



FRANCHISE DISCLOSURE DOCUMENT

CREATIVE COLORS INTERNATIONAL, INC.

An Illinois corporation

19015 S. Jodi Road, Suite E

Mokena, Illinois 60448

(800) 933-2656

Terri@CreativeColorsIntl.com

www.CreativeColorsIntl.com

We offer a mobile-operated Franchised Business that specializes in repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces. We offer these franchises individually under the terms of a standard Franchise Agreement. We also offer (i) multi-unit opportunities under our Area Development Agreement and (ii) regional development rights under our Regional Development Agreement.

The total investment necessary to begin operation of a single Franchised Business is \$79,600 to \$107,250. This includes \$69,000 that you must pay to the Franchisor.

The total initial investment for an Area Development Agreement is \$139,100 to \$275,150, including \$128,500 you must pay the Franchisor. The fee paid to the Franchisor covers the initial area development fee for 3 Franchised Businesses you will own and operate plus the Start-Up Fee for the 1st Franchised Business you open. You will pay a Start-Up Fee in the amount of \$24,000 when you open your 2nd and 3rd Franchised Business. For each additional Franchised Business you open, your investment is an additional \$57,000 you must pay the franchisor.

The total initial investment for a Regional Development Agreement is \$209,800 to \$246,250 for the rights to own and operate 1 Franchised Business and to commit to recruit and develop 9 additional Franchised Businesses. This fee includes \$194,500 you must pay the Franchisor, which covers the initial franchise fee of 1 Franchised Business that you must open and operate, a territory of approximately 3,000,000 in people population which is equivalent to 10 Franchised Businesses and the Start-Up Fee for the 1st Franchised Business you must open. For the right to develop more than 9 Franchised Businesses, your investment is an additional \$16,500 in Regional Development Fee for each increment of Granted Territory per Franchised Business, all of which you must pay the franchisor. The Regional Developer is not a Subfranchisor.

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

You may wish to receive your franchise disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Terri L. Sniegolski at Creative Colors International, Inc., 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448, 1-800-933-2656 ext. 224.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 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.

Issued: 4-1-14



STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT AND REGIONAL DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION ONLY IN ILLINOIS. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN ILLINOIS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT AND REGIONAL DEVELOPMENT AGREEMENT STATE THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. CONTINUATION OF YOUR AREA IS DEPENDENT ON HAVING 2 VANS BEGINNING ON YOUR SECOND ANNIVERSARY. ALSO, THE FRANCHISOR MAY CONDUCT SURVEYS OF YOUR AREA, AND, IF REQUIRED, YOUR FAILURE TO ADD A VAN IS A MATERIAL BREACH OF THE FRANCHISE AGREEMENT.
4. LIQUIDATED DAMAGES WILL BE REQUIRED IF THE FRANCHISE AGREEMENT IS TERMINATED WITH CAUSE.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

The effective dates of registration in states where this Disclosure Document is registered are listed on the following page.

STATE	EFFECTIVE DATE
CALIFORNIA	
FLORIDA	11-21-13
HAWAII	
ILLINOIS	
INDIANA	
MARYLAND	
MICHIGAN	12-5-13
MINNESOTA	
NEW YORK	
NORTH DAKOTA	
RHODE ISLAND	
SOUTH DAKOTA	
UTAH	12-14-13
VIRGINIA	
WASHINGTON	
WISCONSIN	
ALL OTHER STATES	4-1-14

TABLE OF CONTENTS

	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	7
ITEM 2 BUSINESS EXPERIENCE	9
ITEM 3 LITIGATION.....	10
ITEM 4 BANKRUPTCY.....	10
ITEM 5 INITIAL FEES.....	10
ITEM 6 OTHER FEES	13
ITEM 7 ESTIMATED INITIAL INVESTMENT	19
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	26
ITEM 9 FRANCHISEE'S OBLIGATIONS	29
ITEM 10 FINANCING.....	31
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	32
ITEM 12 TERRITORY	45
ITEM 13 TRADEMARKS	49
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	50
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	52
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	53
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	54
ITEM 18 PUBLIC FIGURES	61
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	62
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	75
ITEM 21 FINANCIAL STATEMENTS	81
ITEM 22 CONTRACTS	81
ITEM 23 RECEIPTS	81
EXHIBIT A - LIST OF STATE ADMINISTRATORS.....	82
EXHIBIT B - LIST OF AGENTS FOR SERVICE OF PROCESS.....	83
EXHIBIT C - TABLE OF CONTENTS TO OPERATIONS MANUAL.....	84
EXHIBIT D - TABLE OF CONTENTS TO TRAINING MANUAL.....	87
EXHIBIT E - FRANCHISE AGREEMENT.....	92
A. Area of Primary Responsibility.....	142
B. Refunds and Cancellation.....	143
C. Guaranty and Assumption of Obligations.....	145
D. Business Card Specifications.....	146
E. Franchise Ownership.....	147

EXHIBIT F – AREA DEVELOPMENT AGREEMENT.....	149
Attachment A - Development Area.....	171
Attachment B - Development Schedule.....	173
Attachment C – Principals of Area Developer.....	175
Attachment D - Guaranty and Assumption of Obligations.....	177
EXHIBIT G - REGIONAL DEVELOPMENT AGREEMENT.....	179
Attachment 1 – Regional Development Schedule.....	207
Attachment 2 – Granted Development Territory.....	209
Attachment 3 – Guarantee and Assumption of Obligations.....	210
EXHIBIT H - FINANCIAL STATEMENTS.....	213
EXHIBIT I - FRANCHISEE DISCLOSURE QUESTIONNAIRE.....	241
EXHIBIT J - START-UP SUPPLIES.....	244
EXHIBIT K - VAN LEASE AGREEMENT.....	253
EXHIBIT L - STATE ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT.....	261
EXHIBIT M - ADDENDA TO THE FRANCHISE AGREEMENT FOR CERTAIN STATES.....	269
EXHIBIT N – AGREEMENT FOR PROTECTION OF TRADE SECRETS.....	280
EXHIBIT O – FORM GENERAL RELEASE ION	286
RECEIPT PAGES.....	287

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

CREATIVE COLORS INTERNATIONAL, INC. ("we" or "us") was incorporated in the State of Illinois on December 3, 1990, and maintains its principal place of business at 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448. Prior to November of 2005, our principal place of business was 5550 W. 175th Street, Tinley Park, Illinois 60477. We conduct business as CREATIVE COLORS INTERNATIONAL, for the franchise offerings by this Franchise Disclosure Document. We have offered franchises since June of 1991 and we have not offered franchises for any other businesses. Our agents for service of process are listed in Exhibit B.

J&J's Creative Colors, Inc. ("J&J's") is our affiliate and was established in Illinois on October 17, 1980, and was incorporated on July 19, 1982 in the State of Illinois. The principal business address is 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448. Prior to November of 2005 its principal place of business was 5550 W. 175th Street, Tinley Park, Illinois 60477. We share mutual shareholders with J&J's. J&J's operates businesses offering services similar to those to be offered by the CREATIVE COLORS INTERNATIONAL Franchised Business ("Franchised Business"). We have no predecessors.

J&J's was the original owner of the Trademarks ("Marks") and proprietary know-how ("System") you will use. We originally entered into a license agreement with J&J's dated March 25, 1991, which gives us the right to use and sublicense the Marks and System to you (see Items 13 and 14). Said license agreement was assigned on January 1, 2009, to KTG Creative Colors, Inc., which has subsequent to said assignment amended its corporate name to J&J's Creative Colors, Inc.

We will offer to qualified individuals and business/legal entities ("you") a franchise agreement (the "Franchise Agreement") for the right to operate one franchised business ("Franchised Business") within a specific geographic area ("Area of Primary Responsibility") solely with the mark "Creative Colors International" and associated logos and marks ("Marks") described in the Franchise Agreement. The form of Franchise Agreement you must sign is attached as Exhibit E to this Disclosure Document.

If you qualify, you may enter into our Area Development Agreement, which grants you the right and obligation to open 3 or more Franchised Businesses within a defined territory. To qualify for an Area Development Agreement, you must commit to develop 3 or more Franchised Businesses in a defined geographic territory and sign the form of Area Development Agreement attached as Exhibit F to this Franchise Disclosure Document. We will determine your geographic territory ("Development Area") before you sign the Area Development Agreement and it will be described in Attachment A to the Area Development Agreement. You must open Franchised Businesses within your Development Area according to a development schedule ("Development Schedule") attached to the Area Development Agreement as Attachment A. You must enter into a separate Franchise Agreement for each Franchised Business you open and operate under the Area Development Agreement. The form of Franchise Agreement will be what we are then offering to new franchises, provided that the royalty fees and marketing contributions will remain the same as those in the Franchise Agreement for your first Franchised Business.

If you qualify, you may enter into our Regional Development Agreement, which grants you the right and obligation to open and operate at least 1 Franchised Business, and develop and operate, or solicit third parties to develop and operate, at least 9 additional Franchised Businesses within the Granted Territory (defined in Item 12) under the terms of our Regional Development Agreement in the form attached as Exhibit G to this Franchise Disclosure Document (“Regional Development Agreement”). A person who signs a Regional Development Agreement shall be referred to as a “Regional Developer” in this Disclosure Document. The business of the Regional Developer is referred to in this Disclosure Document as a “Regional Franchised Business.” A Regional Developer must develop and operate the first Franchised Business. Then the Regional Developer must develop or recruit franchises for additional Franchised Businesses pursuant to a development schedule attached to the Regional Development Agreement as Attachment 1. A Regional Developer will be responsible for advertising and soliciting prospective franchisees who, if approved by us, will execute our then current form of Franchise Agreement with us. A Regional Developer will also assist us in rendering certain site selection, training, guidance and support services to other franchisees within the Granted Territory. The Regional Director undertakes to perform certain services to franchisees for which we are obligated in the Franchise Agreement. As the Franchisor, we are contractually responsible to the franchisee if the services are not properly performed. When a franchise is sold, the Franchise Agreement is signed by the franchisee and us, although the Regional Developer will provide certain services to franchisees, as provided in the Regional Development Agreement. You will be considered a “Franchise Seller” under state and federal franchise laws, which means you will have certain obligations in connection with franchise registration and disclosure, as well as being subject to those laws in your dealings with the franchisees you solicit.

For franchisees you recruit to purchase Franchised Businesses, we will be solely responsible for the cost and preparation of the franchise disclosure registration and franchise registration, and for furnishing the disclosure document to the prospective franchisees. Regional Developer is not responsible for that cost or preparation, nor will the Regional Developer furnish the disclosure document to the prospective franchisees. The Regional Developer may not offer franchises for sale in a franchise registration state unless we have an effective registration application in that state.

For each Franchised Business that you open and operate under the Regional Development Agreement, you must sign the form of Franchise Agreement that we are then offering to new franchisees, provided that the royalty fees and marketing contributions will remain the same as those in the Franchise Agreement for your first Franchised Business.

You will specialize in promoting and providing services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces and related services on a mobile basis (“Services”), primarily to commercial customers. You will use a unique system (“System”), developed by J&J’s and licensed exclusively to us to use and sublicense to you. The System includes exclusively designed signage, equipment, solvents, chemicals and materials; specially equipped vans; procedures and techniques for providing upholstery repair, coloring, cleaning, protection and restoration and related services; our Confidential Operations Manual, Employee Manual, Training Manual, and MSDS Manual; Proprietary Products (see Item 8 for a description); uniform operating methods, procedures and techniques; other confidential operations procedures; methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion,

marketing and advertising; all of which may be changed, improved and developed by us (“Trade Secrets”).

We have since January, 1999, operated a business similar to the type you will operate. In addition, J&J’s has operated the same business since 1980. We have, since 1991, offered franchises for the Franchised Business, which is the same type of business you will operate as a franchisee. We are offering for the first time under this Franchise Disclosure Document the Area Development Agreement and the Regional Development Agreement. J&J’s has never offered Franchised Businesses.

You must comply with all local, state and federal laws and regulations that apply to operation of a Franchised Business. Our System involves use of adhesives, cleaners, water-based dyes and related supplies. As with any chemical product used at work, OSHA regulations and the Federal Right-to-Know law require that you and your employees be familiar with the Material Safety Data Sheet (“MSDS”) for these materials. The MSDS for these materials is included in the Start-Up Kit. Normal operation of a Franchised Business may involve disposal of small quantities of unused supplies. As with other chemicals, improper disposal of these materials may result in violation of federal, state and local laws and regulations. We are not aware of any other laws or regulations that are specifically applicable to the franchised business. We encourage you to consult with an attorney concerning these and other laws, regulations and ordinances that may affect operation of your Franchised Business.

You will compete with vinyl repair service businesses and other businesses specializing in upholstery repair and related services.

ITEM 2 BUSINESS EXPERIENCE

President and Director: Mark J. Bollman

Mr. Bollman has been our President since May, 2000. He has been a Director since May, 2000.

Sr Vice President/Secretary and Director: Terri L. Sniegolski

Ms. Sniegolski has been Vice President since May, 2000. She has been a Director and Secretary since December, 1990. Ms. Sniegolski is an owner of J&J’s Creative Colors since January 2009 and was employed by J&J’s Creative Colors since June of 1988.

Vice President/Treasurer and Director: Kelli A. Bollman

Ms. Bollman has been our Vice President since May, 2000. She has been a Director and Treasurer since December, 1990. Ms. Bollman is an owner of J&J’s Creative Colors since January 2009 and was employed by J&J’s Creative Colors since May of 1988.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5
INITIAL FEES

Franchise Business

The initial fees payable to us before you begin the Franchised Business include the initial franchise fee of \$39,500 and a Start-Up Fee of \$29,500, for a total of \$69,000. Before we will start your initial training, we must receive payment in full of the initial franchise fee and the Start-Up fee in the amount of \$69,000. The initial franchise fee under the Franchise Agreement is fully earned upon signing of the applicable agreement. The initial fee is non-refundable with the following sole exception. If we determine that you can't complete our initial training program or you do not have the aptitude and/or attitude necessary to successfully operate the business, we may terminate your Franchise Agreement and give you a partial refund of your franchise fee. We will refund your franchise fee, less an amount to compensate us for our evaluation and preparatory work performed, not to exceed \$5,000 (Attachment B to the Franchise Agreement, Refunds and Cancellation).

Area Development

We charge a non-recurring and non-refundable Area Development Fee equal to \$33,000 times the number of Franchised Businesses you commit to open. You must pay the Area Development Fee in a lump sum when you sign the Area Development Agreement. You must commit to open at least 3 Franchised Businesses. The minimum Area Development Fee is \$99,000. You must sign a Franchise Agreement for your first Franchised Business when you sign the Area Development Agreement. You must also sign a separate Franchise Agreement for each Franchised Business you open.

For each Franchised Business you open under the Area Development Agreement, up to the number of Franchised Businesses required by your Development Schedule, you get a credit of \$33,000 toward the franchise fee. That means that your initial franchise fee will be \$0 per Franchised Business (instead of \$33,000). The initial franchise fees for each Franchised Business, up to the number of Franchised Businesses required by your Development Schedule, are not subject to increase, even if we in the future increase the initial franchise fees for new franchisees. In the event you open more than the number of Franchised Businesses required to meet your Development Schedule, you will pay the then-current initial franchise fee, which may be different than the \$39,500 initial franchise fee noted above.

For each Franchised Business you open under the Area Development Agreement, you must pay the Start-Up Fee. The Start-Up Fee for the 1st Franchised Business you open, under the Area Development Agreement, is \$29,500. When you open your 2nd Franchised Business, and all future Franchised Businesses, the Start-Up Fee is \$24,000.

Regional Development Franchise

We charge a non-recurring and non-refundable Regional Development Fee equal to 5 ½¢ times the people population within your Granted Territory, which must have a minimum of 3,000,000 people population, which is equivalent to 10 Franchised Businesses. The minimum Regional Development Fee is \$165,000. For the right to develop more than 9 Franchised Businesses, your investment is an additional \$16,500 in Regional Development Fee for each increment of Granted Territory per Franchised Business. You must pay the Regional Development Fee in a lump sum when you sign the Regional Development Agreement. You must sign a Franchise Agreement for the 1st Franchised Business when you sign the Regional Development Agreement. You must own and operate the 1st Franchised Business.

The Regional Development Fee includes the franchise fee for the 1st Franchised Business. That means that your initial franchise fee will be \$0 for your 1st Franchised Business (instead of \$39,500). If you commit to own and operate a 2nd Franchised Business, the initial franchise fee will be \$39,500. If you commit to own and operate 3 or more Franchised Businesses, the initial franchise fee for each Franchised Business is \$33,000. For each independent franchisee you solicit to open a Franchised Business within your Granted Territory, you will be paid 70% of the initial franchise fee paid by the franchisee.

For each Franchised Business you open under the Regional Development Agreement, you must pay a Start-Up Fee. For the first Franchised Business, the Start-Up Fee is \$29,500. If you own and operate 2 or more Franchised Businesses, the Start-Up Fee is \$24,000. The discounted amounts do not apply to independent franchisees you solicit to open Franchised Businesses within your Granted Territory. The independent franchisees pay the full Start-Up Fee of \$29,500.

You are prohibited from opening a Franchised Business until the initial franchise fee for that Franchised Business has been paid by you to us.

Your van can be leased through us or another source. If you lease your van through us, you must pay us a down payment of \$4,500.00 to \$5,000.00 before we will start your initial training. See Exhibit K for a sample of the Van Lease Agreement.

Your van set-up can be done by us or another source. This includes interior work station setup, including compressor and inverter hookup. If you lease the van through us, we provide the van set-up at a fee to you of \$2,000, which you must pay before we will start your initial training. If you lease the van from another source, we will furnish you the compressor, inverter and graphics at training for no fee, but it will be your responsibility for transporting them back to your location and for having your van outfitted by another supplier.

The Start-Up Fee includes the initial training program for up to 2 people (fee does not include all of transportation and lodging), the initial start-up supplies and equipment (see Exhibit

J for a list of supplies and equipment), unlimited one week CCI certified training class for future technicians and legal and administrative costs.

We participate in the “Veterans Transition Franchise Initiative” (commonly referred to as “VetFran”), which seeks to provide an opportunity for veterans who want to be in business. If you are a veteran of the U.S. Armed Forces, have served at least 4 years of military service, and have received an honorable discharge, you are eligible to receive a \$1500 discount off of the initial franchise fee.

In our fiscal year ending December 31, 2013, the franchise fee was applied uniformly to all franchises offered or granted.

