

Date: _____

ATTACHMENT G

Addendum to Franchise Agreement Pursuant to The Illinois Franchise Disclosure Act

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois.

Notice Required By Law

1. THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON NON-RENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 70S/19 AND 705/20.
2. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provisions of the Franchise Agreement or Illinois law which are in conflict with the Act.
3. The following language will be inserted in Section 18.5 of the Franchise Agreement:

Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside this state is void provided that a franchise agreement may provide for arbitration in a forum outside of this state. Except for our right to arbitrate outside this state, The Franchise Agreement shall be governed, interpreted and construed in accordance with the laws of the State of Illinois.
4. Section 41 of the Act prohibits any condition, stipulation, or provision found in the Franchise Agreement purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of the State of Illinois is void. Accordingly, any waiver or integration clause found in the Franchise Agreement may be void.
5. Nothing in the Franchise Agreement is intended to disclaim the representations we made in the Uniform Franchise Disclosure Document that we provided to you.

FRANCHISOR:

PortraitEFX Franchising Corporation

By: _____

Name: _____

Title: _____

Executed on: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Executed on: _____

EXHIBIT H
Promissory Note
(SAMPLE)

On this date of _____, _____ the undersigned borrower FRANCHISEE NAME ("Borrower") promises to pay to PortraitEFX Franchising Corporation, the "Lender", the sum of \$_____ Dollars, which represents the balance of the initial franchise fee due under the terms of that certain franchise agreement between Borrower and Lender signed on the _____, _____ ("Franchise Agreement"), together with interest thereon at the rate of _____, _____ per annum, which will begin accruing on the 1st month from the Franchise Agreement effective date of _____. If the balance is paid in full by the fourth installment, then all accrued interest will be credited to the account. All terms not otherwise defined herein shall have the meaning ascribed to them under the Franchise Agreement.

Terms of Repayment: This loan shall be repaid under the following terms: Payments shall be paid in _____ monthly installments beginning one month from the Effective Date. Payments received by the holder hereof from time to time shall be applied first to accrued interest and late payment fees if any, and then to the principal balance hereof.

Terms of Repayment (Periodic Payment): Starting on _____, _____ and continuing until the principal balance of this Note, and any accrued interest have been repaid in full, on the 10th day of each month for the term of the Note, the Borrower shall pay the amount of \$_____ for _____ consecutive months and a final payment of \$_____ on the thirty-sixth (36th) monthly installment ("Note Maturity Date"). All payments shall be first applied to interest and late payment fees, if any, and the balance to principal.

Late Fees: In the event that a payment due under this Note is not made within ten (10) days of the time set forth herein, the Borrower shall pay an additional late fee in the amount of \$25.00.

Method of Payment - all payments due under this note shall be made check or money order mailed to the PortraitEFX Franchising Corporation 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708. Payments may also be satisfied by use of a credit card but there will be an additional processing fee of 4% of the payment total.

Prepayment - This Note may be prepaid in whole or in part at any time without premium or penalty. All prepayments shall first be applied to interest, late fees, if any, and then to principal payments in the order of their maturity.

Default – This Note shall, at the option of Lender, become immediately due and payable without notice or demand upon the occurrence of any of the following events (each an "Event of Default"):

1. Borrower fails to make payments hereunder on three (3) consecutive payments dates; or
2. Borrower fails to make any payment hereunder on any payment date for any reason; or
3. Borrower fails to make payment in full of the principal balance hereof and all accrued interest thereon within [60] days after the Note Maturity Date; or
4. Borrower shall admit its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or
5. A proceeding in bankruptcy or for reorganization of Borrower or the readjustment of any of its debts under Title 11 of the United States Code, as amended, or any part thereof or under any other laws, whether state or federal, for the relief of debtors now or hereafter existing, shall be commenced by Borrower or shall be commenced against Borrower and shall not be discharged within sixty (60) days of its commencement; or
6. A receiver or trustee shall be appointed of Borrower or for any substantial part of its or his assets, or any proceeding shall be instituted for the dissolution or the full or partial liquidation of Borrower, and such receiver or trustee shall not be discharged within 60 days of his appointment, or such proceeding shall not be discharged within 60 days of its commencement; or

7. A judgment creditor of Borrower shall obtain possession of any of Borrower's assets by any means including, without limitation, levy, restraint, or replevin; or
8. The validity or enforceability of this Note, or any lien contemplated hereby shall be contested by Borrower or Borrower shall deny any further liability or obligation hereunder or thereunder.