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ITEM 6
OTHER FEES

Franchise Agreement

(1) <u>Type of Fee</u>	(2) <u>Amount</u>	(3) <u>Due Date</u>	(4) <u>Remarks</u>
Royalty ^{1/}	7.5% of gross sales, including cash, or a minimum of \$375 a month for the first full year of business; a minimum of \$500 a month for the second full year of business; and a minimum of \$625 a month for each following full year of business.	Postmarked on or before the 15th of every month	Gross Sales includes all revenues for the Franchised Business, except taxes. There is no Royalty fee for the first full month of business.
Marketing ^{1/}	1% of Gross Sales, or a minimum of \$50 a month for the 1 st full year of business; a minimum of \$75 a month for the 2 nd year in business; and a minimum of \$100 a month for each following full year of business. If at any time, 50% or more of all other existing Franchised Business owners elect to raise the percentage marketing contribution level, participation will be required of all Franchised Business owners, but your contributions will not exceed 2% of your Gross Sales.	Postmarked on or before the 15th of every month	Gross Sales includes all revenues from the Franchised Business, except taxes. Marketing Fund checks are payable only to "Creative Colors International Marketing Fund".
Registration Fee ^{1/}	\$300 to \$600 a year	Per seminar registration schedule	For your attendance at our annual convention. Owner or manager attendance is mandatory.
Proprietary Products ^{1/}	Per our price list	When purchased	You must purchase Proprietary Products from us. Starting with the 2 nd year of the franchise term, you must purchase from us a minimum inventory of Proprietary Products equal to 2% of gross sales every fiscal year, or a minimum of \$2,500,

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
			whichever amount is greater.
Transfer Fee ^{1/}	\$10,000	On or before closing date	There is no fee for transfers to business or legal entities formed and solely owned by you for tax and/or legal reasons.
Successor Franchise Fee ^{1/}	\$5,000 due at time of renewal	Due at least 90 days before your franchise agreement expires	Paid at the time of acquiring a successor franchise.
CCI Certified Training Class ^{1/}	\$500 registration fee per person	At least 2 weeks prior to training class	The registration fee will hold spot in class. If technician does not attend, you will lose the registration fee, and none of it will be refunded.
Extended CCI Certified Training Class	\$1,000	At least 2 weeks prior to training class	If you send in your technician for a two week training class, you must pay for the 2 nd week of training.
Late Fee ^{1/}	\$25	Upon Demand	For all royalty fees paid late.
Interest on Payment Due to us other than under Van Lease Agreement ^{1/}	Highest legal rate for open account business credit not to exceed 2% per month	Upon Demand	You must pay on all overdue amounts.
Interest on Van Lease Agreement ^{1/}	Lesser of 18% of highest rate permitted by applicable law	Upon Demand	Payable only if you are delinquent on monthly payments under Van Lease Agreement.
Additional Products and Services Training Fees ^{1/}	\$200 per person per day, plus transportation and lodging	Upon Demand	We provide training for new products and services at our annual seminar. If you do not

(1) <u>Type of Fee</u>	(2) <u>Amount</u>	(3) <u>Due Date</u>	(4) <u>Remarks</u>
			attend seminar, you will be required to come to CCI headquarters for additional training.
Additional Assistance in Territory ^{1/}	\$200 per person per day plus transportation and lodging	On or before the first day of assistance	We provide opening assistance to you at no charge for five business days. If you request assistance in your Territory after your opening, you may be charged.
Insurance ^{1/}	Our costs	On Demand	You pay to us only if we have to pay your premium when you fail to do so. Fee is payable to Creative Colors International, Inc. or the insurance carrier.
Van Lease Payments ^{1/}	\$350.00 to \$500.00 per month, depending on amount of down payment	Monthly	If you elect to lease your Van through Enterprise Fleet Services, you make the monthly payments to us.
Maintenance ^{1/}	What we pay to vendor	On demand	You pay us only if we have to pay to maintain the condition and appearance of your van, equipment or signs.
Attorney's Fees and Costs ^{1/}	Our reasonable fees and costs	On demand	You pay us if we incur legal costs in enforcing the Franchise Agreement.
Liquidated Damages	If we terminate the Franchise Agreement with cause, or if you terminate without good cause, you must pay us liquidated damages equal to the average monthly continuing royalty fee you were obligated to pay us during the 12 month period before termination multiplied by the shorter of 24 (the number of	Within 15 days after termination of the Franchise Agreement by us for cause or by you without good cause	If the Franchise Agreement is terminated, you agree to pay us liquidated damages.

(1) <u>Type of Fee</u>	(2) <u>Amount</u>	(3) <u>Due Date</u>	(4) <u>Remarks</u>
	months in two full years) or the remaining number of months in your franchise term.		
Indemnification ^{1/}	Our loss, liability, taxes, or damages and costs	When a claim is brought against us	You must reimburse us for our costs if a claim is brought against us due to your ownership or operation of your Franchised Business or because we must manage your business on your behalf.
Warranty reimbursement ^{1/}	Amount we pay to your customer	Upon demand	You reimburse us if we decide to honor a warranty claim brought by your customer and you decline to honor it.
Audit ^{1/}	Cost of audit, including travel, lodging, and wage expense, reasonable legal and accounting costs, not to exceed \$5,000, plus 21% annual interest on underpayment	30 days after billing	You pay only if audit shows an understatement of at least 3% of gross sales for any month.
Service Fee ^{1/}	\$300 per day, plus our out-of-pocket travel, lodging and meal expenses	Immediately upon billing	You pay this amount if we operate your business while you are in default.
NSF Fee ^{1/}	\$50 per occurrence	As incurred	You pay this amount if payment to us is not honored.

^{1/} All fees are uniformly imposed on all franchisee's purchasing a franchise under this offering and are payable only to us. All fees are nonrefundable. We can require you to pay us this fee or payment via electronic funds transfer ("EFT"). In addition, you must keep an active credit card on file with us. Your credit card must have a credit line sufficient to cover all Continuing Services and Royalty Fee payments, advertising contributions to the marketing fund and amounts due for purchases by you from us. We shall have the right to debit your credit card at any time that you fail to submit any payments due to us.

Area Development Agreement (Note 1)

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	The transfer fee required under each Franchise Agreement, plus \$1,000 for every undeveloped franchise right for which no Franchise Agreement has been signed.	Before the transfer	If you sell or transfer your rights under the Area Development Agreement. This fee does not apply to transfers to immediate family members of you (or your owners), transfers of 25% of the ownership interest or voting rights in you or transfers to one of your existing owners.
Management Service Fee	\$300 per day, plus our out-of-pocket travel, lodging and meal expenses	On Demand	You pay this amount if we operate business your upon death or disability.
Attorney's Fees in Connection with your Offer of Securities	Our reasonable fees and costs	On Demand	You must reimburse us our attorney's fees and costs if we incur legal costs in connection with a claim brought against us arising from your offer of securities to third parties.
Indemnification in Connection with your Offer of Securities	Our loss, liability, taxes, or damages and costs	When a claim is brought against us	You must reimburse us for our costs if a claim is brought against us arising from your offer of securities to third parties.
Attorney's Fees in Enforcing Area Development Agreement	Our reasonable fees and costs	On Demand	You and your guarantors must pay us if we incur legal costs in enforcing the Area Development Agreement.

Note 1: Except where noted, all fees are collected by and payable to us. All fees are non-refundable unless otherwise noted.

Regional Development Agreement (Note 1)

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	\$10,000 for the transfer of your Franchised Business, plus 5% of our then current initial franchise fee multiplied by the number of other Franchised Businesses in operation in the Granted Territory as of the date of transfer.	Before the transfer	If you sell or transfer your rights under the Regional Development Agreement. This fee does not apply to transfers to immediate family members of you or your owners, transfers of 25% of the ownership interests or voting rights in you, or transfers to existing owners of you. If you transfer your rights under the Regional Development Agreement but retain your Franchised Business, you do not pay the \$10,000 portion of the Transfer Fee.
Costs and Attorney's Fees	Will vary under circumstances	As incurred	You must reimburse us if we are the prevailing party.
Reimbursement for secret shopper	Up to \$1,000	As incurred	You pay this amount if we institute programs to verify customer satisfaction and your compliance with enforcing the System.
Attorney's Fees in Connection with your Offer of Securities	Our reasonable fees and costs	On Demand	You must reimburse us our attorney's fees and costs if we incur legal costs in connection with a claim brought against us arising from your offer of securities to third parties.
Indemnification in Connection with your Offer of Securities	Our loss, liability, taxes, or damages and costs	When a claim is brought against us	You must reimburse us for our costs if a claim is brought against us arising from your offer of securities to third parties.

Note 1: Except where noted, all fees are collected by and payable to us. All fees are non-refundable unless otherwise noted.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Franchise Agreement

(1) <u>TYPE OF EXPENDITURE</u>	(2) <u>AMOUNT</u>	(3) <u>METHOD OF PAYMENT</u>	(4) <u>WHEN DUE</u>	(5) <u>TO WHOM PAYMENT MADE</u>
Initial Franchise Fee ^{1/}	\$39,500	Lump Sum	Signing of Franchise Agreement	Us
Start-Up Fee ^{2/}	\$29,500	Lump Sum	On or before first day of training	Us
Van ^{3/}	\$5,550 - \$22,000	As Arranged	As Incurred	Us (only if you lease from Enterprise Fleet Services) Dealer, or Leasing Agent
Van Setup ^{4/}	\$2,000 - \$3,000	As Arranged	As Incurred	Us, Suppliers
Pre-Opening Travel and Initial Training ^{5/}	\$800 - \$2,100	As Incurred	As Incurred	Suppliers of transportation & food
Insurance ^{6/}	\$750 - \$3,000	As Arranged	As Incurred	Insurers
Office Equipment and Office Supplies ^{7/}	\$500 - \$2,500	As Arranged	As Incurred	Nonrefundable
Telephone business line; Answering Machine or voice mail system; cell phone; Internet Access ^{8/}	\$0 - \$450	As Arranged	As Incurred	Suppliers
Opening Advertising ^{9/}	\$450 - \$1,200	As Arranged	As Incurred	Us, Suppliers
Inventory Replacement ^{10/}	\$250 - \$1,500	As Arranged	As Incurred	Us, Suppliers
Additional Funds ^{11/}	\$300 - \$2,500	As Incurred	As Incurred	Employees, Suppliers, Utilities
TOTAL ^{12/}	\$79,600 - \$107,250			

All amounts paid to us are nonrefundable, except if we terminate you prior to completion of training (see Item 5). Amounts paid to other vendors are refundable according to their terms and policies.

Notes:

- 1/ The initial fee of \$39,500 must be paid at the time of signing the Franchise Agreement and before we will start the initial training. The initial franchise fee is described in Item 5.
- 2/ This fee covers the initial supply of your equipment and supplies, stationery, marketing presentation pieces, graphics for one van, 3 week initial training class, 1 Grand Opening week, airline voucher up to \$500, hotel voucher up to \$1,500, clothing voucher for \$500, unlimited one week CCI Certified Training class with background check, and legal and administrative costs. The Start-Up Fee must be paid on, or before, the first day of training.
- 3/ You need to have a white Cargo Van. The van can be new, used or leased. The low figure represents you leasing a van and includes the deposit of \$4,500 plus 3 months of rent. We have made arrangements with Enterprise Leasing Company where you may be able to lease a van. The high estimate represents you purchasing a new van.
- 4/ Van set-up includes the interior work station setup, including compressor and inverter hookup. The low figure assumes you will lease the van through us and that we do the van set-up. The high figure assumes you have the van set-up done by other suppliers and we have to ship the products and equipment.
- 5/ You will have travel expenses. We provide instructors, instructional materials, but you will need to arrange for transportation and food for yourself and employees and for any wages for the employees. The cost will depend on the distance you must travel and the type of accommodations you choose.
- 6/ The figures in the chart are annual expenses of \$3,000, calculated on a quarterly basis. In rare cases you must pay the entire annual premium initially. The premiums are for auto, business and liability. The low figure is based on quarterly payments, the high figure is on annual payments.
- 7/ You will need a fax machine, copy machine, scanner, digital camera, computer and specific software to include Microsoft word, Microsoft excel and Quickbooks Pro. The low estimate assumes you will use personal equipment for business.
- 8/ You will need a business telephone line, answering machine or voice mail. The low estimate assumes you will use personal equipment for business.
- 9/ Before opening the Franchised Business, you must have or place an advertisement in the classified or yellow pages of the local telephone directory or internet service under vinyl repair and leather repair categories using our approved supplier.
- 10/ You must replace inventory as it is used. The range shown is an estimate of the cost to replace used inventory during the first 3 months of operation.
- 11/ You must have working capital to support on-going expenses, such as payroll, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the 3 month start-up phase of the business. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after.

NOTE: These figures do not include any personal living expenses; you should have additional sources for your personal living expenses. Your costs will depend on factors as: how much you follow our methods and procedures, your business management skills and experience, local economic conditions, the prevailing wage rate, competition, and the sales level during the first 3 months.

12/ We relied on our affiliate J&J's experience of 30 years and our current franchisees' experience of 20 years when preparing these figures.

Area Development Agreement

<u>(1)</u> <u>TYPE OF</u> <u>EXPENDITURE</u>	<u>(2)</u> <u>AMOUNT</u>	<u>(3)</u> <u>METHOD OF</u> <u>PAYMENT</u>	<u>(4)</u> <u>WHEN DUE</u>	<u>(5)</u> <u>TO WHOM</u> <u>PAYMENT</u> <u>MADE</u>
Initial Area Development Fee <u>1/</u>	\$99,000	Lump Sum	Signing of Area Development Agreement	Us
Start-Up Fee <u>2/</u>	\$29,500 - \$77,500	Lump Sum	On or before first day of training	Us
Van <u>3/</u>	\$5,550 - \$66,000	As Arranged	As Incurred	Us (only if you lease from Enterprise Fleet Services) Dealer, or Leasing Agent
Van Setup <u>4/</u>	\$2,000 – \$9,000	As Arranged	As Incurred	Us, Suppliers
Pre-Opening Travel and Initial Training <u>5/</u>	\$800 - \$2,100	As Incurred	As Incurred	Suppliers of transportation & food
Insurance <u>6/</u>	\$750 - \$3,000	As Arranged	As Incurred	Insurers
Office Equipment and Office Supplies <u>7/</u>	\$500 - \$2,500	As Arranged	As Incurred	Nonrefundable
Telephone business line; Answering Machine or voice mail system; cell phone; Internet Access <u>8/</u>	\$0 - \$450	As Arranged	As Incurred	Suppliers
Opening Advertising <u>9/</u>	\$450 - \$3,600	As Arranged	As Incurred	Us, Suppliers
Inventory Replacement <u>10/</u>	\$250 - \$4,500	As Arranged	As Incurred	Us, Suppliers
Additional Funds <u>11/</u>	\$300 - \$7,500	As Incurred	As Incurred	Employees, Suppliers, Utilities
TOTAL <u>12/</u>	\$139,100 - \$275,150			

Notes:

- 1/ The Area Development Agreement requires you to own and operate 3 or more Franchised Businesses. The Area Development Fee is \$33,000 for each Franchise Agreement that Franchisee commits to execute for the development of Franchised Businesses. The figure is based on Area Developer committing to open 3 Franchised Businesses.
- 2/ The \$29,500 Start-Up Fee covers the first Franchised Business initial supply of equipment and supplies, 3 week initial training class, 1 week Grand Opening, clothing voucher up to \$500, stationery, marketing presentation pieces, graphics for one van, airline voucher up to \$500, hotel voucher up to \$1,500, unlimited one week CCI Certified Training Class with background check, and legal and administrative costs. The Start-Up Fee will be reduced to \$24,000 when you open your second, and all future, Franchised Businesses. The \$24,000 Start-Up Fee covers initial supply of equipment and supplies, 2 week CCI Certified Training class, stationery, marketing presentation pieces, graphics for one van, unlimited 1 week CCI Certified Training Class with background check, and legal and administrative costs. The Start-Up Fee must be paid on, or before, the first day of training at the opening of each Franchised Business. The high figure represents Area Developer opening all 3 Franchised Businesses at once.
- 3/ For each Franchised Business, you must have a white Cargo Van. The van can be new, used or leased. The low figure represents you leasing 1 van, for the first Franchised Business, and includes the deposit of \$4,500 plus 3 months of rent per van. We have made arrangements with Enterprise Leasing Company where you may be able to lease a van. The high estimate represents you purchasing 3 new vans, one for each Franchised Business.
- 4/ Van set-up includes the interior work station setup, including compressor and inverter hookup. The low figure assumes you will lease the van through us and that we do the van set-up. The high figure assumes you obtain the lease through another source and you have the van set-up done by other suppliers and we have to ship the products and equipment for each of your 3 vans.
- 5/ You will have travel expenses. We provide instructors, instructional materials, but you will need to arrange for transportation and food for yourself and employees and for any wages for the employees. The cost will depend on the distance you must travel and the type of accommodations you choose.
- 6/ The figures in the chart are annual expenses of \$3,000, calculated on a quarterly basis. In rare cases you must pay the entire annual premium initially. The premiums are for auto, business and liability. The low figure is based on quarterly payments, the high figure is on annual payments.
- 7/ You will need a fax machine, copy machine, scanner, digital camera, computer and specific software to include Microsoft word, Microsoft excel and Quickbooks Pro. The low estimate assumes you will use personal equipment for business.
- 8/ You will need a business telephone line, answering machine or voice mail. The low estimate assumes you will use personal equipment for business.
- 9/ Before opening the Franchised Business, you must have or place an advertisement in the classified or yellow pages of the local telephone directory or internet service under vinyl repair

and leather repair categories using our approved supplier. The low figure represents the lowest fee for your first Franchised Business. The high figure represents the highest fee for all 3 Franchised Businesses.

10/ You must replace inventory as it is used. The low figure is an estimate of the cost to replace used inventory during the first 3 months of operation, for your first Franchised Business. The high figures represents the cost to replace inventory during the first 3 months of operation, for all 3 Franchised Businesses.

11/ You must have working capital to support on-going expenses, such as payroll, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the 3 month start-up phase of the business. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. The low figure is an estimate of working capital needed during the first 3 months of operation, for your first Franchised Business. The high figure represents the estimate of working capital needed during the first 3 months of operation, for all 3 Franchised Businesses.

NOTE: These figures do not include any personal living expenses; you should have additional sources for your personal living expenses. Your costs will depend on factors as: how much you follow our methods and procedures, your business management skills and experience, local economic conditions, the prevailing wage rate, competition, and the sales level during the first 3 months.

12/ We relied on our affiliate J&J's experience of 30 years and our current franchisees' experience of 20 years when preparing these figures.

Regional Development Agreement

<u>(1)</u> <u>TYPE OF</u> <u>EXPENDITURE</u>	<u>(2)</u> <u>AMOUNT</u>	<u>(3)</u> <u>METHOD</u> <u>OF</u> <u>PAYMENT</u>	<u>(4)</u> <u>WHEN DUE</u>	<u>(5)</u> <u>TO WHOM</u> <u>PAYMENT</u> <u>MADE</u>
Initial Regional Development Fee ^{1/}	\$165,000	Lump Sum	Signing of Franchise Agreement	Us
Start-Up Fee ^{2/}	\$29,500	Lump Sum	On or before first day of training	Us
Van ^{3/}	\$5,550 - \$22,000	As Arranged	As Incurred	Us (only if you lease from Enterprise Fleet Services) Dealer, or Leasing Agent
Van Setup ^{4/}	\$2,000 - \$3,000	As Arranged	As Incurred	Us, Suppliers
Pre-Opening Travel and Initial Training ^{5/}	\$800 - \$2,100	As Incurred	As Incurred	Suppliers of transportation & food
Insurance ^{6/}	\$750 - \$3,000	As Arranged	As Incurred	Insurers
Office Equipment and Office Supplies ^{7/}	\$500 - \$2,500	As Arranged	As Incurred	Nonrefundable
Telephone business line; Answering Machine or voice mail system; cell phone; Internet Access ^{8/}	\$0 - \$450	As Arranged	As Incurred	Suppliers
Opening Advertising ^{9/}	\$450 - \$1,200	As Arranged	As Incurred	Us, Suppliers
Inventory Replacement ^{10/}	\$250 - \$1,500	As Arranged	As Incurred	Us, Suppliers
Legal and Accounting ^{11/}	\$500 - \$1,000	As Incurred	As Incurred	Attorney, CPA, State Regulatory Agencies
Recruiting Costs ^{12/}	\$1,500 - \$3,000	As Incurred	As Incurred	Attorney, Sales Firm
Additional Funds ^{13/}	\$3,000 - \$10,000	As Incurred	As Incurred	Employees, Suppliers, Utilities
TOTAL ^{14/}	\$209,800 - \$244,250			

^{1/} The Regional Development Agreement requires you to own and operate at least 1 Franchised Business and to commit to recruit and develop at least 9 additional Franchised Businesses. The Regional Development Fee of \$165,000 covers the initial franchise fee of 1 Franchised Business that Franchisee must open and territory of approximately 3,000,000 in people population, which

is equivalent to 10 Franchised Businesses. For the right to develop more than 9 Franchised Businesses, your investment is an additional \$16,500 in Regional Development Fee for each increment of Granted Territory per Franchised Business. The Regional Developer is not a Subfranchisor.

- 2/ The \$29,500 Start-Up Fee covers the first Franchised Business initial supply of equipment and supplies, 3 week initial training class, 1 week Grand Opening, stationery, marketing presentation pieces, graphics for one van, airline voucher up to \$500, hotel voucher up to \$1,500, clothing voucher up to \$500, unlimited one week CCI Certified Training class with background check, and legal and administrative costs. The Start-Up Fee must be paid on, or before, the first day of training. The estimate is based on Regional Developer's start-up costs for 1 Franchised Business.
- 3/ You must have a white Cargo Van. The van can be new, used or leased. The low figure represents you leasing a van, and includes the deposit of \$4,500 plus 3 months of rent. We have made arrangements with Enterprise Leasing Company where you may be able to lease a van. The high estimate represents you purchasing a new van.
- 4/ Van set-up includes the interior work station setup, including compressor and inverter hookup. The low figure assumes you will lease the van through us and that we do the van set-up. The high figure assumes you obtain the lease through another source and you have the van set-up done by other suppliers and we have to ship the products and equipment.
- 5/ You will have travel expenses. We provide instructors, instructional materials, but you will need to arrange for transportation and food for yourself and employees and for any wages for the employees. The cost will depend on the distance you must travel and the type of accommodations you choose.
- 6/ The figures in the chart are annual expenses of \$3,000, calculated on a quarterly basis. In rare cases you must pay the entire annual premium initially. The premiums are for auto, business and liability. The low figure is based on quarterly payments, the high figure is on annual payments.
- 7/ You will need a fax machine, copy machine, scanner, digital camera, computer and specific software to include Microsoft word, Microsoft excel and Quickbooks Pro. The low estimate assumes you will use personal equipment for business.
- 8/ You will need a business telephone line, answering machine or voice mail. The low estimate assumes you will use personal equipment for business.
- 9/ Before opening the Franchised Business, you must have or place an advertisement in the classified or yellow pages of the local telephone directory or internet service under vinyl repair and leather repair categories using our approved supplier.
- 10/ You must replace inventory as it is used. The range shown is an estimate of the cost to replace used inventory during the first 3 months of operation.
- 11/ This amount is intended to cover costs associated with compliance with any state and federal franchising laws and business licensing laws.

- 12/ You will need to spend at least \$1500 on your grand opening marketing program to cover sales training and marketing pieces. However, we estimate that you will spend more.
- 13/ You must have working capital to support on-going expenses, such as payroll, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the 3 month start-up phase of the business. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. **NOTE:** These figures do not include any personal living expenses; you should have additional sources for your personal living expenses. Your costs will depend on factors as: how much you follow our methods and procedures, your business management skills and experience, local economic conditions, the prevailing wage rate, competition, and the sales level during the first 3 months.
- 14/ We relied on our affiliate J&J's experience of 30 years and our current franchisees' experience of 20 years when preparing these figures.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase Proprietary Products from us. We are the designated supplier of the Proprietary Products listed in Exhibit J which you will use in your franchised business. We furnish you initial inventory of Proprietary Products as part of your Start-Up Fee disclosed in item 5. When you have used up your initial inventory, you must purchase these products exclusively from us to preserve our trade secrets and maintain the uniform quality throughout our system. We will sell to you proprietary products and equipment that you require in the operation of the Franchised Business and at prices in effect at the time of purchase. You must carry an adequate supply and maintain an inventory of proprietary products as listed in Section E of the Operations Manual. You must maintain and promote proprietary products for use in service to the general public to meet the customer demand. Beginning the second year of the franchise term, you must purchase at least 3% of your gross sales in Proprietary Products from us each year. You acknowledge that an essential component of the System is the development and promotion of bio-degradable solutions and cleaners approved by the Environmental Protection Agency. You may use solvents and cleaners (other than our proprietary products) only if approved by us.

We will provide you with a list of approved manufacturers, suppliers, and distributors authorized for the Franchised Business ("Approved Supplier List") and a list of approved inventory products, equipment, signs, stationery, supplies, chemicals, products, merchandise and other items or services necessary to operate the Franchised Business ("Approved Supplies List"). The Approved Supplier List and Approved Supplies List will be provided to you in the Operations Manual. We may revise the Approved Supplier List and Approved Supplies List in our sole discretion and all such changes will be revised in the Operations Manual. The approved source of supply for any individual item may be us, J&J's or an independent third party. Currently, we are the only approved supplier for Proprietary Products. If you propose to use any brand of product or other material or supply which is not on the Approved Supplies List or to purchase any product from a supplier that is not on the Approved Supplier List, you must first notify us in writing. Our criteria for supplier approval are not available to you. Based on the

information and samples you supply to us, we will test the items to determine if they meet our specifications and quality standards and make sure these items are compatible with our proprietary products. We will also review the proposed supplier's financial records, business reputation, delivery performance, credit rating and other information. We reserve the right to re-inspect the facilities and products of any supplier of an approved item and to revoke our approval for failure to continue to meet any of our criteria. We will notify you within 30 days of our approval or disapproval.

We have no purchase arrangements with our suppliers. We do not provide material benefits to you based on your use of approved suppliers. We do try and negotiate pricing with our approved suppliers for better buying power and discounts for you. We do not have any purchasing or distribution cooperatives. We do not receive payments from any designated suppliers on account of purchases made by you from those suppliers.

You must purchase computer hardware with on line access and specific software meeting our specifications. See Item 11.

Some or all of the officers of the Franchisor own an interest in the Franchisor, which is an approved supplier of Proprietary Products and the leased vans.

You may, but are not required, to purchase the generator and heat guns from us. If you do, all warranties come from the manufacturer.

In the year ending December 31, 2013, our revenues from the sale of Inventory to our franchisees was \$375,724 or 22% of our total revenues of \$1,743,651. The purchase of supplies, equipment, inventory and other items from approved sources will represent 15% to 23% of your overall purchases in establishing the Franchised Business. The purchase of supplies, equipment, inventory and other items from approved sources will represent 3-8% of your overall purchases in operating the Franchised Business.

No affiliate derived revenue from required purchases or leases.

You need to have a white cargo van for the Franchised Business. You may purchase or lease original and replacement vans from any source. We are an approved vendor of the van lease. In the year ending December 31, 2013, our revenues from the lease of vans to our franchisees was \$3,330.48 or less than 0.2% of our total revenue of \$1,743,651.

Other than from the sale of inventory and the leases of vans, we did not derive any revenue in 2013 from franchisee's purchases or leases from us.

You must use only approved warranty and guarantee forms, work order forms, invoices and other forms. You will obtain forms from us or from suppliers approved by us to produce forms utilizing the Marks. All invoices must be sequentially numbered. Copies of all work order forms and invoices issued or voided out by you must be submitted to us on a monthly basis.

You must obtain insurance in accordance with our standards and specifications described in our Operations Manual. You must obtain workers compensation, comprehensive general liability and product liability (minimum of \$300,000 coverage), automobile liability (minimum

of \$300,000 coverage), and additional insurance as may be required by us. You may obtain the insurance from any insurance company that is licensed in your state. You must name on each insurance policy described in this paragraph Creative Colors International, Inc. (19015 S. Jodi Road, Suite E, Mokena, Illinois 60448) as additional insured on a primary basis. The policy must provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of the policy.

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ITEM 9
FRANCHISEE'S OBLIGATIONS

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

<u>OBLIGATION</u>	<u>SECTION IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT</u> <u>ITEM</u>
a. Site selection and acquisition/lease	Franchise Agreement: III, Exhibit A Area Development: 8 Regional Development: N/A	11,12
b. Pre-opening purchases/leases	Franchise Agreement: I.F., IV.A., XIII.B., XIV.E Area Development: 8 Regional Development: N/A	5, 7, 8
c. Site development and other pre-opening requirements	Franchise Agreement: I.D., III Area Development: 8 Regional Development: N/A	11
d. Initial and Ongoing training	Franchise Agreement: V Area Development: N/A Regional Development: 4, 7.f	11
e. Opening	Franchise Agreement: XIII.B Area Development: N/A Regional Development: N/A	11
f. Fees	Franchise Agreement: I, XI Area Development: 9 Regional Development: 5	5, 6
g. Compliance with standards and policies/Operating manual	Franchise Agreement: VII, XIII Area Development: N/A Regional Development: 4.b, 7.a, 8	11
h. Trademarks and proprietary information	Franchise Agreement: VI Area Development: 10 Regional Development: 6	13
i. Restrictions on products/services offered	Franchise Agreement: XIII Area Development: N/A Regional Development: 9	16
j. Warranty and customer service requirements	Franchise Agreement: XIII.E., XIII.O. Area Development: N/A	6

OBLIGATIONSECTION IN AGREEMENTDISCLOSURE
DOCUMENT
ITEM

	Regional Development: N/A	
k. Territorial development and sales quotas	Franchise Agreement: IV.B. Area Development: 4 Regional Development: 2	12
l. Ongoing product/service purchases	Franchise Agreement: XIII.G, XIII.H. Area Development: N/A Regional Development: N/A	8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement: IV.C, IV.E., XIII.C Area Development: N/A Regional Development: N/A	6
n. Insurance	Franchise Agreement: XV Area Development: N/A Regional Development: 13	7, 8
o. Advertising	Franchise Agreement: X Area Development: N/A Regional Development: 7.h	6, 7 & 11
p. Indemnification	Franchise Agreement: XXII.C. Area Development: 10 Regional Development: 15	13, 17
q. Owner's participation, management and staffing	Franchise Agreement: XXXIV, Exhibit E Area Development: 7 Regional Development: 7.b	15
r. Records and reports	Franchise Agreement: XII Area Development: 15 Regional Development: N/A	6
s. Inspections/audits	Franchise Agreement: XII.E. Area Development: 15 Regional Development: 7	6 & 11
t. Transfer	Franchise Agreement: XIX Area Development: 13 Regional Development: 10	17
u. Renewal	Franchise Agreement: II Area Development: 4 Regional Development: 3.b	17
v. Post-termination obligations	Franchise Agreement: XVIII Area Development: 10	17

OBLIGATIONSECTION IN AGREEMENTDISCLOSURE
DOCUMENT
ITEM

	Regional Development: 11, 12	
w. Non-competition covenants	Franchise Agreement: XVI Area Development: 10 Regional Development: 9, 12	17
x. Dispute resolution	Franchise Agreement: XXIX Area Development: 16 Regional Development: 17	17
y. Other (describe)		

ITEM 10
FINANCING

Other than below, we will not offer, directly or indirectly, any arrangements for financing your initial investment or the operation of the Franchised Business. We are unable to estimate whether you will be able to obtain financing for all or any part of your investment and, if you are able to obtain financing, we cannot predict the terms of such financing.

We have made arrangements where you can lease your Van from us through a third party agreement with Enterprise Fleet Services and your payments would be made through us. A copy of the Van Lease Agreement is attached in Exhibit K. The terms of the lease are as follows:

You must pay a down payment of \$4,500.00 to \$5,000.00 or 25% of the delivered price of the vehicle. You will pay 48 monthly lease payments at an interest rate of approximately 8.25%. At the end of 48 months, you may buy out the van at a price of \$1,800 to \$2,000, representing approximately 20% of the Delivered Price of the vehicle. If you do not buy it out, you must return the van to us. In addition, you may be liable for an “additional rent” charge if the Book Value of the van exceeds the greater of (i) the wholesale value as determined by us in good faith, or (ii) 20% of the Delivered Price of the van (Paragraph 3(c) of the Master Van Lease Agreement). You may prepay without a penalty, but you may not be entitled to a refund or reduction in interest.

The above arrangement represents financing of 80% of the Delivered Price of the van.

You are obligated for the cost of all licenses, registrations, fuel, maintenance, upkeep, fines, tickets, penalties, municipal stickers, insurance, repairs, and all other ongoing expenses in operating the van. In addition, if you are delinquent in any monthly payments under the Van Lease Agreement, you must pay us interest on the delinquent amount at the rate of 18% per annum. There are no other finance charges in connection with the Van Lease.

We or Enterprise Fleet Services retains the title to the vehicle as collateral for the van lease. Other than holding title, there is no other security interest you must furnish in connection with the van lease.

We require a personal guarantee of the van lease from all the individual owners of your franchise entity.

If you default the Van Lease Agreement, we will take immediate possession of the van from you, without releasing you from your obligations under the Agreement. You may be obligated to pay our court costs, attorney's fees and expenses if you default the Agreement.

We do not receive direct or indirect payments for placing financing.

Other than the lease arrangements noted above, we do not offer direct or indirect financing. We do guarantee the van lease if leased through Enterprise. We do not receive any consideration for placing financing with the lender.

We may, at your request, assist you in obtaining financing from a third party for all or part of your investment. We will not guarantee any part of your obligation. We will not receive any benefit for this assistance.

We reserve the right to assign, pledge or transfer our rights under the Van Lease Agreement to a third party. If we exercise that right, we will remain primarily obligated to provide you the leased van. You will lose your defenses against our assignee if we assign the Van Lease Agreement.

Unless we assign the Van Lease Agreement to a third party, you do not waive defenses or other legal rights you may have against us.

ITEM 11

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

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

PRE-OPENING OBLIGATIONS

Before you open the Franchised Business, we (or our designee) must provide the following assistance and services to you:

Franchise Agreement

1. We will lend you, one copy of the Operations Manual. See Exhibit C to this Franchise Disclosure Document, current Table of Contents of the Operations Manual. (Franchise Agreement Section VII)
2. We will lend you one copy of the Training Manual. See Exhibit D to this

Franchise Disclosure Document, current Table of Contents of the Training Manual. (Franchise Agreement Section VII)

3. We will provide you your Start-Up Equipment & Supplies during training. The contents of this package are listed in Exhibit J. (Franchise Agreement Section I.F.)
4. We will provide training as set forth below. (Franchise Agreement Section V.)
5. We will review all of your promotional materials and marketing and you must obtain our approval before using them. (Franchise Agreement Section X.A.)
6. All of the specifications, Approved Supplies List, Approved Supplier List, Training, Operations and Employee Manual will be delivered to you during the initial training class and before your Grand Opening. (Franchise Agreement Section XIV.E.)
7. You may purchase or lease original and replacement vans from any source. If you lease the van through us, we will arrange for the lease to you of your van that will be outfitted with equipment, graphics and interior set-up and woodwork during training. (Franchise Agreement Section IV.A.). If you lease or purchase your van through another source, we will not arrange for the outfitting of your van. We will furnish you the equipment, supplies, and graphics during initial training. You must transport these items back to your location and have your van outfitted with them, as well as with interior set-up and graphics installation, by another supplier.

We do not have to provide any other supervision, assistance, or services before you open the Franchised Business.

Area Development Agreement

1. We will determine your Development Area (Area Development Agreement, Section 1.A.)
2. We will determine your Development Schedule (Area Development Agreement, Section 1.B.)
3. We will approve your business location (Area Development Agreement, Section 8.A.)

Regional Development Agreement

1. Approve the Granted Territory (defined in Item 12) in which you will sell or develop Franchised Businesses. (See Section 2 of the Regional Development Agreement and Attachment 2 of the Regional Development Agreement.)
2. Provide you initial training (See Section 4(a)(i) of the Regional Development Agreement)
3. Provide you information with respect to standards and specifications for use in developing Franchised Businesses. (See Section 4(a)(ii) of the Regional Development

Agreement.)

4. Provide you such sourcing information and specifications as we may have concerning fixtures, furnishings, signs, equipment, leasehold improvements, and other products and services available in connection with the operation of Franchised Businesses. (See Section 4(a)(iii) of the Regional Development Agreement.)

5. Provide you a copy of the Manuals. (See Section 4(a)(v) and 8 of the Regional Development Agreement.)

6. Provide you copies of the Franchise Disclosure Document that you shall use in conjunction with the sale of Franchised Businesses. (See Section 4(a)(iv) of the Regional Development Agreement.)

Site Selection

You must locate your office, or post office box, within your Area of Primary Responsibility. You may operate your business office from your home. If you decide to relocate your office outside of your home, you must first obtain our written approval. Our primary consideration in approving your site is whether it is within your area of Primary Responsibility. We will advise you within 30 days of our approval or disapproval; if we cannot agree, we will resolve the dispute through arbitration. (Franchise Agreement Section III; Area Development: 8)

Length of Time Before Operation

The typical length of time between the signing of the Franchise Agreement and the beginning of operations of the Franchised Business is approximately 45 to 60 days. Factors affecting this length of time may include ability to arrange financing, meet local ordinances or community requirements, complete delivery of vans and equipment, complete training and other factors. If you fail to begin operations within 60 days of signing the Franchise Agreement, we may terminate the Franchise Agreement. (Franchise Agreement Section XIII.B)

If you enter into an Area Development Agreement or a Regional Development Agreement, the development schedule for multiple Franchised Businesses (the “Development Schedule”) will be agreed to when we sign the respective document. (See Section 4 of the Area Development Agreement and Section 2.d of the Regional Development Agreement.)

CONTINUING OBLIGATIONS

During the ongoing operation of the Franchised Business, we will provide the following assistance and services to you. If the assistance or service is an obligation in the Franchise Agreement, there will be a reference to the Section number. If there is no reference to a Section number, then we are not obligated by the Franchise Agreement.

Franchise Agreement

1. We will provide to you a list of established sources of and specifications for tools, equipment, chemicals, supplies, and services necessary for the operation of the Franchised Business. (Franchise Agreement Section XIV.B)

2. We will keep you updated on information for new methods of operation and new services. (Franchise Agreement Section XIV.B)

3. We will offer advice to you regarding prices for the services and products offered for sale by the business and prices charged for competitive services and products. (Franchise Agreement Section XIV.A)

4. We will give you advice as to the proper administrative, bookkeeping, accounting, supervisory and general operating procedures for the effective operation of the Franchised Business. (Franchise Agreement Section XIV.C)

5. We will use reasonable efforts to make our personnel available to you for telephone consultation and periodic field visits to assist you in all aspects of the operation of the business. We will prepare written reports about these visits outlining any suggested changes or improvements and we will also detail any defaults. A copy of this report will be given to you. (Franchise Agreement Section XIV.D)

6. We will make available further training for the Franchised Products and Services we may introduce at our annual seminar and our headquarters in Mokena, Illinois.

We are not obligated by the Franchise Agreement or any other agreement to provide any other supervision, assistance, or services during the operation of the Franchised Business.

Area Development Agreement

Other than the ongoing support we furnish you in connection with your Franchised Businesses, we do not furnish you any support specifically relating to your Area Development Agreement.

Regional Development Agreement

1. Provide advice in the sale of Franchised Businesses (see Section 4(b)(i) of the Regional Development Agreement).

2. Provide copies of disclosure documents that you will use in connection with the sale of Franchised Businesses for purposes of complying with state or federal laws and regulations affecting the sale of franchises (see Section 4(a)(iv) of the Regional Development Agreement).

3. Provide periodic individual or group counseling in the operation and supervision of the Franchised Businesses, rendered in person, by seminar or by newsletters, as we may deem appropriate (see Section 4(b)(ii) of the Regional Development Agreement).

4. Provide advice concerning operational problems, new techniques or operating methods disclosed by reports submitted to or inspections made by us or other representatives, as we may deem appropriate (see Section 4(b)(iii) of the Regional Development Agreement).

5. Provide assistance as we may deem reasonably required, including advice and

guidance with respect to new and improved methods of operation or business procedures developed by us, use of the Manuals, management materials, promotional materials, advertising formats and the Marks (see Section 4(b)(iv) of the Regional Development Agreement).