In the Event of Default, the Borrower agrees to pay all costs and expenses incurred by the Lender, including all reasonable attorney fees (including both hourly and contingent attorney fees as permitted by law) for the collection of this Note upon default, and including reasonable collection charges (including, where consistent with industry practices, a collection charge set as a percentage of the outstanding balance of this Note) should collection be referred to a collection agency.

Acceleration of Debt - In the event that the borrower fails to make any payment due under the terms of this Note, or breach any condition relating to any security, security agreement, note, mortgage or lien granted as collateral security for this Note, seeks relief under the Bankruptcy Code, or suffers an involuntary petition in bankruptcy or receivership not vacated within thirty (30) days, the entire balance of this Note and any interest accrued thereon shall be immediately due and payable to the holder of this Note. In the event Borrower sells or transfers his interest in the franchise in accordance with the Franchise Agreement, then any balance remaining on this note is due and payable at the time of transfer.

Dismissal of Debt – In the event the Franchise Agreement is terminated by Lender or by Borrower in accordance to the Franchise Agreement at any time prior to the final and complete payment of this note, it is understood and agreed any remaining balance due after the date of termination shall be waived and considered paid.

Modification - No modification or waiver of any of the terms of this Note shall be allowed unless by written agreement signed by both parties. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

Transfer of the Note - The Borrower hereby waives any notice of the transfer of this Note by the Lender or by any subsequent holder of this Note, and agrees to remain bound by the terms of this Note subsequent to any transfer, and agrees that the terms of this Note may be fully enforced by any subsequent holder of this Note.

Severability of Provisions - In the event that any portion of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

Choice of Law - All terms and conditions of this Note shall be interpreted, enforced and construed under the laws of the State of Illinois, excluding its conflict of law principles.

Signed Under Penalty of Perjury, this _____ day of _____, 201__.

Borrower Signature

Address

Signed in the presence of:

Witness Signature

Phone#

(SAMPLE)

EXHIBIT I

Multi-State Addendum- Attached

MULTI-STATE ADDENDUM

ADDENDUM TO PORTRAITEFX UNIFORM FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

THIS ADDENDUM is dated _____, 20____ (the "Effective Date") between PortraitEFX, a Nevada based Corporation and _____ ("Franchisee"). This addendum amends the terms and conditions of that certain PortraitEFX Franchise Agreement dated of even date herewith (the "Franchise Agreement"). To the extent that the terms and conditions are inconsistent with the terms and conditions of the Franchise Agreement, the terms and conditions herein govern.

FOR THE STATE OF CALIFORNIA

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.

California Business and Professions Code 20000-20043 provide the rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that this is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. As disclosed in the Disclosure Document, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SCC. 101 *et seq.*).

The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGNA GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATION CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONAL CODE §§20000 THROUGH 20043).

Our Web site is located at www.portraitefx.com. OUR WEBSITE HAS NOT BEEN REVIEW OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

FOR THE STATE OF ILLINOIS

The Franchise Agreement states that it is to be governed under the laws of the State of Illinois, and that venue will be in Illinois. The Franchise Agreement is amended to provide that it will be governed by Illinois law, with jurisdiction and venue in the state of Illinois.

Nothing contained in the Franchise Agreement shall be construed to waive reliance on any representation contained in the franchisor's Uniform Franchise Disclosure Document provided to the franchisee, nor shall anything herein be construed to waive compliance with the Illinois Franchise Disclosure Act of 1987, as amended, or any other law of the State of Illinois.