6. Pay Regional Developer 70% of the initial franchise fees received by us from franchisees (excluding franchisees in which Regional Developer or any of its owners holds more than 50% of the ownership interests or voting power) within your Granted Territory, less any sales commissions or brokerage fees. The Regional Developer shall receive this portion of the initial franchise fees if the Regional Developer is in compliance with the Regional Development Agreement and all Franchise Agreements under which the Regional Developer operates a Franchised Business (see Section 5.b of the Regional Development Agreement). We will pay the Regional Developer the 70% portion within 15 days from the time the franchisee signs the Franchise Agreement and pays the initial fees.

7. Pay Regional Developer a recurring administration fee equal to 3% of the gross sales derived by franchisees (excluding franchisees in which Regional Developer or any of its owners hold more than 50% of the ownership interests or voting power) within the Granted Territory. We will pay Regional Developer the recurring administration fee on a monthly basis, only for franchisees who pay their Royalty fees on a current basis. (See Section 5.c of the Regional Development Agreement).

8. Obtain and keep in force at our own expense appropriate registrations or permits as required by any applicable present or future franchise investment law or regulations, securities act, blue sky law or any similar law regulating the offer and sale of Franchised Business Franchise Agreements in the Granted Territory (see Section 7.d of the Regional Development Agreement).

National Accounts

We may enter into agreements with certain customers who have jobs in multiple areas ("National Accounts") under which we and participating franchisees agree to provide certain services at certain specified rates or in accordance with certain procedures. If any National Account has a job in your area of primary responsibility, we will offer you the opportunity to participate under the National Account agreement. Your participation is voluntary, but if you choose not to participate, we may reduce your exclusive territory by excluding the National Account from your area of primary responsibility, and we may allow a franchisee or affiliate to service that customer. (Franchise Agreement Section I.I.)

Marketing

We have a Marketing and Development Fund ("Fund"). The purpose of the Fund is to create, develop, direct and prepare national or regional advertising materials and marketing materials relating to the System and the products and services you offer and to pay for public relations projects intended to enhance the goodwill and public image of the System. CCI is not obligated to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that you or any particular franchisee benefits directly or proportionately from expenditures by the Fund.

All payments to the Fund will be used solely for marketing and development of CCI franchisees and their products and services. "Marketing and development" expenditures will include direct costs of producing, maintaining, administering, directing and placing consumer advertising, including the cost of preparing and conducting television, e-commerce, direct mail, magazine and newspaper print, radio, outdoor advertising, promotional materials and brochures and expenses directly incurred and related to the cost of marketing and administration of the Fund. Neither we nor our Affiliate receives payment for providing goods or services to the Fund other than the services we provide in administrative expenses.

If you wish to use your own marketing material, including telemarketing scripts, newspapers, radio and television advertising, you must submit them to us or our designated agency, for our prior approval. You are permitted to use your own advertising material only after receiving approval from us.

You must advertise continuously in the classified or Yellow Pages of the local telephone directory, or internet provider, under the listing "Leather Repair" and "Vinyl Repair" or other appropriate listings. Your expenditures for Yellow Page advertisements will be independent of and in addition to your contributions to the Fund.

We do not require you to participate in a local or regional marketing cooperative.

We have created a Marketing Fund Committee ("Committee") that is designed to provide us with a regular forum to hear advice and counsel from the franchisee network. The Committee will provide you with recognized leaders to whom all franchise owners can turn for advice and offer guidance on advertising development, marketing development and promotional materials. The Committee will offer advice and review advertising themes, marketing development and promotional projects and propose new advertising/marketing materials. The format of this Committee is to advise and help determine the focus and offer direction for the CREATIVE COLORS INTERNATIONAL Marketing Fund. The Committee will be the voice of franchisees. The Committee is not a decision making board, but is advisory only and can make recommendations.

You are prohibited from advertising on the internet unless it is through your personal website, which must be linked to our main website, and your advertising is approved by us.

You and all Franchisees must contribute to the Fund, at the same time and in the same manner as the Continuing Services and Royalty Fee, 1% of your Gross Sales or a minimum of \$50 the first year, \$75.00 the second year or \$100.00 the third year, derived from each Franchised Business you operate. A separate check needs to be made payable to "CCI Marketing Fund." We may require you to pay all fees via electronic funds transfer.

All of our company owned outlets and our affiliate owned outlets will pay marketing fees in the same manner as you.

If at any time, 50% or more of all other existing Franchised Business owners elect to raise the percentage marketing contribution level, participation will be required of all Franchised Business owners, but your contribution will not exceed 2% of your Gross Sales.

The Fund will not be our asset. Although the Fund is not a trust, we will hold all Fund

contributions for the benefit of the contributors and use contributions only for the purposes described in the Franchise Agreement. We do not owe any fiduciary obligation to you for administering the Fund or any other reason.

The Fund's fiscal year will begin on January 1 and end on December 31 of each year. Any amount not expended in the calendar year shall be applied and used for the Fund expenses in the following year. We have the right to terminate the Fund. The Fund will not be terminated until all monies in the Fund have been expended for both marketing and promotional purposes. No contributions you make to the Fund will be returned to you under any circumstances. An unaudited accounting of the income and expenses of the Fund will be prepared annually and be made available to you upon request.

In our most recent fiscal year (ended December 31, 2013), the Fund was expended for the following uses:

Marketing & Promotional	22%
Public Relations Firm	8%
Local Co-Op Reimbursements	44%
Marketing Committee Expense	1%
Tradeshaw	5%
Internet Marketing	6%
Administrative Expense	10%
Other (includes Association dues and bad debit & bank charges)	<u>4%</u>
Total	100%

The marketing projects are contracted out, with some projects done in-house. In 2013, 0% of the work (in terms of dollars expended) was done in-house, and the rest was contracted out.

The Fund will not be used for research and development of new products or services; the design of new or different trademarks, service marks or logos; or any of our general operating expenses. We will not use Fund contributions to create or place any advertisement that is principally a solicitation for new franchises, but we may include in all advertising prepared from Fund contributions (including Internet advertising) information concerning franchise opportunities.

The following expenses will not be paid for by the Funds for your individual use: Yellow pages; incentive programs; charitable, political, or other contributions or donations; reproduction costs; and seminar and educational costs.

Regional Development Agreement

While we may provide you with promotional and recruiting materials to solicit prospective franchisees, you must arrange media placement and pay for all media expenses. All advertising which you conduct, even using the recruiting materials that we create, is subject to our approval, which you must obtain in the same manner that applies to local advertising by Franchised Businesses. As a condition of our approval, you must permit us and other Regional

Developers whom we authorize use of the materials that we approve, without compensation to you. You may use materials that we approve only in the exact form that you submit them to us.

Unless you have our prior written consent, you may not market Franchised Business franchises on the internet or compete with us on or via the internet. We have sole control of any and all domain names of Franchised Businesses.

Computer Requirements

You must purchase computer hardware with on line access and specific software meeting our specifications. At present, you need to have a computer that is comparable to, or better than, the following:

Operating System: Windows 7
Memory: 4 GB
Hard Drive: 500 GB
Security Software
Optical Drive: 16xDVD+/-RW

The specific software that you will need is Quickbooks Pro 2012 (or higher). The estimated cost for these purchases is \$0 to \$2,500, depending on the equipment you may already own.

Neither CCI, any affiliate, nor any third party is obligated to provide ongoing maintenance, repairs, upgrades, or updates to your computer system.

You must acquire, maintain, upgrade and update hardware and software during the term of the franchise, at your own expense. There are no limitations on CCI's right to require upgrades and updates. CCI does not currently recommend or require a specific type of maintenance, updating, upgrading or support contract.

You must update the software every 3 years, and the cost to you will not exceed \$1,500. You must also have an Internet provider to access our intranet system. The hardware and software will record all Gross Sales, inventory date, sales information, and other information we require. In addition, you must use Quickbooks for your accounting system. Neither the hardware nor the software is proprietary to us or a third party. We shall have full remote access to all of your computer data via network connection thru High Speed Internet (LAN Network Connection).

Intranet Access

You will have access to our online intranet. The intranet will provide you with resources essential to the operation of your business.

Manuals for Franchised Business

We will lend you 1 copy of our Operations Manual and Training Manual (the "Confidential Manuals") for your Franchised Business. The Confidential Manuals will contain specifications, standards, operating procedures and policies, which you must follow in operating your Franchised Business. We may revise the Confidential Manuals at any time. The

Confidential Manuals are strictly confidential and remain our sole property. The master copy is at our principal office and will be controlling if there is a dispute concerning content. The master copy will be available to you on our CCI Intranet. Any changes to the manual will be made electronically. (Franchise Agreement Section VII.A.).

A copy of the Table of Contents for the Operations Manual is attached as Exhibit C. The total number of pages in the Operations Manual as of the date of this Franchise Disclosure Document is 227.

A copy of the Table of Contents for the Training Manual is attached as Exhibit D. The total number of pages in the manual as of the date of this Franchise Disclosure Document is 263.

Manuals for Regional Development Business

We do not have an operations manual for the Regional Development Business, but we intend to have a one before our first Regional Developer attends training. We have arranged for an attorney who is experienced in franchise law to conduct a training program for our Regional Developers that will cover the franchise law aspects of the Regional Development Business. That training program will consist of 4 to 5 hours of classroom training at our corporate offices in Mokena, Illinois. A copy of the Table of Contents for the Franchise Law Training Manual is attached as Exhibit D-1. The total number of pages in the manual as of the date of this Franchise Disclosure Document is 120.

Training Programs

We will provide a CCI Certified Training class to you and your employees. Before opening your Franchised Business, You must attend and successfully complete to our satisfaction a training and familiarization course of 3 weeks at our headquarters and one week in your franchised territory. We will train up to 2 people, including you, at the Initial training program. An airline voucher up to \$500.00 and a hotel voucher up to \$1,500 will be provided. All other expenses for you and your employees, including travel costs, room and board expenses and employees' salaries, is your responsibility. The CCI Certified Training program will cover techniques and procedures for providing upholstery coloring, repairs, cleaning, protection and restoration; management and operational techniques; safety techniques; marketing and advertising techniques; and maintenance of quality standards. (Franchise Agreement Section V.A and V.C)

The Initial training program for you will be approximately 4 weeks of both classroom instruction and on-the-job training, and is scheduled monthly. The Initial training program will be supervised by Ms. Kelli Bollman, who is disclosed in Item 2 and/or Ms. Annetta Teeter. Ms. Bollman has been an employee of CCI since 2000 and an employee of our affiliate, J&J's Creative Colors for 23 years, and she has 20 years of experience in the subjects she will be responsible for teaching. Ms. Teeter has been an employee of CCI since 2005, and she has 6 years of experience in the subjects she will be responsible for teaching.

The instructional materials we use include our Operations Manual, Training Manual and Employee Manual.

If we determine that you are unable to satisfactorily complete the training program, we

may terminate the Franchise Agreement, see Item 5 of this Franchise Disclosure Document and Franchise Agreement Section V.C.

During the Grand Opening of your Franchised Business, one of our representatives will provide on the job training and solicitation of accounts in your area of primary responsibility for 5 business days. (Franchise Agreement Section V.B)

If you designate new or additional managers and employees after the Initial training program, we will provide a one or two week CCI Certified Training program for them if we can accommodate them in our regularly scheduled training course. A \$500 non-refundable deposit must be received by us at least two weeks prior to the class. If your technician attends the training class, you will receive a credit for supplies in the amount of \$500. There is no additional fee for the one week CCI Certified Training Class. If you send your technician to the extended two week CCI Certified Training Class, you must pay the \$500 non-refundable deposit and a training fee of \$1,000 at least two weeks prior to the class. (Franchise Agreement Section V.A and V.D)

We will provide required refresher training programs at our seminar to be conducted at a location designated by us, at your expense. This training program will be conducted at our annual convention. Your attendance is mandatory, unless we waive the requirement; however, your attendance will not exceed 3 business days. You must pay your travel and living expenses. In addition, we will charge you a registration fee for the seminar.

If you do not attend the annual convention, your registration fee will not be refunded. Also, if you do not register, you will be charged the highest registration fee. (Franchise Agreement Section V.E)

If you do not attend the annual convention, you will be required to attending training at our headquarters for new Franchised Products and Services not to exceed 3 days in duration. You must pay for any travel and daily living expenses for this extra training. We will charge a fee of \$200 per day for this additional training. (Franchise Agreement, Section V.E.)

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TRAINING PROGRAM

Franchise Agreement and Area Development Agreement

The subjects covered in the 3 week Initial CCI Certified Training program held in Mokena, Illinois, are described below:

<u>SUBJECT</u>	<u>HOURS OF CLASS ROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>
Operations Manual; M.S.D.S. Manual; Computer class	8	0	Conference Room
Sales and Marketing	8	0	Conference Room
Colors	8	0	Workshop – (our headquarters at 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448)
Introduction to Vinyl; Commercial Vinyl	8	0	Workshop
Basic Vinyl Repairs; Odor Eliminator	8	0	Workshop
Vinyl Repairs; Furniture Vinyl	8	0	Workshop
Fabric Repairs; Sewing Techniques; Stain Removal	8	0	Workshop
Carpet Repair and Dyeing; Hard Plastic; Metallics	8	0	Workshop
Introduction to Leather	8	0	Workshop
Pigmented Leather Repairs	8	0	Out in Field
Furniture Leather	8	0	
In House field for 1/2 day; afternoon used for inventory and van	8	0	Out in Field & Workshop
On-the-Job Training	0	8	Out in Field
On-the-Job Training	0	8	Out in Field
On-the-Job Training	0	8	Out in Field

The subjects covered in the 1 week CCI Certified Training Program are described below. Employee must be out in field for at least 4 weeks, but not longer than 90 days, to participate in the one week training class.

<u>SUBJECT</u>	<u>HOURS OF CLASS ROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>
Colors; Basic Vinyl Repairs	8	0	Workshop – (our headquarters at 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448)
Commercial Vinyl; Furniture Vinyl; Automotive Vinyl	8	0	Workshop
Fabric Repairs; Sewing; Carpet Repair	8	0	Workshop
Automotive Leather Repairs; Commercial Leather Repairs; Furniture Leather Repairs	8	0	Workshop
Miscellaneous Repairs; Sales & Marketing	8	0	Workshop

The subjects covered in the 2 week Extended CCI Certified Training program are described below:

<u>SUBJECT</u>	<u>HOURS OF CLASS ROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>
Colors	8	0	Workshop – (our headquarters at 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448)
Introduction to Vinyl, Commercial, Furniture and Automotive	8	0	Workshop
Basic Vinyl Repairs; Odor Eliminator	8	0	Workshop
Vinyl Repairs	8	0	Workshop
Fabric Repairs; Sewing Techniques; Stain Removal	8	0	Workshop
Carpet Repair and Dyeing; Hard Plastic; Metallics	8	0	Workshop
Introduction to Leather	8	0	Workshop
Pigmented Leather Repairs	8	0	Workshop
Furniture Leather	8	0	Workshop
Sales and Marketing	8	0	Workshop

Regional Development Agreement

The Regional Developer must attend the initial training required with respect to the Franchised Business, as described above. In addition, the Regional Developer must attend an additional 1 day of training, held in Mokena, Illinois, as described below:

<u>SUBJECT</u>	<u>HOURS OF CLASS ROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>
Regional Developer's Obligations under the Regional Development Agreement	4		Mokena, Illinois
Franchise law topics	4		Mokena, Illinois

ITEM 12 TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate the Franchised Business within an exclusive Area of Primary Responsibility. If you are in compliance with the Franchise Agreement, your Area of Primary Responsibility will be exclusive, and we will not establish a franchised or company-owned business that offers or provides products and services similar to those offered in our System, within your Area of Primary Responsibility under the Marks or different trademark or trade name. We can grant franchises outside of your Area of Primary Responsibility. Both within and outside your Area of Primary Responsibility, we have the right to offer and sell, at wholesale or retail, products and services which make up part of the System and those that do not make up part of the System. The products and services which are a part of the System are in the Operation Manual. The Operation Manual and Training Manual may be amended to reflect changes of these products and services.

You will receive an Area of Primary Responsibility which will vary in size and dimensions which will be agreed upon by you and us. Your Area of Primary Responsibility will be determined by people population and be identified by street boundary. The Area of Primary Responsibility you select will be described in writing and on a map attached to the Franchise Agreement. An Area of Primary Responsibility shall contain a people population of approximately 300,000.

You are strictly prohibited from soliciting and providing services to an account or customer that is outside your Area of Primary Responsibility. Violation of this prohibition is a breach of the Franchise Agreement and it is grounds for termination of the Franchise Agreement.

Continuation of your Area of Primary Responsibility is dependent on your participation in a National Account in your area. If you decide not to service a National Account, three days written notice will be given to you and we will reduce your Area of Primary Responsibility by

excluding the customers' of the National Account from your exclusive territory. We may allow another franchisee or our affiliate to service the customers of the National Account within your territory without any liability to you. Not all Areas of Primary Responsibility will have a National Account.

Continuation of your Area of Primary Responsibility is also dependent on having 2 vans in operation beginning on the second anniversary date of your Franchise Agreement. If you fail to have a second van operating after 30 days' notice from us to operate a second van, your Area of Primary Responsibility will be reduced by one-half. If you comply and add a second van, but you subsequently are in violation of this requirement (you stop operating your second van) you cannot cure that subsequent violation and your Area of Primary Responsibility will be reduced by approximately 50%. The configuration of your revised Area of Primary Responsibility will be determined by us at our sole discretion. Once your Area of Primary Responsibility has been reduced, you cannot reinstate the original Area of Primary Responsibility even if and when you obtain and operate a second van.

In addition, we reserve the right to conduct market surveys, or a comparison of key Franchisor indicators, of your Area of Primary Responsibility at any time during the term of this agreement. If such survey or comparison indicates, in our determination that your Area of Primary Responsibility is underdeveloped and if you do not add a van within 180 days, then we will have the right to service the underdeveloped portion of the market. If we determine that your Area of Primary Responsibility could support an additional Van(s), we will notify you in writing setting forth the area to be developed and/or Van(s) to be added. You must agree that within 180 days you will purchase and operate the additional Van(s) in accordance with our development requirements. Your failure to develop the area and/or add the additional Van(s) within the time specified as notified by us, is a material breach of the Franchise Agreement.

You do not have any options, rights of first refusal or similar rights to acquire additional franchises.

We and our affiliate may sell products under the Trademarks within and outside your Territory through any method of distribution other than a dedicated Creative Colors International franchise location, including, sales through such channels of distribution as electronic commerce, internet, websites, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Territory and you will receive no compensation for our sales through alternative distribution channels.

We and our affiliate can use alternative distribution channels to make sales within your Territory of products or services under trademarks different from the Trademarks you will use under the Franchise Agreement, but we and our affiliate have not yet made any sales of this type.

If you wish to relocate your office, you must first obtain our written approval. Our primary consideration in approving your relocated site is whether it is easily accessible to customers. We will advise you within 30 days of our approval or disapproval; if we cannot agree, we will resolve the dispute through arbitration.

Area Development Agreement

The Area Development Agreement grants you certain rights (as described below) within your Development Area. The size of the Development Area may be a single or multi-city area, a single or multi-county area, or another area which is described in the Development Area attached as Attachment A to the Area Development Agreement. The Development Area will contain approximately 300,000 people population times the number of Franchised Businesses your Development Schedule requires you to open. We will determine the Development Area before you sign the Area Development Agreement based on various market and economic factors.

Your Development Area will be exclusive, provided you are (a) in full compliance with the terms and conditions contained in the Area Development Agreement, including the development obligations contained in the Development Schedule and (b) in full compliance with all obligations under Franchise Agreements entered into between us and you under the Area Development Agreement, then during the development periods. Within your exclusive Development Area, we will: (1) grant to you, according to the provisions of the Area Development Agreement, franchises for the ownership and operation of additional Franchised Businesses located within the Development Area and (2) not operate (directly or through our affiliate), nor grant a franchise for the location of, any Franchised Business within the Development Area, except for the franchises granted to you under the Area Development Agreement and as described below.