FOR THE STATE OF INDIANA

The Franchise Agreement obligates the franchisee to arbitrate or litigate disputes outside of the State of Indiana. To the extent these provisions are inconsistent with Indiana law, the Franchise Agreement is amended to provide that Indiana law will govern.

FOR THE STATE OF MARYLAND

Pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, the appropriate provision of the Franchise Agreement is amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise. The statement in the Franchise Agreement that provides for termination of the Franchise Agreement upon bankruptcy may not be enforceable under federal bankruptcy law.

Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement is not intended to require a franchisee to release or waive any claims it may have against Franchisor as a result of Franchisor's violation of the Maryland Franchise Registration and Disclosure Law.

Maryland regulations require a franchisor to disclose how fees related to advertising are raised and spent and how a franchisee may obtain an accounting of those accounting expenditures. Therefore, if a franchisor requires franchisees to contribute to an advertising fund, the franchisor must provide an accounting of that advertising fund and make that accounting available to franchisees. The franchisor must disclose this information in Item 11 of its Disclosure Document.

Maryland regulations require a franchisor to amend its Disclosure Document and any agreements to clarify that a franchisor may not require a franchisee to sign anything that waives or releases the franchisor from liability from claims that may arise under the Maryland Franchise Law. The Division requires a franchisor to amend its Disclosure Document and any related agreements filed with the franchisor's registration to conform to this requirement of Maryland law and include a copy of the form "release" to be used.

The Franchise Agreement is hereby amended to provide that the franchisee shall not be required to pay any initial fees to the franchisor unless and until the franchisor has satisfied all its initial obligations to the franchisee.

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.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure the failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:
 - (i) The term of the franchise is less than 5 years and
 - (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or

other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub franchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of the assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or enforcement by the Attorney General.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
670 Law Building
Lansing, MI 48913
(517) 373-3800

FOR THE STATE OF MINNESOTA

Item 17 of Disclosure Document is amended to include the following language:

With respect to franchises governed by Minnesota law, PortraitEFX will comply with Minnesota Statutes Section 80C.14, Subdivisions 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 of notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit PortraitEFX from

requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement shall abrogate or educe any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes Section 80C.14, Subdivisions 3, 4, and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days of notice for non-renewal of the Franchise Agreement.

The Minnesota Department of Commerce requires that the franchisor indemnify Minnesota franchisees against liabilities to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. Franchisor will protect franchisee's rights to use of its service marks and all other commercial symbols and/or indemnify franchisee from any loss, cost or expense arising out of any claim, suit or demand regarding the use of the name.

Franchisor does not indemnify against the consequences of the franchisee's use of the franchisor's service marks except in accordance with the requirements of the franchise, and, as a condition to indemnification, franchisee must provide notice to franchisor of any the claim within ten (10) days and tender the defense of the claim to franchisor. If the franchisor accepts the tender of defense, franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Minnesota Rule 2860.4400J prohibits franchisors from requiring franchisees to waive any rights. Accordingly, where the Franchise Agreement requires the franchisee to consent to the franchisor obtaining injunctive relief, that requirement is invalid. Instead, the documents are amended to the state that the franchisor may seek injunctive relief.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. Accordingly, Item 17 of the Disclosure Document and the Franchise Agreement are amended to the extent necessary to remove this requirement.

The foregoing Addendum is a part of all Franchise Agreements in the State o Minnesota and shall be effective upon the execution of any such Franchise Agreement.

FOR THE STATE OF NEW YORK

REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, N.Y. 10271.

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

The following is added to Item 3 of the Disclosure Document:

Neither we nor our predecessor, a person Identified in Item 2, or an affiliate offering franchises under our principal trademark has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

Neither we nor our predecessor, a person Identified in Item 2, or an affiliate offering franchises under our

principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither we nor our predecessor, a person Identified in Item 2, or an affiliate offering franchises under our principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling this person from membership in this association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activities as a result of an action brought by a public agency or department including, without limitation, actions affecting a license as a real estate broker or sales agent.

The following is added to Item 4 of the Disclosure Document

Except as described in Item 4 of this Disclosure Document, neither we nor any of our affiliates, any predecessor, or any of our officers, or general partner during the 10-year period immediately before the date of this Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the 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 one year after our officer or general partner held this position in the company or partnership.