The territorial rights granted to you under the Area Development Agreement are dependent upon your meeting the development obligations but are not otherwise dependent on the achievement of certain sales volume. Your territorial rights are dependent on having 2 vans in operation beginning on the second anniversary date of your Franchise Agreement.

During the terms of the Area Development Agreement and any extensions, you must at all times faithfully, honestly, diligently and timely develop Franchised Business within the Development Area in compliance with the Development Schedule (Attachment B to the Area Development Agreement). You must have open and in operation certain cumulative numbers of Franchised Businesses at the end of each development period as a prerequisite to the continuation of your rights of exclusivity. The development periods and minimum development standards are determined by Franchised Businesses on the basis of market potential and size of the Development Area.

A Franchised Business which is permanently closed with the approval from us after having been opened shall be deemed open and in operation for purposes of the Development Schedule if a substitute Franchised Business is open and in operation within 6 months from the date of closing. The replacement Franchised Business shall not otherwise count toward compliance with the Development Schedule.

Regional Development Agreement

Under the Regional Development Agreement, you must open 1 Franchised Business and assist us in the development and ongoing support for a minimum number of 9 additional Franchised Businesses (franchisees) within a designated geographic area (the "Granted Territory"), at specific locations designated in separate Franchise Agreements. Your Granted Territory and the minimum number of required Franchised Businesses will be specified on a schedule to the Regional Development Agreement (the "Regional Development Schedule"). The Granted Territory is usually defined by boundaries such as street boundaries, a city, county or

state limits or by other reasonable boundaries. The Granted Territory will contain a minimum of 3,000,000 people population, for 10 Franchised Businesses. If you wish to purchase a larger Granted Territory, it will be in increments of 300,000 people population for each additional Franchised Business to be located within the Granted Territory. Once established, the boundaries of your Granted Territory will not be adjusted regardless of whether the population of your Granted Territory increases or decreases over time. So long as you are in compliance with all terms of the Regional Development Agreement, your rights as a Regional Developer within the Granted Territory will be exclusive, and we will not grant any other party the right to operate a Regional Development business within your Granted Territory for the term of the Regional Development Agreement.

We and our affiliates reserve the following rights:

1. To use and license other to use, the Marks and the System for the operation of other Regional Development Businesses at any location outside of the Granted Territory wherever located;
2. To solicit prospective franchisees for the operation of Franchised Businesses at such locations within and outside the Granted Territory and on such terms and conditions as we deem appropriate;
3. To own and operate for our own benefit Franchised Businesses within the Granted Territory, subject to our obligation to compensate you for your percentage of royalties as described in Item 11;
4. To provide pre-opening and/or ongoing support to franchisees within the Granted Territory;
5. To use and license the use of alternative proprietary marks or methods in connection with the operation of businesses which may provide repair services at any location (including within the Granted Territory) which businesses may be the same as, similar to, or different from the Franchised Business or may be in alternative methods of distribution; and
6. To use the Marks and the System in connection with some or all of the products or services offered by Franchised Business, other service and products, or alternative distribution channels at any location (including within the Granted Territory).

We are not required to pay you if we exercise any of the rights specified above inside or outside your Granted Territory.

Your right to establish additional Franchised Businesses under the Regional Development Agreement is dependent on you meeting your Regional Development Schedule. If you fail to meet your Regional Development Schedule, we can terminate your Regional Development Agreement. Except as described in the Regional Development Schedule, we do not grant you any options, rights of first refusal or similar rights to acquire additional franchises.

You may not solicit franchises for Franchised Businesses located outside of your Granted Territory. You may not use other channels of distribution, such as the internet, websites, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Granted Territory.

Except as described above, there are no restrictions on our ability to solicit or accept orders from customers inside your Granted Territory. Except for the Regional Development Schedule described above, you do not need to meet any particular sales volume in order to keep your territorial rights.

ITEM 13
TRADEMARKS

J&J's was the original owner of the marks. On March 25, 1991, J&J's and we entered into a license agreement, under which J&J's sublicensed us the exclusive use of the Marks for the Franchise Agreement.

J&J's has registered the following Marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Trade Mark: "CREATIVE COLORS INTERNATIONAL"
Registration No.: 1,731,631
Registration Date: November 10, 1992
Expires: November 10, 2022

Service Mark: "CCI and Design"
Registration No.: 1,935,662
Registration Date: November 14, 1995
Expires: November 14, 2015

In addition, J&J's has registered the following Mark in Canada:

Canada Trademark: "CREATIVE COLORS INTERNATIONAL"
Registration No.: TMA481,805
Registration Date: May 29, 1995
Expires: August 28, 2027

Canada Trademark: "CREATIVE COLOURS INTERNATIONAL"
Registration No.: TMA496,693
Registration Date: June 13, 1995
Expires: June 25, 2028

We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Service Mark: "We Can Fix That"
Registration No.: 3186848
Registration Date: December 19, 2006
Expires: December 19, 2016

All required affidavits and renewal applications have been filed.

You can use the Marks in the operation of your Franchised Business.

There are no currently effective material determinations of the USPTO, the trademark trial and appeal board, the trademark administrator of this state, or any court nor is there any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the principal Marks.

Our right to use and sublicense others to use the Marks is exercised pursuant to a license agreement between us and J&J's dated March 25, 1991, which agreement was assigned on January 1, 2009, to KTG Creative Colors, Inc. ("Licensor"). Subsequent to said assignment, KTG Creative Colors, Inc. amended its corporate name to J&J's Creative Colors, Inc.

The term of the license agreement is 5 years and is automatically renewed each year unless either party notifies the other in writing of its intent to cancel the license agreement. Licensor may terminate the license agreement if we breach the license agreement and fail to cure that breach within 10 days after receipt of notice of breach.

There are no other agreements currently in effect that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to you.

CCI agrees to indemnify you against and to reimburse you for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which you are held liable in any proceedings arising out of the use of any Mark under and in compliance with the Franchise Agreement, and for all costs reasonably incurred by you in the defense of any such claim brought against it or in any such proceeding in which it is named as a party, provided that you have timely notified CCI of such claim or proceeding and have otherwise complied with the Franchise Agreement.

You must promptly notify CCI in writing of any apparent infringement or of challenge to your use of any Mark, or of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation of the Marks. You may not communicate with any person other than CCI and its counsel in connection with such infringement, challenge or claim. CCI or its affiliate has sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation, U. S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You further agree under the Franchise Agreement to sign any and all instruments and documents, render such assistance and do whatever may be necessary or advisable to protect and maintain the interests of CCI in any such litigation, U. S. Patent and Trademark Office proceeding or other administrative proceedings or otherwise to protect and maintain the interests of CCI in the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any rights in, or licenses to, any patents or registered copyrights that are material to you. We do not have any pending patent applications that are material to you.

There are no current material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding a patent or copyright.

You will not use in advertising, or any other form of promotion, our copyrighted materials without the appropriate copyright designation.

Confidential Manuals

We claim common law rights and copyright protection for our System and Marks. All Confidential Manuals remain our sole property and must be returned upon the expiration or termination of the Franchise Agreement.

You must operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Confidential Manuals, you will receive one copy of each on loan from us for the term of the Franchise Agreement upon your completion of our Initial training program to our satisfaction. These manuals are designed to protect our standards, systems, names and marks, and not to control the day-to-day operations of your Franchised Business.

You must treat the Confidential Manuals, any other manuals and their information created for or approved for use in the operation of the Franchised Business as confidential. You must use all reasonable efforts to maintain this information as secret and confidential. You must not copy or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Confidential Manuals will remain our sole property and must be kept in a secure place in your Franchised Business.

We may revise the contents of the Confidential Manuals, and you must comply with each new standard. You must ensure that the Confidential Manual is kept current at all times. If there are any disputes as to the contents of the Confidential Manuals, the terms of the master copy contained by us at our home office will be controlling.

Confidential Information

J&J's owns the Confidential Information and the System and has sublicensed us the exclusive use of the System for the Franchise Agreement.

Our right to use and sublicense others to use the System is exercised pursuant to a license agreement between us and J&J's dated March 25, 1991. The term of the license agreement is 5 years and is automatically renewed each year unless either party notifies the other in writing of its intent to cancel the license agreement. J&J's may terminate the license agreement if we breach the license agreement and fail to cure that breach within 10 days after receipt of notice of breach. We and you shall discontinue all use of the System within 20 days of the date of termination of the license agreement.

Except as described above, there are no agreements currently in effect which limit our right to use or license others to use the System.

You must not, during the term of the Franchise Agreement or after the term of the

Franchise Agreement, communicate, or use for the benefit of any other person or business or legal entity any confidential information regarding the operation of the Franchised Business which may be communicated to you or of which you may know because you operate the Franchised Business (including information regarding the specifications, standards, pricing, and operating procedures). You may provide this confidential information only to those of your employees who must have it in order to operate the Franchised Business.

At our request, you must require all of your employees who have access to any of our confidential information to sign a covenant that they will maintain the confidentiality of information they receive during their employment by you at the Franchised Business. The statement must be in a form satisfactory to us, including specific identification of us as an intended third party beneficiary with the independent right to enforce the covenant. Attached to this disclosure document as Exhibit N is our "Agreement for Protection of Trade Secrets of the Creative Colors International, Inc. System," which is our approved form agreement for use by you with your employees.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISED BUSINESS

During the term of the Franchise Agreement, except as otherwise approved in writing by us, you or your fully-trained manager must devote full time and best efforts to the operation of your Franchised Business and you must not engage in any business or other activities that will conflict with your obligations under the Franchise Agreement. The Franchised Business must at all times be under the direct supervision of you or a manager who has satisfactorily completed our training program. If you are an individual, we recommend that you be the fully-trained manager.

We do not have the right to approve your manager. The manager will not be required to have an equity interest in your franchised business. The manager and other employees must attend and complete our training program, as described in Item 11. The manager and other employees must enter into an agreement (i) not to compete with Franchised Businesses while employed by you and for 2 years after, and (ii) not to reveal confidential information obtained during their employment with you. See Item 14 for a description of these obligations. You must keep us informed of the identity of any employee(s) acting as manager(s). You must provide us with a list of current names, addresses and phone numbers of all your employees.

Your personnel who perform the CREATIVE COLORS INTERNATIONAL services to your accounts must be W-2 employees and not independent contractors.

If the Franchisee is a corporation, limited liability company (LLC), or partnership, all owners of the corporation, LLC or partnership must agree jointly and severally to guarantee the obligations of Franchisee under the Franchise Agreement, and must sign Attachment C to the Franchise Agreement (Guaranty and Assumption of Obligations).

If the Area Developer is a corporation, limited liability company (LLC), or partnership, all owners of the corporation, LLC or partnership must agree jointly and severally to guarantee the obligations of Area Developer under the Area Development Agreement, and must sign

Attachment D to the Area Development Agreement (Guaranty and Assumption of Obligations).

If the Regional Developer is a corporation, limited liability company (LLC), or partnership, all owners of the corporation, LLC or partnership must agree jointly and severally to guarantee the obligations of Regional Developer under the Regional Development Agreement, and must sign Attachment 3 to the Regional Development Agreement (Guaranty and Assumption of Obligations).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and use at your Franchised Business all types of services for repair, coloring, cleaning, protection, and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces and providing services that we authorize. You shall not offer for sale any other category of materials, supplies, merchandise, products or accessories or use the Franchised Business for any purpose other than the operation of a Franchised Business in full compliance with the Franchise Agreement. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

We have the right to add additional services that you must offer. You must successfully complete training for any additional products and services. There are no limits on our right to add additional services and you will incur additional costs for all travel and lodging expenses.

You are not limited in the customers to whom you may sell products or services, other than the geographic limitations described in Item 12.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
a. Length of the franchise term	FA: II.A. ADA: Section 3 RDA: 3(a)	FA: Term is 10 years. ADA: Term ends on last day of Development Period in Development Schedule. RDA: Term is 10 Years.
b. Renewal or extension of the term	FA: II.B. ADA: Section 4 RDA: 3(b)	FA: You may acquire a successor franchise provided you are not in default of your Franchise Agreement. We may reduce your Area of Primary Responsibility if you fail to adequately service your customer base or provide service to a National Account. ADA: N/A (not applicable) RDA: 5 year renewal subject to compliance with certain requirements.
c. Requirements for Franchisee to renew or extend	FA: II.B. ADA: N/A RDA: 3(b)	FA: Give notice, sign new franchise disclosure document that may have materially different terms and conditions than your original agreement, comply with current training requirement, execute general release and satisfy all monetary obligations. Pay \$5,000.00. The renewal agreement may contain materially different terms and conditions than your original contract, but the royalty fee will not be greater than the royalty fee that we then impose on similarly-situated renewing franchisees. ADA: N/A RDA: We may grant you a renewal regional

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
		development term if you meet the following requirements: compliance with the Franchise Agreement and Regional Development Agreement and all other agreements with us; notice of election to renew; sign new regional development agreement (which may contain terms and conditions materially different from those in the Regional Development Agreement).
d. Termination by Franchisee	FA: XVII.A. ADA: N/A RDA: 12(b)	FA: If we are in material breach and fail to cure after notice. ADA: N/A RDA: Regional Developer may not terminate the Regional Development Agreement prior to the expiration of its term except through legal process resulting from our breach of the Regional Development Agreement or otherwise with our consent.
e. Termination by Franchisor without cause	FA: N/A ADA: N/A RDA: N/A	FA: N/A ADA: N/A RDA: N/A
f. Termination by franchisor with cause	FA: XVII.B. and C. ADA: Section 14 RDA: 12	FA: We can terminate only if you are in default. ADA: CCI may terminate Area Development Agreement for failure to develop Franchised Businesses. RDA: We can terminate if you commit any one of several listed violations.
g. "Cause" defined – curable defaults	FA: XVII.C. ADA: Section 14	FA: You have 10 days to cure non-payment and 30 days to cure any other default not listed in Section 17.B. ADA: Curable defaults include: meet development requirements, designate qualified Representative, failure to comply with all terms of this Agreement and any executed Franchise Agreement, misuse of unauthorized use of any Licensed Marks, 14 days after notice to pay

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
	RDA: 12(a)	monetary obligations. RDA: Non compliance of a law or regulation 15 days after notice; 30 days for all other defaults not specified in Section 11.
h. "Cause" defined – non-curable defaults	FA: XVII.B. ADA: Section 14 RDA: 12(a)	FA: Fails to equip van, fails to complete training, fails to commence business within 60 days of signing Franchise Agreement; providing false information, conviction of certain crimes, unauthorized use or disclosure of confidential information, abandon or fails to operate business, surrenders or transfers control of the business, understating records by 5% for all fees owed, insolvency, impair goodwill in any Marks, 3 or more defaults, use of unauthorized products or supplies, servicing an account outside your Area of Primary Responsibility, terrorist activities. ADA: Noncurable defaults include: if developer becomes insolvent, makes a general assignment for the benefit of creditors, files a petition or has a petition initiated against him under federal bankruptcy laws, is adjudicated bankrupt, has receiver appointed, proceedings for composition with creditors instituted, final judgment remains unsatisfied or of record for 30 days, is dissolved or signing is levied against business or property, a suit to foreclose a lien or mortgage is levied, an immediate threat or danger to public health or safety, fails 3 or more times within 12 months to comply with a material provision of the Agreement, discloses contents of Operations Manual or other confidential information or makes material misrepresentation on Application or breaches any covenants (also applies to Principal), transfers any rights or obligations to a third party without CCI's written consent (also applies to Principal), repeatedly commits a material event of default (also applies to Principal). RDA: If Regional Developer becomes insolvent, files a petition in bankruptcy, or a general assignment of creditors; provide a materially false statement or report; unauthorized transfer or

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
		assignment; receipt of 2 or more notices to cure similar defaults within 12 months; violates any covenant of confidentiality or non-disclosure; conviction of a felony or any other crime relating to the operation of the CCI Business; default under any other agreement; failure to obtain or revocation of license or registration necessary to sell franchises.
i. Franchisee's obligations on termination & nonrenewal	FA: XVIII ADA: Section 14 RDA: 13	FA: Immediately cease operation of business and use of all marks, payment of amounts due, return all manuals, ship everything with CCI logo back to Creative Colors International, remove stripes from van and send photo of unstriped van, and assign usage of telephone number. ADA: Termination of the Area Development Agreement will end your rights to open Franchised Businesses. RDA: Cease operations, cease use of Marks; de-identify business; pay amounts owed; return Manuals and materials; return of signage; transfer phone number(s), employee and customer lists, directory listings/URLs for your CCI Business to us or our designee; cancel all fictitious business name registrations. Certain obligations continue, including non-competition and confidentiality, your obligation to pay Royalties, marketing contributions and other amounts for the remainder of the term if the Regional Development Agreement is terminated early.
j. Assignment of contract by Franchisor	FA: XIX.A. ADA: Section 16 RDA: 10	FA: No restrictions. ADA: No restrictions on CCI's right to assign. RDA: No restrictions on our right to transfer the Regional Development Agreement.
k. "Transfer" by Franchisee – definition	FA: XIX.B. ADA: Section 16	FA: Includes transfer of contract or ownership change. ADA: Includes sell, assign, transfer, convey, give away, pledge mortgage or encumber any direct or

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
	RDA: 10	indirect interest in the Area Development Agreement. RDA: Includes transfer of any interest in the Regional Development Agreement or in the equity or voting rights of you.
l. Franchisor's approval of transfer by Franchisee	FA: XIX.B.2 ADA: Section 16 RDA: 10	FA: We must approve all transfers. The approval will not be unreasonably held. ADA: CCI has the right to approve all transfers, but will not unreasonably withhold approval. RDA: Transfer subject to our consent.
m. Conditions for Franchisor's approval of transfer	FA: XIX.B.3 ADA: Section 16 RDA: 10	FA: Your buyer must meet our standards and satisfactorily complete training and we must be paid a transfer fee of \$10,000.00. ADA: CCI has right of first refusal; if not exercised within 30 days then proposed transferee must qualify, all transferee's principals must execute documents assuming all obligations of Developer under the Area Development Agreement and sign the then-current Franchise Agreement, Developer and all principals must not be in default of any obligations, execute general release, pay transfer fee and pay any referral fees or commissions that may be due to any franchise broker, seller or other third party. RDA: You must be in compliance with all agreements between you and us; transferee qualifies; transferee assumes your obligations; all amounts due are paid in full and all debts payable to third parties are paid or assumed by transferee; all required reports or other documents submitted; transferee completes training program; transferee obtains all required permits, licenses and insurance; lessors and other parties consent to transfer; transferee signs our then-current Regional Development Agreement (which terms may materially differ from the Regional Development Agreement); comply with non-competition obligations; payment of applicable transfer fees;

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
		execution of release (if any) and, execution of non-competition agreement; and compliance with laws and regulations; if transferee does not purchase Regional Developer's Franchised Business, the transferee must open and operate its own Franchised Business. Certain conditions do not apply to transfers to immediate family members of Regional Developer (or its owners), transfers of 25% or less of the ownership interests or voting rights in Regional Developer or transfers to one of Regional Developer's existing owners.
n. Franchisor's right of first refusal to acquire Franchisee's business	FA: XXI ADA: N/A RDA: N/A	FA: We can match any offer for your franchise. ADA: N/A RDA: N/A
o. Franchisor's option to purchase Franchise's business	FA: XVIII.I. ADA: N/A RDA: N/A	FA: Upon termination or expiration, we can buy all marketing materials and all items bearing our marks at your cost or fair market value. ADA: N/A RDA: N/A
p. Franchisee's death or disability	FA: XX ADA: N/A RDA: 10.f	FA: Heirs may apply for right to operate business or transfer your interest in accordance with contract. ADA: N/A RDA: Any transfer by the Regional Developer (or any of your owners) of any interest in the event of your death or the death of an owner of the franchisee, by will, declaration of or transfer in trust, under the laws of intestate succession, or otherwise will be governed by all of the provisions on transfer of the Regional Development Agreement.
q. Non-competition covenants during the term of the franchise	FA: XVII.C.	FA: You cannot divert business to any competitor, employ our employees or other Franchised Business owners or have any interest in a competitive business.

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
	ADA: N/A RDA: 9.a	ADA: N/A RDA: No involvement in any similar business. No transfer of ownership for any similar business located within the Granted Territory.
r. Non-competition covenants after the franchise is terminated or expires	FA: XVII.D. ADA: N/A RDA: 9.b	FA: No competing business for 2 years after termination or expiration to any accounts serviced by you or any other Franchised Business or within a 10 mile radius of any Franchised Business Owner or J&J's or within your Area of Primary Responsibility. ADA: N/A RDA: No interest in similar business for 2 years. No geographic limitations. No transfer of ownership of any similar business located within the Granted Territory.
s. Modification of the agreement	FA: XXVI ADA: N/A RDA: 17	FA: We may amend and use new or modified products, equipment or techniques and you agree to comply with the modifications even if these modifications change the license. ADA: N/A RDA: The Regional Development Agreement may be modified in writing by all parties. Manuals and System are subject to change by us and you must promptly comply. We may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and the modified provisions will bind you.
t. Integration/merger clause	FA: XXVI ADA: N/A RDA: 17(c) & 20	FA: Only the terms of the Franchise Agreement are binding (subject to state law). Any promises or representations outside the franchise disclosure document and franchise agreement may not be enforceable. ADA: N/A RDA: Only the terms of the Regional

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
		Development Agreement are binding (subject to state law). Any promises or representations outside the franchise disclosure document and Regional Development Agreement may not be enforceable.
u. Dispute resolution by arbitration	FA: XXIX ADA: N/A RDA: 17	FA: All disputes must be submitted to arbitration. ADA: N/A RDA: Except for certain claims, all disputes must be arbitrated.
v. Choice of forum	FA: XXVIII.B., XXIX ADA: N/A RDA: 18	FA: Arbitration will be conducted in the city where our principal business address is then located (currently Chicago, Illinois). ADA: N/A RDA: Arbitration or litigation must be commenced in the state or federal court in Chicago, Illinois (or, if our principal place of business is no longer in Illinois, in or near our then current principal place of business (subject to state law).
w. Choice of law	FA: XXVIII ADA: N/A RDA: 18	FA: Illinois law applies. ADA: N/A RDA: Illinois law applies (subject to state and federal law).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit L.

ITEM 18 PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

There are 5 types of financial performances representations in this Item 19:

- Chart 1: Overview of Franchise, Company-Owned and Affiliate Performance by Model for calendar year ending December 31, 2013;
- Chart 2: Annual revenue in 2013 for each of the 30 Franchise owners, 1 company store and 1 affiliate, including data for each van (group by Model and Franchisee);
- Chart 3: Affiliate and Company Store P&L for calendar year ending December 31, 2013;
- Chart 4: Average number of customers serviced per Franchisee per quarter in 2013;
- Chart 5: Spreadsheet showing annual revenue history by calendar year in business, for each territory, from the beginning of the franchised business; and

Chart 1

Overview of Franchise, Company-Owned and Affiliate Performance by Model for calendar year ending December 31, 2013

Overview of Franchise , Company-owned and Affiliate-Owned Performance						
Model	Owners	% of System Owners	Vans	AVG Van per Owner	2013 Revenue	AVG Revenue per Owner
Executive Model	8	25.0%	56	7.00	\$7,774,914	\$971,864
Multi Unit Model	11	34.4%	22	2.00	\$2,166,061	\$196,915
Owner Operator Model	13	40.6%	13	1.00	\$1,468,336	\$112,949
	32	100.0%	91		\$11,409,311	
			Average	2.84		\$356,541

Executive Model: 3 or more vans

Multi-Unit Model: 2 vans

Owner Operator Model: 1 Van

Chart 2

Annual revenue in 2013 for each of the 32 Franchise owners, company store and affiliate, including data for each Van (grouped by Model and Franchisee)

FRANCHISEE, COMPANY and AFFILIATE OWNED BUSINESSES FOR THE PERIOD OF JANUARY 1 THROUGH DECEMBER 31, 2013

Executive Model						
Executive Model	Major Market	Year Started	Vans	2013 Revenue	AVG Van	
1 J&J Affiliate	Naperville, Joliet, Kankakee-Bradley, IL	1980	15	\$1,912,227	\$127,482	
1 Neff, Richard	South Bend, Elkhart, Goshen, Ft. Wayne, IN	1991	9	\$1,441,544	\$160,172	
1 Waitekus	Chicago, IL; Jacksonville, FL; Brunswick-Sav	1991	10	\$2,070,418	\$207,042	
1 McCoy, Andy	Phoenix, Mesa, Scottsdale, AZ	1995	6	\$716,905	\$119,484	
1 CCI company store	Milw, WI; Rockford-Rochelle, IL	1999	7	\$805,727	\$115,104	
1 del Lano, Jose	Orlando, FL	2002	3	\$294,763	\$98,254	
1 Russo, Ron	Ocala, FL	2003	3	\$283,999	\$94,666	
1 Cahill, Pat	Cape Coral-Ft. Myers, FL	2005	3	\$249,330	\$83,110	
8 Totals			56	\$7,774,914		
			Average	7	\$971,864	\$138,837.75
Multi Unit Model						
Multi Unit	Major Market	Year Started	Van(s)	2013 Revenue	AVG Van	
1 Daidone, Mike	Peoria, Champaign, Springfield, Danville, Gale	1995	2	\$239,509	\$119,755	
1 Selkirk, Dave/Liz	Ontario, Canada	1995	2	\$178,973	\$89,486	
1 Hoehne, Bernice	Gulfport-Hattiesburg, MS	1996	2	\$270,207	\$135,104	
1 Walker, Steve	Pensacola, Destin, FL	1997	2	\$186,480	\$93,240	
1 Bocian, Joe	Boulder, Greeley, Ft. Collins, CO	1997	2	\$308,225	\$154,112	
1 Achabahian, George	Los Angeles, CA	1999	2	\$267,545	\$133,773	
1 Koselke/Mendez	Tucson, AZ	2005	2	\$237,735	\$118,868	
1 Faber, Jim	Richmond, VA	2006	2	\$92,449	\$46,224	
1 Barnes	Raleigh, NC	2006	2	\$75,456	\$37,728	
1 Malcomb, Steve	Charlotte, NC	2009	2	\$155,569	\$77,785	
1 Crowe, Jim	Fort Payne, AL	2012	2	\$153,913	\$76,957	
11 Totals			22	\$2,166,061		
			Average	2	\$196,915	\$98,457
Owner Operator Model						
Owner Operator	Major Market	Year Started	Van(s)	2013 Revenue	AVG Van	
1 Zebrauskas, Scott	Indianapolis, IN	1991	1	\$202,779	\$202,779	
1 Teeter, Alan	St. Louis, MO	1992	1	\$46,985	\$46,985	
1 Botkin, Greg	Cincinnati, Middletown, OH	1992	1	\$55,525	\$55,525	
1 Hunt, Dave	Sandusky, Cleveland, OH	1994	1	\$125,769	\$125,769	
1 Miller, Kathy	Akron, OH	1994	1	\$74,791	\$74,791	
1 Baer, Fred	Ashville, NC; Greenfield, SC	1995	1	\$170,115	\$170,115	
1 Valdivia, Stacy	Tampa, FL	1996	1	\$71,570	\$71,570	
1 Watson, Danny	Fayetteville, Fort Smith, AR	1996	1	\$75,350	\$75,350	
1 Sherman, James	Miami, Ft. Lauderdale, FL	1998	1	\$63,266	\$63,266	
1 Leavene, Jeremy	Columbia, Jefferson, MO	2002	1	\$53,717	\$53,717	
1 East, Chris	Columbus, OH	2003	1	\$67,230	\$67,230	
1 Kelliehan, Mark	Philadelphia, PA	2008	1	\$70,655	\$70,655	
1 Strosinski, Jeff	Omaha-Council Bluffs, NE	2009	1	\$390,585	\$390,585	
13 Totals			13	\$1,468,336		
			Average	1	\$112,949	\$112,949

Chart 1 and Chart 2: Basis of Compilation

The sales experience included above in Chart 1 and Chart 2 of this Item 19 represents the annual revenue, subject to the assumptions outlined below, of 32 businesses in operation for the period January 1 through December 31, 2013. The figures reflect the annual revenue for 30 franchise owners, 1 company store and one 1 affiliate that were in operation for the entire year from January 1, 2013 through December 31, 2013, and are still in operation as of February 1, 2014. As of December 31, 2013, there were 91 mobile units operating throughout the United States and Canada. The businesses are located in the states of Alabama, Arkansas, Arizona, California, Colorado, Georgia, Florida, Illinois, Indiana, Kentucky, Mississippi, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, Virginia and Canada.

Of the 32 businesses operating for the full 12 month period from January 1 through December 31, 2013, there were 8 businesses that operated with three or more vans referred to as the Executive Model, 11 businesses that operated with two vans referred to as the Multi-Unit Model, and 13 businesses that operated with one van referred to as the Owner Operator Model.

The current franchise agreement requires that beginning on the 2nd anniversary day of the agreement, the Franchisee must operate at least 2 vans on a full-time basis. Earlier franchise agreements did not require Franchisees to have more than 1 van. Most of the Franchisees listed under the “Owner Operator Model” (1 van) are under the earlier franchise agreements. Some Franchisees who signed the more recent franchise agreements which require 2 vans after 2 years, failed to add a 2nd van. Their Areas of Primary Responsibility were reduced by ½, as provided in their franchise agreements. That is the reason some Franchisees whose franchise agreements require 2 vans are listed under the “Owner Operator Model” (1 van) in Chart 2 above.

Chart 3

Affiliate and Company Store P&L for calendar year ending December 31, 2013

Below is the Profit & Loss Statement for the affiliate of Franchisor, J&J's Creative Colors, Inc., for the year ending December 31, 2013. J&J's opened in January of 1980, as the first Creative Colors International unit. J&J's has a significantly larger territory than that awarded to later Franchisees, consisting of the Chicago southern suburbs, plus the Kankakee-Bradley, Illinois area. J&J's has 15 vans.

Gross Revenue					
	Affiliate-J&J's Creative Colors			\$ 1,877,294.02	
Employee Wages, Taxes and Adjustments					
	Gross Pay				
		Training Pay	\$ 90.00		
		Commission	\$ 809,401.66		
		Vacation Commission	\$ 35,122.61		
		year end bonus	\$ 18,085.53		
		Bonus	\$ 26,800.00		
		Total Gross Pay	\$ 889,499.80		47.38%
Employer Taxes and Contributions					
		Federal Unemployment	\$ 679.17		
		Medicare Company	\$ 12,727.39		
		Social Security Company	\$ 52,029.14		
		IL - Unemployment	\$ 1,109.32		
		401k Co. Match	\$ 8,362.40		
		Total Employer Taxes and Contributions	\$ 74,907.42		3.99%
Material Cost					
		Affiliate Supplies to CCI	\$ 77,762.87	4.14%	
		Supplies - Other	\$ 68,085.78	3.63%	
		Total Material Costs	\$ 145,848.65		7.77%
Total Cost of Sales				\$ 1,110,255.87	59.14%
Gross Profit				\$ 767,038.15	40.86%
General OPS Cost					
		Gas	\$ 57,028.78		
		Vehicle Lease	\$ 55,085.38		
		Vehicle Maintenance	\$ 20,621.12		
		Insurance	\$ 63,277.38		
		Phone	\$ 22,156.24		
		Total OPS Costs	\$ 218,168.90	11.62%	
Net Income				\$ 548,869.25	29.24%

Below is the Profit & Loss Statement for our company unit for the year ending December 31, 2013. We opened in Milwaukee, Wisconsin in January, 1999 and we added Rockford, Illinois to our territory in 2006. The company unit has a significantly larger territory than that awarded to later Franchisees, consisting of southeast Wisconsin and Rockford, Illinois. The company unit has 7 vans.

Gross Revenue					
	Company Unit			\$ 805,535.35	
Employee Wages, Taxes and Adjustments					
	Gross Pay				
	Commission	\$	378,011.38		
	Vacation Commission	\$	16,919.88		
	Bonus (Monthly)	\$	10,847.92		
	Commission off Technicians	\$	3,197.87		
	Year End Bonus	\$	19,952.42		
	Training Pay	\$	5,600.00		
	Total Gross Pay	\$	434,529.47		53.94%
Employer Taxes and Contributions					
	Federal Unemployment	\$	294.00		
	Medicare Company	\$	5,986.80		
	Social Security Company	\$	24,734.81		
	WI - Unemployment Company	\$	1,063.50		
	401(k) Company match	\$	5,224.86		
	Total Employer Taxes and Contributio	\$	37,303.97		4.63%
Material Cost					
	Company Unit		\$70,170.33	8.71%	
	External	\$	17,140.61	2.13%	
	Total Material Costs		\$87,310.94		10.84%
Total Cost of Sales					
	Company Unit		\$ 559,144.38	69.41%	
Gross Profit				\$ 246,390.97	30.59%
General OPS Cost					
		Gas	\$36,329.60		
		Vehicle Lease	\$10,099.64		
		Insurance	\$23,616.42		
		Phone	\$3,722.11		
		Van Maintenance	\$7,641.34		
	Total General OPS Cost		\$81,409.11	10.11%	
Net Income				\$ 164,981.86	20.48%

Chart 4

Average number of customers serviced per Franchisee per quarter in 2013

Average Customers per Franchisee			
Model Type	High	Low	Average
Executive Model	133	28	80.5
Multi Unit	121	18	69.5
Owner Operator	31	9	20

Chart 4: Basis of Compilation

The above chart shows the average number of customers Franchisee serviced on a quarterly basis. The list consists of all customers, including individuals. Some of these customers may only have been serviced once.

Chart 5

Spreadsheet showing annual revenue history for Franchise Owners, Company Store and Affiliate operation

STATEMENT OF ACTUAL HISTORICAL REVENUE FOR EACH FULL CALENDAR YEAR

Start Date	Last Name	Market	Model	First Full Calendar Year as described (or disclosed) in this Item 19			
				1 Year	2 Years	3 Years	4 Years
Jan-80	Affiliate	Naperville, Joliet, Kankakee-Bradley, IL	Executive Model	Figures Unavail	Figures Unavail	Figures Unavail	Figures Unavail
Jul-91	Waitekus	Chicago, IL; Jacksonville, FL; Brunswick-Savannah, GA	Executive Model	² \$125,005	\$196,578	\$281,208	\$402,221
Jul-91	Neff	South Bend, Elkhart, Goshen, Ft. Wayne, IN	Executive Model	\$80,285	\$208,536	\$268,475	\$330,237
Dec-91	Zebrauskus	Indianapolis, IN	Owner Operator	\$30,313	\$36,840	\$56,046	\$142,903
Aug-92	Teeter	St. Louis, MO	Owner Operator	\$45,449	\$59,143	\$53,012	\$50,325
Nov-92	Botkin	Cincinnati, Middletown, OH	Executive Model	\$64,095	\$89,365	\$110,464	\$123,327
Apr-94	Hunt	Sandusky, Cleveland, OH	Owner Operator	\$29,536	\$61,798	\$56,645	\$75,895
Nov-94	Miller	Akron, OH	Owner Operator	\$42,298	\$69,373	\$63,428	\$116,669
May-95	Daidone	Peoria, Champaign, Springfield, Danville, Galesburg, IL	Multi-Unit Model	\$156,895	\$242,109	\$336,005	\$382,941
May-95	Baer	Ashville, NC; Greenfield, SC	Owner Operator	\$82,404	\$97,981	\$98,925	\$86,235
Jul-95	Selkirk	Ontario, Canada	Multi-Unit Model	\$89,100	\$92,356	\$141,776	\$197,335
Aug-95	McCoy	Phoenix, Mesa, Scottsdale, AZ	Executive Model	\$212,872	\$275,988 ²	\$372,141	\$527,155
Jul-96	Hoehne	Gulfport-Hattiesburg, MS	Multi-Unit Model	\$76,190	\$138,946	\$182,620	\$237,178
Aug-96	Watson	Fayetteville, Fort Smith, AR	Owner Operator	\$36,740	\$41,314	\$51,545	\$55,620
Oct-96	Valdivia	Tampa, FL	Owner Operator	\$135,372	\$70,120	\$171,905	\$185,511
Jul-97	Bocian	Boulder, Greeley, Ft. Collins, CO	Owner Operator	\$102,413	\$204,567	\$285,512	\$354,433
Aug-97	Walker	Pensacola, Destin, FL	Multi-Unit Model	\$64,055	\$86,080	\$109,330	\$139,030
Feb-98	Sherman	Miami, Ft. Lauderdale, FL	Owner Operator	\$142,103	\$188,205	\$206,418	\$169,403
Sep-99	Achabahian	Los Angeles, CA	Multi-Unit Model	\$82,902	\$164,493	\$275,340	\$239,795
Jan-00	Company	Milwaukee, WI; Rockford-Rochelle, IL	Executive Model	\$221,098	\$319,287	\$359,941	\$424,479
Feb-02	del Llano	Oriando, FL	Executive Model	\$225,702	\$283,279	\$317,845	\$256,939
Feb-02	Leavene	Columbia, Jefferson, MD	Owner Operator	\$24,862	\$23,550	\$22,221	\$24,894
Feb-03	Russo	Ocala, FL	Multi-Unit Model	\$119,897	\$149,479	\$152,112	\$170,058
Jan-04	East	Columbus, OH	Owner Operator	\$70,173	\$64,410	\$53,939	\$39,939
Jan-05	Cahill	Cape Coral-Ft. Myers, FL	Multi-Unit Model	\$67,690	\$42,117	\$110,175	\$137,009
May-05	Koselke	Tucson, AZ	Multi-Unit Model	\$158,043	\$196,509	\$221,098	\$209,834
Sep-06	Faber	Richmond, VA	Multi-Unit Model	\$174,802	\$203,679	\$222,231	\$135,148
Oct-06	Barnes	Raleigh, NC	Owner Operator	\$28,805	\$80,458	\$140,883	\$88,011
Jun-08	Kelliehan	Philadelphia, PA	Owner Operator	\$37,655	\$54,675	\$65,085	\$69,956
May-09	Malcolm	Charlotte, NC	Multi-Unit Model	\$131,150	\$130,793	\$144,957	\$155,569
Aug-09	Strosinski	Omaha-Council Bluffs, NE	Owner Operator	\$332,855	\$351,335	\$390,285	\$390,585
12-Feb	Crowe	Fort Payne, AL	Multi-Unit Model	\$153,913			
Average Sales				\$107,893	\$140,779	\$177,386	\$197,288