The following is added to Item 17 of the Disclosure Document:

Section 17.w is supplemented to state that the foregoing choice of law should not be considered a waiver of any right conferred upon us or you by Article 33 of the General Business Law of the state of New York. Any condition, stipulation or provision contained in the Franchise Agreement which purports to bind you to waive compliance with any provision of the New York General Business Law (Article 33, Sections 680 through 695) or any rule promulgated thereunder, may be void and unenforceable under the nonwaiver provision of such law.

New York General Business Law, §687.5 prohibits us from requiring a franchisee to assent to a release, assignment, novation, waiver, or estoppel that would relieve a person from any duty or liability imposed by such law. To the extent the Franchise Agreement requires you to waive or release any claims you may have against us or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would serve to relieve any person from liability under the FRDL, such release, waiver or acknowledgment shall not apply and shall be void to the extent that they would violate the nonwaiver provisions of the New York General Business Law.

FOR THE STATE OF NORTH DAKOTA

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N.D.C.C.):

1. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions of Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

FOR THE STATE OF WASHINGTON

If any of the provisions in the Disclosure Document of Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Disclosure Document and Franchise Agreement with regard to any franchise sold in Washington.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

FOR THE STATE OF WISCONSIN

The Wisconsin Fair Dealership Law Ch. 135, Sections 135.01-135.07 may affect the termination provisions of the Franchise Agreement.

GENERAL

The provisions set forth in this Addendum shall be effective only to the extent that the jurisdictional requirements of state law applicable to the provisions herein are met independent of this

Addendum.

THIS ADDENDUM executed on this ____ day of _____, 2011

POTRAITEFX

FRANCHISEE

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT J
RECEIPT

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 PortraitEFX offers you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If you are in Maryland, New York or Rhode Island, PortraitEFX must provide you with 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.

If you are in Michigan, Oregon, Washington or Wisconsin, PortraitEFX must provide you with this disclosure document at least 10 business days before the execution of a binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PortraitEFX does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchisor is PortraitEFX Franchising Corporation, located at 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708 800-765-7561.

Issuance Date: April 2011

The franchise seller for this offering is Chris Doyle for PortraitEFX Franchising Corporation, at 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708; 800-765-7561.

PortraitEFX authorizes the respective state agencies identified on Exhibit E to receive services of process for it in the particular state.

I have received a Uniform Franchise Disclosure Document dated April 2011 This Disclosure Document included the following Exhibits:

EXHIBIT A	List of Franchisees
EXHIBIT B	Designated Equipment, Accessories & Software
EXHIBIT C	Advanced Training Modules Description & Pricing
EXHIBIT D	Table of Contents of Manual
EXHIBIT E	List of State Administrators & Agents for Service of Process
EXHIBIT F	Financial Statements
EXHIBIT G	Franchise Agreement
EXHIBIT H	Promissory Note
EXHIBIT j	Multi-State Addendum
EXHIBIT J	Receipt

Dated: _____

Signature of Prospective Franchisee

Franchisee

(Print Name)

Telephone Number

Complete Below for a Partnership or Corporation:

Name: _____

Title: _____

Name of Company: _____

Address: _____

You may return the signed receipt either by signing, dating and mailing it to PortraitEFX Franchising Corporation, at 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708, or by faxing a copy of the signed and dated receipt to PortraitEFX at (206) 350-4534.

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.

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EXHIBIT j	Multi-State Addendum
EXHIBIT J	Receipt

Dated: _____

Signature of Prospective Franchisee

Franchisee

(Print Name)

Telephone Number

Complete Below for a Partnership or Corporation:

Name: _____

Title: _____

Name of Company: _____

Address: _____

You may return the signed receipt either by signing, dating and mailing it to PortraitEFX Franchising Corporation, at 8206-1200 Providence Road, Suite 301 Charlotte, NC 28277-9708 or by faxing a copy of the signed and dated receipt to PortraitEFX at (206) 350-4534.