Start Date	Last Name	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years	11 Years	12 Years	13 Years
Jan-80	Affiliate	Figures Unavail	\$273,060	\$267,306	\$361,717	\$465,235	\$501,833	\$575,335	\$585,233	\$592,605
Jul-91	Waitekus	\$467,353	\$486,595	\$694,763	\$941,191	\$924,913	\$1,090,500	\$1,013,993 ³	\$1,326,976	\$1,453,617
Jul-91	Neff	\$331,428	\$330,875	\$353,570	\$356,400	\$355,665	\$365,950	\$453,953	\$568,108	\$762,686
Dec-91	Zebrauskus	\$178,254	\$201,361	\$239,964	\$265,810	\$200,555	\$144,230	\$169,699	\$197,331	\$147,934
Aug-92	Teeter	\$64,875	\$66,350	\$78,658	\$141,594	\$159,886	\$114,360	\$122,270	\$121,450	\$177,331
Nov-92	Botkin	\$158,622	\$223,956	\$223,925	\$237,032	\$260,821	\$241,598	\$291,894	\$345,748	\$429,473
Apr-94	Hunt	\$74,225	\$55,020	\$50,185	\$46,997	\$26,941	\$32,272	\$38,466	\$53,171	\$59,253
Nov-94	Miller	\$101,828	\$113,607	\$133,812	\$106,935	\$94,794	\$83,645	\$88,910	\$83,687	\$65,945
May-95	Daidone	\$494,201	\$271,218	\$242,401	\$386,625	\$387,758	\$381,445	\$283,797	\$236,285	\$207,381
May-95	Baer	\$131,700	\$136,980	\$103,500	\$73,792	\$66,450	\$66,748	\$81,279	\$84,319	\$70,917
Jul-95	Selkirk	\$197,324	\$165,203	\$155,716	\$152,875	\$154,115	\$157,341	\$162,585	\$165,310	\$164,470
Aug-95	McCoy	\$677,385	\$730,042	\$712,988	\$769,415	\$743,592	\$825,710	\$1,033,568	\$1,058,864	\$883,834
Jul-96	Hoehne	\$302,276	\$253,280	\$250,148	\$270,621	\$356,156	\$430,859	\$357,898	\$281,580	\$188,554
Aug-96	Watson	\$61,583	\$67,144	\$70,616	\$82,687	\$82,370	\$84,875	\$89,760	\$82,065	\$87,756
Oct-96	Valdivia	\$298,174	\$283,378	\$261,961	\$156,251	\$134,385	\$130,154	\$131,167	\$104,544	\$81,775
Jul-97	Bocian	\$411,024	\$336,948	\$253,344	\$204,807	\$192,550	\$238,043	\$189,877	\$177,820	\$218,545
Aug-97	Walker	\$143,675	\$144,650	\$160,718	\$170,037	\$174,485	\$159,841	\$137,244	\$88,375	\$121,270
Feb-98	Sherman	\$148,607	\$87,598	\$57,930	\$63,944	\$56,097	\$45,345	\$56,128	\$58,800	\$58,795
Sep-99	Achabahian	\$250,060	\$340,310	\$343,863	\$317,710	\$290,055	\$185,845	\$224,975	\$216,940	\$293,455
Jan-00	Company	\$483,742	\$475,244	\$515,750 ²	\$676,768	\$738,056	\$693,157	\$651,524	\$624,036	\$727,680
Feb-02	del Llano	\$192,764	\$173,896	\$109,480	\$228,785	\$228,520	\$229,665	\$294,763		
Feb-02	Leavene	\$28,195	\$22,852	\$27,783	\$38,035	\$40,639	\$40,629	\$53,717		
Feb-03	Russo	\$158,485	\$137,368	\$129,537	\$173,920	\$237,069	\$283,999			
Jan-04	East	\$63,113	\$134,567	\$74,545	\$60,360	\$67,198	\$67,230			
Jan-05	Cahill	\$91,634	\$111,810	\$122,618	\$174,000	\$249,330				
May-05	Koselke	\$270,868	\$167,176	\$193,485	\$237,735					
Sep-06	Faber	\$98,465	\$92,189	\$92,449						
Oct-06	Barnes	\$103,628	\$94,733	\$75,456						
Jun-08	Kelliehan	\$70,655								
May-09	Malcolm									
Aug-09	Strosinski									
12-Feb	Crowe									
		\$216,219	\$213,479	\$214,160	\$257,540	\$267,505	\$274,803	\$295,582	\$323,032	\$339,664

Start Date	Last Name	14 Years	15 Years	16 Years	17 Years	18 Years	19 Years	20 Years	21 Years	22 Years
Jan-80	Affiliate	\$679,736	\$797,369	\$915,697	\$1,121,178	\$1,002,403	\$1,329,601	\$1,417,956	\$1,528,027	\$1,565,813
Jul-91	Waitekus	\$1,458,016	\$1,560,022	\$1,881,843	\$1,630,335	\$1,461,645	\$1,509,892	\$1,732,663	\$1,967,724	\$2,070,418
Jul-91	Neff	\$961,383	\$953,511	\$814,458	\$537,215	\$375,906	\$545,285	\$488,056	\$854,513	\$1,441,544
Dec-91	Zebrauskus	\$80,247	\$99,278	\$153,295	\$150,110	\$156,307	\$149,185	\$140,171	\$196,701	\$202,779
Aug-92	Teeter	\$212,969	\$202,556	\$134,556	\$81,675	\$122,863	\$113,860	\$100,321	\$46,985	
Nov-92	Botkin	\$518,157	\$445,855	\$328,340	\$295,885	\$258,665	\$227,912	\$106,375	\$55,525	
Apr-94	Hunt	\$71,978	\$106,901	\$114,304	\$108,604	\$122,190	\$125,769			
Nov-94	Miller	\$52,972	\$53,065	\$59,312	\$59,355	\$69,333	\$74,791			
May-95	Daidone	\$233,328	\$250,761	\$255,952	\$266,085	\$239,509				
May-95	Baer	\$97,372	\$97,590	\$122,075	\$138,268	\$170,115				
Jul-95	Selkirk	\$177,248	\$176,206	\$177,919	\$173,120	\$178,973				
Aug-95	McCoy	\$662,528	\$703,409	\$728,999	\$695,244	\$716,905				
Jul-96	Hoehne	\$187,684	\$222,571	\$229,620	\$270,207					
Aug-96	Watson	\$79,899	\$80,845	\$73,729	\$75,350					
Oct-96	Valdivia	\$78,485	\$74,127	\$71,570						
Jul-97	Bocian	\$178,908	\$376,890	\$308,225						
Aug-97	Walker	\$166,224	\$187,325	\$186,480						
Feb-98	Sherman	\$60,224	\$63,266							
Sep-99	Achabahian	\$267,545								
Jan-00	Company	\$805,727								
Feb-02	del Llano									
Feb-02	Leavene									
Feb-03	Russo									
Jan-04	East									
Jan-05	Cahill									
May-05	Koselke									
Sep-06	Faber									
Oct-06	Barnes									
Jun-08	Kelliehan									
May-09	Malcolm									
Aug-09	Strosinski									
12-Feb	Crowe									
		\$351,531	\$358,419	\$385,669	\$400,188	\$406,234	\$509,537	\$664,257	\$774,912	\$1,320,138

Start Date	Last Name	23 Years	24 Years	25 Years	26 Years	27 Years	28 Years	29 Years	30 Years	31 Years
Jan-80	Affiliate	\$1,405,685	\$1,412,948	\$1,667,155	\$1,425,097	\$1,733,745	\$1,612,522	\$1,441,092	\$1,578,963	\$1,627,537
Jul-91	Waitekus									
Jul-91	Neff									
Dec-91	Zebrauskus									
Aug-92	Teeter									
Nov-92	Botkin									
Apr-94	Hunt									
Nov-94	Miller									
May-95	Daidone									
May-95	Baer									
Jul-95	Selkirk									
Aug-95	McCoy									
Jul-96	Hoehne									
Aug-96	Watson									
Oct-96	Valdivia									
Jul-97	Bocian									
Aug-97	Walker									
Feb-98	Sherman									
Sep-99	Achabahian									
Jan-00	Company									
Feb-02	del Llano									
Feb-02	Leavene									
Feb-03	Russo									
Jan-04	East									
Jan-05	Cahill									
May-05	Koselke									
Sep-06	Faber									
Oct-06	Barnes									
Jun-08	Kelliehan									
May-09	Malcolm									
Aug-09	Strosinski									
12-Feb	Crowe	\$1,405,685	\$1,412,948	\$1,667,155	\$1,425,097	\$1,733,745	\$1,612,522	\$1,441,092	\$1,578,963	\$1,627,537

Start Date	Last Name	32 Years	33 Years
Jan-80	Affiliate	\$1,801,097	1,912,227.00
Jul-91	Waitekus		
Jul-91	Neff		
Dec-91	Zebrauskus		
Aug-92	Teeter		
Nov-92	Botkin		
Apr-94	Hunt		
Nov-94	Miller		
May-95	Daidone		
May-95	Baer		
Jul-95	Selkirk		
Aug-95	McCoy		
Jul-96	Hoehne		
Aug-96	Watson		
Oct-96	Valdivia		
Jul-97	Bocian		
Aug-97	Walker		
Feb-98	Sherman		
Sep-99	Achabahian		
Jan-00	Company		
Feb-02	del Llano		
Feb-02	Leavene		
Feb-03	Russo		
Jan-04	East		
Jan-05	Cahill		
May-05	Koselke		
Sep-06	Faber		
Oct-06	Barnes		
Jun-08	Kelliehan		
May-09	Malcolm		
Aug-09	Strosinski		
12-Feb	Crowe	\$1,801,097	\$1,912,227

Chart 5: Basis of Compilation

Chart 5 in this Item 19 shows the actual annual revenue history of Franchisee performance, company owned and affiliate owned Creative Colors International businesses (collectively, “Businesses”) that were in operation for the full calendar year ending December 31, 2013, and are still in operation as of February 1, 2013. The Businesses are listed in chronological order, beginning with the one that opened first.

The columns do not represent the same calendar years for each Business. Instead, the columns represent the specific chronological period for each Business that corresponds to its longevity in business – 1st calendar year in business, 2nd calendar year in business, etc. The last number in each row is the actual annual revenue in calendar year 2013 that each Business owner generated.

The average annual revenue in the final row of each column are averages of revenue that

occurred in different calendar time periods. For example, the average revenues for the 1st calendar year in business are \$107,893. That average includes the 1st Business for which we have its 1st year's annual revenue, which is the 2nd Business listed, (whose 1st calendar year in business was 1991), as well as the last Business opened in 2012. The territory size and number of dealerships for the Franchisee who started earlier are greater from the Franchisees who came in more recently.

Some franchise owners purchased additional territory throughout their term, as is noted by a 2, 3 or 4, in the Annual Revenue column of the year they purchased additional territory. Some franchise owners purchased an existing franchised business. The yellow and green highlighted rows signify the purchases of existing territory(ies) from previous owners.

The spreadsheet does not include any Businesses that closed prior to December 31, 2012.

The spreadsheet has been compiled from figures that have been reported from CREATIVE COLORS INTERNATIONAL franchises, company-owned and affiliate for the periods represented.

The spreadsheet does not include any expenses related to the operation of the business.

The annual revenue included in Charts 1, 2, 4 and 5 of this Item 19 have been compiled from figures that have been reported from CREATIVE COLORS INTERNATIONAL businesses for the 12 months ending December 31, 2013. The annual revenue figures are gross sales only and do not include any expenses related to the operation of the business.

The annual revenue figures in these Financial Performance Representation figures do not reflect the actual costs of sales, operating expenses or any other costs or expenses that you may experience, and should not be construed as the "profit" or "gross profit" experienced by any Franchisee. You will incur at least the following expenses, and possibly more: inventory, labor, occupancy costs, vehicle expense, pre-opening expenses, Continuing Services and Royalty Fees, Marketing Fund contributions, interest and finance charges, advertising expenses, general insurance, legal and accounting fees, employee benefits, income taxes, depreciation and amortization, operating expenses, professional fees, bank charges, telephone repairs, and other expenditures. Each of these expenses, as well as the actual accounting, operational and management procedures you employ may significantly affect profits realized in any given operation. In addition, sales, net profits or earnings will vary depending on a number of factors which you should consider carefully in evaluating this information and in making any decision to purchase a franchise. These factors include: business skills, motivation and effort of you and your staff and management; market conditions; competition; income and demographic characteristics of a particular market area (including age, demographics, vehicle use, vehicle age, population density and population turnover); expense variables in a particular market; e.g., advertising expense, insurance, and labor cost; level of debt and the terms of debt obligations; the degree and quality of competition in a particular market area; number of years of operation; as well as conditions generally prevailing in the local and national economy. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business.

Franchisees or former Franchisees, listed in this Franchise Disclosure Document, may be one source of this information.

The franchises included in this Item 19 use a uniform system for reporting their revenue to us. The company and affiliate owned businesses are similar to that operated by Franchisees. However, the results shown by the company and affiliate-owned Businesses may be positively influenced as a result of the owner's experience and relationship with the Franchisor.

A new Franchisee's individual financial results are likely to differ from the results stated in this Item 19.

Written substantiation for the financial performance representation will be made available to the prospective Franchisee upon reasonable request.

Other than the financial performance representation in Item 19, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Terri L. Sniegolski, Senior Vice President, 19015 S, Jodi Road, Suite E, Mokena, Illinois 60448, 1-800-933-2656 ext. 224, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

Outlets and Franchisee Information

These tables are for the Franchised Business only. We are offering the Area Development Agreement and Regional Development Agreement for the first time under this Franchise Disclosure Document, so we have no Area Developers and no Regional Developers as of the date of this Disclosure Document.

Table No. 1
Systemwide Outlet Summary
For Years 2011 to 2013
(As of December 31st of each year)

(Column 1) Outlet Type	(Column 2) Year	(Column 3) Outlets at the Start of the Year	(Column 4) Outlets at the End of the Year	(Column 5) Net Change
Franchised	2011	39	39	0
	2012	39	38	-1
	2013	38	39	+1
Company Owned ^{1/}	2011	4	3	-1
	2012	3	3	0
	2013	3	3	0
Total Outlets	2011	43	42	-1
	2012	42	41	-1
	2013	41	42	+1

^{1/} Includes Affiliate

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2011 to 2013
(As of December 31st of each year)

(Column 1) State	(Column 2) Year	(Column 3) Number of Transfers
IL	2011	0
	2012	1
	2013	0

Table No. 3
 Status of Franchised Outlets
 For Years 2011 to 2013
 (As of December 31st of each year)

(Column 1) State	(Column 2) Year	(Column 3) Outlets at Start of Year	(Column 4) Outlets Opened	(Column 5) Terminations	(Column 6) Non- Renewals	(Column 7) Reacquired by Franchisor	(Column 8) Ceased Operations – Other Reasons	(Column 9) Outlets at End of the Year
Arizona	2011	3						3
	2012	3						3
	2013	3						3
Alabama	2011	0						0
	2012	0	1					1
	2013	1						1
Arkansas	2011	1						1
	2012	1						1
	2013	1						1
California	2011	1						1
	2012	1						1
	2013	1						1
Colorado	2011	1						1
	2012	1						1
	2013	1						1
Florida	2011	6	1					7
	2012	7						7
	2013	7						7
Georgia	2011	1						1
	2012	1						1
	2013	1	1					2
Illinois	2011	7						7
	2012	7						7
	2013	7						7
Indiana	2011	2						2
	2012	2						2
	2013	2						2
Kansas	2011	1						1
	2012	1		1				0
	2013	0						0
Kentucky	2011	1						1
	2012	1						1
	2013	1						1
Mississippi	2011	1						1
	2012	1						1
	2013	1						1
Missouri	2011	2						2
	2012	2						2
	2013	2						2
Nebraska	2011	1						1
	2012	1						1
	2013	1						1
New Jersey	2011	1						1
	2012	1		1				0
	2013	0						0
N. Carolina	2011	3						3
	2012	3						3
	2013	3						3
Ohio	2011	3						3
	2012	3						3

	2013	3						3
Pennsylvan	2011	1						1
	2012	1						1
	2013	1						1
Puerto Rico	2011	1		1				0
	2012	0						0
	2013	0						0
Virginia	2011	1						1
	2012	1						1
	2013	1						1
CANADA	2011	1						1
	2012	1						1
	2013	1						1
TOTAL	2011	39	1	1				39
	2012	39	1	2				38
	2013	38	1					39

Table No. 4
Status of Company-Owned Outlets
For Years 2011 to 2013
(As of December 31st of each year)

(Column 1) State	(Column 2) Year	(Column 3) Outlets at Start of Year	(Column 4) Outlets Opened	(Column 5) Outlets Reacquired from Franchisee	(Column 6) Outlets Closed	(Column 7) Outlets Sold to Franchisee	(Column 8) Outlets at End of the Year
Wisconsin	2011	1					1
	2012	1					1
	2013	1					1
Florida <u>1/</u>	2011	1				1	0
	2012	0					0
	2013	0					0
Illinois <u>2/</u>	2011	2					2
	2012	2					2
	2013	2					2
Total	2011	4				1	3
	2012	3					3
	2013	3					3

1/ The location in Ft. Myers, Florida, is owned by three of the owners of Creative Colors International, Inc., two of which are employees of Creative Colors International, Inc. This location was sold 07/01/11.

2/ Includes the affiliate-owned company.

Table No. 5
 Projected Openings as of December 31, 2013
 (As of December 31st of each year)

(Column 1) State	(Column 2) Franchise Agreement Signed But Outlet Not Opened	(Column 3) Projected New Franchised Outlet in The Next Fiscal Year	(Column 4) Projected New Company-Owned Outlet in the Next Fiscal Year
Texas		1	
Florida		1	
Total		2	

The following table 5 is for Area Developers we project opening in the year beginning 2014.

Table No. 5
 Projected Openings as of December 31, 2013
 (As of December 31st of each year)

(Column 1) State	(Column 2) Area Development Agreement Signed But Outlet Not Opened	(Column 3) Projected Area Developer Outlet in The Next Fiscal Year	(Column 4) Projected New Company-Owned Outlet in the Next Fiscal Year
Texas		1	
Total		1	

The following table 5 is for Regional Developers we project opening in the year beginning 2014.

Table No. 5
 Projected Openings as of December 31, 2013
 (As of December 31st of each year)

(Column 1) State	(Column 2) Regional Development Agreement Signed But Outlet Not Opened	(Column 3) Projected Regional Developer Outlet in The Next Fiscal Year	(Column 4) Projected New Company-Owned Outlet in the Next Fiscal Year
Texas		1	
Total		1	

The names, addresses, and telephone numbers of the Franchised Business owners and their outlets are as follows:

Alabama

Jim Crowe
 1948 Gray Road NE
 Fort Payne, Alabama 35967
 (256) 273-4950

Arizona

Andy McCoy
 5547 E. Dolphin
 Mesa, Arizona 85206
 (480) 830-2199
(OWNS TWO FRANCHISED TERRITORIES)

Christen Koselke & Vanessa Mendez
 1627 E. Bluebell Street
 Casa Grande, AZ 85222
 (520) 829-9777

Arkansas

Danny Watson
 2122 Magnolia Drive
 Fayetteville, AR 72703
 (479) 841-1085

California

Anna & George Achabashian
 1522 Thompson Avenue
 Glendale, CA 91201
 (818) 220-0004

Colorado

Joe Bocian
 10448 Olathe Way
 Commerce City, CO 80022
 (303) 286-3643

Florida

Steve Walker
 132 Menzel Street
 Valparaiso, Florida 32580
 (904) 678-0049

Stacy Valdivia
 4207 S. Munro Street
 Tampa, FL 33603
 (813) 236-1106
 (Furniture Only)

James Sherman
 3221 South Ocean Blvd.
 Highland Beach, FL 33487
 (561) 276-4420

Doug & Jill Waitekus
 2216 Salt Myrtle Lane
 Fleming Island, FL 32003
 (904) 215-3520
(OWNS ONE FRANCHISE IN FL, GA, IL)

Jose del Llano

3285 Heirloom Rose Place
 Oviedo, FL 32766
 (407) 999-5117
(OWNS ONE FRANCHISE IN ORLANDO AND ONE AUTO FRANCHISE IN TAMPA)

Pat Cahill
 634 N.E. 3rd Avenue
 Cape Coral, FL 33909
 (239) 242-6643

Ron Russo
 1491 SE 54th Street
 Ocala, FL 33480
 (352) 861-1933

Georgia

Doug & Jill Waitekus
 Georgia Franchise
 2216 Salt Myrtle Lane
 Fleming Island, Florida 32003
 (904) 215-3520
(OWNS ONE FRANCHISE IN FL, GA, IL)

Earnie Olin
 1815 Hembree Road – Suite 418
 Alpharetta, Georgia 30009
 (770) 990-7687

Illinois

Jim and Linda Waitekus
1529 W. Schaumburg Road
Streamwood, IL 60126
(603) 372-9766
(OWNS TWO FRANCHISED TERRITORIES)

Michael Daidone
20256 Frankfort Square Road
Frankfort, IL 60423
(800) 300-1770
(OWNS FOUR FRANCHISED TERRITORIES)

Indiana

Scott and Jennifer Zebrauskas
7308 Wythe Drive
Noblesville, IN 46062
(317) 770-1627

Dick and Jean Neff
17477 Skyline Drive
South Bend, IN 46614
(219) 299-9900

Kentucky

Greg Botkin
8538 Hidden Creek Drive
Union, KY 41091
(859) 384-1000

Mississippi

Bernice Hoehne
875 Spring Hill Road
Poplarville, MS 39470
(601) 795-2751

Missouri

Alan Teeter
708 Brandt Road
Union, MO 63084
(314) 401-6723

Jeremy Leavene
3904 Snow Leopard Drive
Columbia, MO 65202
(573) 268-8876

Nebraska

Jeff & Nancy Strosinski
2105 Ridgeview Drive
Papillion, NE 68046
(402) 505-8030

North Carolina

Fred Baer
235 Fallen Timber Road
Hendersonville, NC 28791
(828) 890-2224

Ellen Barnes
8812 Stockbridge Circle – Apt. 103
Raleigh, NC 27615
(919) 803-1570

Donna & Steve Malcolm
4312 McKendree Way
Charlotte, NC 28269
(704) 780-4622

Ohio

Dave Hunt
4543 Patricia Drive
Brunswick, OH 44212
(216) 407-0881

Kathy Miller
3761 Edinburgh Drive
Uniontown, OH 44685
(330) 352-2594

Chris East
53 1st Avenue
Lexington, OH 44904
(419) 522-4595

Pennsylvania

Mark Kelliehan
3959 Welsh Road – Suite 141
Willow Grove, PA 19090
(215) 888-0770

Virginia

Jim Faber
9419 Sir Michael Lane
Mechanicsville, VA 23116
(804) 389-5928

CANADA

Dave and Liz Selkirk
16007 Plover Mills Road
R.R. #3
Ilderton, Ontario
Canada NOM 2A0
(519) 461-1910

The name and last known city, state and telephone number of every Franchised Business owner who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business under their Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure are as follows: None for the year 2013

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

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our

franchise system.

We have not created, sponsored, or endorsed any franchisee associations. There are no franchisee associations that have asked to be disclosed in our Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

The financial statements listed below are attached as Exhibit H in the following order:

1. Our Audited balance sheets as of December 31, 2012 and December 31, 2013, and related statements of operations, shareholders equity and cash flows as of December 31, 2011, December 31, 2012 and December 31, 2013.

ITEM 22
CONTRACTS

The following contracts are attached to this Franchise Disclosure Document:

Exhibits:

- E. Franchise Agreement
- F. Area Development Agreement
- G. Regional Development Agreement
- K. Van Lease Agreement
- M Addenda to the Franchise Agreement, Area Development Agreement and Regional Development Agreement, for certain states
- O. Form General Release

ITEM 23
RECEIPT

The last page of the Franchise Disclosure Document is a document acknowledging receipt of the Franchise Disclosure Document by you. Please return one copy to us and retain the other for your records.

EXHIBIT A
LIST OF ADMINISTRATORS

CALIFORNIA

California Corporations Commissioner
320 West 4th Street - Suite 750
Los Angeles, CA 90013-2344

HAWAII

Director,
Hawaii Department of Commerce
and Consumer Affairs
1010 Richards Street
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
302 West Washington
Room E-111
Indianapolis, Indiana 46204

MARYLAND

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

MICHIGAN

Michigan Department of Commerce
Corporations and Securities
Bureau
670 Law Building
Lansing, Michigan 48913

MINNESOTA

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

NEW YORK

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

NORTH DAKOTA

Securities Commissioner
State of North Dakota
Capitol Building
Bismarck, North Dakota 58505

RHODE ISLAND

Director of Department of Business Regulation
Suite 232
233 Richmond Street
Providence, Rhode Island 02903

SOUTH DAKOTA

Director of Division of Securities
118 West Capitol Avenue
Pierre, South Dakota 57501

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street - 9th Floor
Richmond, Virginia 23219

WASHINGTON

Director of Licensing or Washington Securities
Administrator
405 Black Lake Boulevard, S.W.
Olympia, Washington 98502

WISCONSIN

Commissioner of Securities
Fourth Floor
101 East Wilson Street
Madison, Wisconsin 53702

EXHIBIT B
LIST OF AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

California Corporations Commissioner
Suite 750
320 West 4th Street
Los Angeles, California 90013-2344

HAWAII

Business Registration Division
Department of Commerce and Consumer Affairs
1010 Richards Street
Honolulu, Hawaii 96813

ILLINOIS

Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
Room 201 Statehouse
200 West Washington Street
Indianapolis, Indiana 46204

MARYLAND

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

MICHIGAN

Department of the Attorney General's Office
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Department of Commerce
85 7th Place East – Suite 500
St. Paul, Minnesota 55101

NEBRASKA

Nebraska Department of Banking and Finance
1200 N Street
P.O. box 95006
Lincoln, Nebraska 68509-5006

NEW YORK

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

NORTH DAKOTA

Securities
Commission
State of North Dakota Capitol Building
Bismarck, North Dakota 58505

OREGON

Director
Department of Consumer and Business Services
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

State of Rhode Island and Providence Plantations
Department of Business Regulation
Securities Division
1511 Pontiac Avenue
John O Pastore Complex Bldg 69-1
Cranston, RI 02920

SOUTH DAKOTA

Department of Commerce and Regulation
Division of Securities
118 West Capitol Avenue
Pierre, South Dakota 57501-2017

TEXAS

Secretary of State
P.O. Box 12887
Austin, Texas 78711

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

WASHINGTON

Securities Division
Washington Department of Licensing
P.O. Box 9033
Olympia, Washington 98502

WISCONSIN

Commissioner of Securities
Franchise Investment Division
Fourth Floor
101 East Wilson Street
Madison, Wisconsin 53702

EXHIBIT C

**TABLE OF CONTENTS TO THE
OPERATIONS MANUAL**

TABLE OF CONTENTS
SECTION A: INTRODUCTION

Mission Statement of Creative Colors International, Inc..... A-2
Letter from the CEO A-3
History of Creative Colors International, Inc. A-4
Customer Service Philosophy of Creative Colors International, Inc. A-6
Services Provided by Creative Colors International, Inc. A-7
Vision of Creative Colors International, Inc. A-11
CCI, Inc. Phone Extensions A-12
2014 Holiday Schedule A-13

**SECTION B: PRE-OPENING OBLIGATIONS OF A CREATIVE COLORS INTERNATIONAL
BUSINESS**

Introduction..... B-2
Responsibilities of a Creative Colors International Franchisee B-3
Your Status as an Independent Owner B-5
Insurance Coverages B-8
 CCI Required Insurance..... B-15
Setting up the Office B-17
Selecting the Right Phone Service B-20
Computer Requirements B-23
Creating a Backup Plan that Works..... B-26
Vehicle Specifications B-28
The Creative Colors International Logo B-29
Sample Logo for van..... B-30
Business Card Specifications..... B-31
 Auto Invoice..... B-32
Apparel..... B-33
Recommended Start-Up Supplies..... B-34

SECTION C: DAY-TO-DAY OPERATIONS

Suggested Office Hours C-2
Conducting Service Calls..... C-4
Keeping Work Logs C-5
Invoicing the Customer..... C-6
 Automotive Invoice..... C-7
 Furniture Invoice..... C-8
Receiving Payment C-9
Daily Banking Procedures C-10
Customer Service..... C-11
Handling Customer Complaints..... C-13
Your Field Consultant..... C-15
Meetings from Corporate Office..... C-16

Discount Partners	C-17
Publications Related to your Service Industry	C-24
Automotive Tips.....	C-25
Important Items to carry in your Vehicle.....	C-27

SECTION D: ACCOUNTING PROCEDURES

Required Reporting Policies and Procedures.....	D-3
Schedule of Royalty Payments.....	D-5
Statement of Gross Sales.....	D-6
Inventory Purchases.....	D-9
Upholstery Refund.....	D-11
Preparing Profit & Loss Reports.....	D-14
What is on a Balance Sheet.....	D-17
Preparing Sales by Customer Summary Report.....	D-20
Preparing Customer List Reports.....	D-22
Chart of Accounts List.....	D-24
Item List.....	D-26
Spot-Check Audit Guidelines.....	D-28
Paying Taxes.....	D-31
IRS Required Reports.....	D-33
Top 10 Most often Missed Business Tax Deductions.....	D-41
Paying Additional CCI Fees.....	D-43
Business Resources.....	D-49

SECTION E: EQUIPMENT AND SUPPLIES

Proprietary Products.....	E-2
Ordering Equipment and Supplies.....	E-5
Return Policy and Warranty Information.....	E-6
Using Approved Sources.....	E-7
List of Designated Suppliers & Warranty.....	E-9
List of Approved Suppliers.....	E-12
List of Suggested Suppliers.....	E-15
Credit Memo Request.....	E-20

SECTION F: ONLINE PROGRAMS

Uses of Intranet.....	F-2
Links for Sites.....	F-3
Terms of Use Policy.....	F-4

SECTION G: TRAINING

Steps to Reserving a Spot in Training Class.....	G-2
Steps to Reserving a Spot in Owners' Furniture Certification Class.....	G-3
Training Reservation Form.....	G-4
Business Card Form.....	G-5
Training Class Fee's.....	G-6
Non-Refundable Deposit.....	G-9
Training Agenda for New Franchisee.....	G-10

Pretraining Agenda for Technicians.....	G-13
Rehiring Technicians.....	G-15
Training Agenda for Technicians.....	G-21
Training Report.....	G-23
Seminar.....	G-26
Seminar Recognition Awards.....	G-27
Seminar Fee's.....	G-30

SECTION H: HAZ COM PROGRAM

OSHA Regulations CD-Safety Disc.....	H-2
Automotive Hazard Communication Program.....	H-5

SECTION I: LEGAL SECTION

Introduction.....	I-2
Renewal.....	I-3
Transferability of Interest.....	I-5
Default and Termination.....	I-8
Obligations upon Expiration or Termination.....	I-11
Advisory Council Bylaws.....	I-14
Creative Colors International Marketing Fund Council By-Laws.....	I-19
Marketing Fund Policy Statement.....	I-23

SECTION J: BUSINESS EXPANSION

Steps for Franchisee Growth.....	J-2
Guidelines for Purchasing an Additional Territory.....	J-18
Compliance Checklist for Purchasing Additional Territory.....	J-19
Transfer Fees.....	J-21
Five C's of Credit.....	J-22
Getting a Business Loan.....	J-23

SECTION K: VALUE OF BUSINESS

How to Sell your Business.....	K-2
Selling an Existing Franchise.....	K-7
Disclosure Obligations of the Franchisee.....	K-17
Obligations under the Franchise Agreement.....	K-26

EXHIBIT D

TABLE OF CONTENTS TO THE CERTIFIED TRAINING MANUAL

Section A: Introduction	
Introduction	2
Statement of Confidentiality	5
Mission Statement	6
Service Philosophy	7
Vision Team	8
Seminar Recognition	9
Training Agenda 2 week	11
Training Agenda 1 week	12
Section B: Uses of	
All items	1-19
Freezable Item List	19
Item Shelf Life	20
Heat Sensitive Items	21
Section C: Color Rules	
Factors	2
Primary and Secondary Colors	2
Attributes of Color	3
Color Wheel	4
High Density Pigments	4
Color Blending Knowledge	5
General Color Rules	7
Color Mixing Rules	8
Mixing Colors for Carpet Dyes	13
Two-Toned Colors	14
Dye and Topcoat Problems	14
Color Chart for Problem Solving	16
Mixing Aniline Stains	17
Section D: Equipment	
All Pieces of Equipment	1-12
Section E: Ways to Grain	
Basic Smoke Grain	2
Spray Grain Methods	2
Leather Graining Prep	3
Topper Graining Methods	3
Graining Compound	4

Graining Papers	4
Section F: Vinyl	
Introduction to Vinyl	2
Types of Vinyl	2
Basic Vinyl Repair	3
Vinyl Seal	5
Trouble Shooting Vinyl Repairs	6
Dash Repairs	7
Spongy Door Panel Repairs	8
Thin Vinyl Door Panel Repairs	9
Thin Vinyl Headliner Repairs	10
Vinyl Convertible Tops	12
Dying a Vinyl Top	16
Commercial Vinyl	17
Furniture Vinyl	21
Section G: Sewing	
Baseball Stitch	3
Decorative Top Stitch	4
Double Line Stitch	5
Football Stitch	6
Spider Stitch	7
Section H: Fabrics	
Fabric Introduction	2
Fibers	2
Surface Burns	3
Holes in Fabric	4
Rips and Tears in Fabric	5
Multi-colored Seats	6
Tweeds	7
Velveteen or Micro-Fiber	7
Repairing Faux Suede	8
Patterned Seats	8
Nylon Seat Repairs	9
Crushed or Indented Fabrics	10
Dying Fabrics	10
Fabric Headliners	11
Cloth Convertible Top	11
Section I: Leather	
Introduction to Leather	2
A Brief Leather Manufacturing History	3
Leather Terminology	4

Leather Production	6
Scarring	12
Leather Layers	13
Leather Types and Characteristics	14
Types of Auto Leather	19
Types of Furniture Leather	20
Pigmented Leather Repairs	22
Scratches using Leather Fill	24
Slice in Leather	25
Hole or Rip in Leather	26
Indents in Leather	27
Dried out Leather	27
Perforated Leather Repair	28
Dying Leather	29
Restoring Leather	30
King Ranch	30
Leather Jacket	31
Problem Leather Prep	32
Aniline, Semi-Aniline, Nubuck, and Suede	33
Consumer Questions Regarding Leather	37
 Section J: Carpeting	
Dying Carpets	2
Installing Heel Pads	4
Surface Burns	4
Holes in Carpet	5
Stubborn Stains	5
Bleach Spots	6
Kool-Aid Removal	6
 Section K: Cleaning, Detailing, and Odor Removal	
Introduction to Cleaning	2
Fabric Stain Removal	2
Stubborn Stain Removal	3
Kool-Aid Removal	3
Fabric Stain Removal Tips	3
Leather and Vinyl Stain Removal	6
Leather Problems and Stain Groups	6
Leather Stain Removing Charts	8
Leather Stain Removal and Refinish Products	14
Cleaning and Detailing	20
Clean and Condition Leather	21
Odor Removal	22
Carpet Fresh	22
Max No Odor	23
Odor Control Preventative	24

Odor Eliminator	24
Air-Freshener	24
Knockout and Extreme Extra Odor Eliminator	27
Section L: Hard Plastics	
Introduction	2
Light Scratches	3
Cynoacrylate Glue Repairs	3
Hot Cure and F-compound Repairs	4
Epoxy Repairs	5
Plastic Welding Rod Repairs	6
Metallic Trim Pieces	7
Color Changing Plastic	7
Section M: Miscellaneous Repairs	
Back to Black Restorer	2
Clear Lens	3
Radio Buttons	5
Dash Speaker Covers	6
Interior Console Repair	6
Door Speaker Cover	7
Coverlay Installation	8
Fiberglass Door Panel Repair	9
Impression Molds	10
Miscellaneous Repairs	10
Silver Areas	11
Steering Wheel Repairs	11
TPO Repair for RV	12
Vinyl Floor Repair	13
Wood Grain Repair	15
Bumper Repairs	16
Light Bumper Scratches	16
Bumper with holes	17
Black Magic Bumper Repair	18
“How to” Specialty Repairs	19
Section N: Troubleshooting	
Paasche HS Airbrush	2
Paasche VLS Airbrush	2
Paasche Air Hose	3
Air Hose Retractor	3
Atomizers	3
CCI70 Flock Applicator	4
Chill Bar	4
Compressor	5

Flock Adhesive Spray Gun	6
Generator	6
Heat Gun	6
Iron Base and Shoe	7
Spray Gun	7
Electrical System	7
Batteries	8
Tips and Troubleshooting	9

CREATIVE COLORS INTERNATIONAL, INC.
FRANCHISE AGREEMENT

EXHIBIT E
TO THE FRANCHISE DISCLOSURE DOCUMENT

THIS CONTRACT IS SUBJECT TO ARBITRATION.

TABLE OF CONTENTS

I.	APPOINTMENT AND FRANCHISE FEE	95
II.	TERM AND GRANT OF SUCCESSOR FRANCHISES	97
III.	BUSINESS LOCATION	99
IV.	VANS	99
V.	TRAINING AND ASSISTANCE	101
VI.	PROPRIETARY MARKS.....	102
VII.	CONFIDENTIAL OPERATIONS MANUAL.....	104
VIII.	CONFIDENTIAL INFORMATION	105
IX.	MODIFICATION OF THE SYSTEM	107
X.	MARKETING	107
XI.	CONTINUING SERVICES AND ROYALTY FEES	109
XII.	ACCOUNTING AND RECORDS.....	111
XIII.	STANDARDS OF QUALITY AND PERFORMANCE	112
XIV.	FRANCHISOR'S OPERATIONS ASSISTANCE	117
XV.	INSURANCE	118
XVI.	COVENANTS.....	120
XVII.	DEFAULT AND TERMINATION.....	122
XVIII.	RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION.....	125
XIX.	TRANSFERABILITY OF INTEREST	127
XX.	DEATH OR INCAPACITY OF FRANCHISEE	131
XXI.	RIGHT OF FIRST REFUSAL	132
XXII.	INDEPENDENT CONTRACTOR AND INDEMNIFICATION	132
XXIII.	NON-WAIVER	133
XXIV.	NOTICE	133
XXV.	COST OF ENFORCEMENT OR DEFENSE	134
XXVI.	ENTIRE AGREEMENT	134
XXVII.	SEVERABILITY AND CONSTRUCTION	135
XXVIII.	APPLICABLE LAW	135
XXIX.	ARBITRATION	136
XXX.	"FRANCHISEE" DEFINED AND GUARANTY	137
XXXI.	FORCE MAJEURE.....	138
XXXII.	CAVEAT.....	138
XXXIII.	ACKNOWLEDGEMENTS	139
XXXIV.	FRANCHISEE'S PERSONNEL	139
XXXV.	WAIVER OF COLLATERAL ESTOPPEL.....	140
XXXVI.	FRANCHISOR'S BUSINESS INTERESTS.....	140
XXXVII.	LIQUIDATED DAMAGES.....	140

ATTACHMENTS

A.	AREA OF PRIMARY RESPONSIBILITY	142
B.	REFUNDS AND CANCELLATION.....	143
C.	GUARANTY AND ASSUMPTION OF OBLIGATIONS.....	145
D.	SAMPLE LOGO.....	146
E.	YOU AND YOUR OWNERS.....	147

CREATIVE COLORS INTERNATIONAL, INC.,
FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement"), made this ___ day of _____, 20___, by and between CREATIVE COLORS INTERNATIONAL, INC., an Illinois corporation, having its principal place of business at 19015 South Jodi Road, Suite E, Mokena, Illinois, 60448 ("Franchisor"), and

_____ ("Franchisee")

WITNESSETH:

WHEREAS, Franchisor or its affiliate, over a period of time and as the result of the expenditure of time, skill, effort and money, has developed and owns a unique system ("System"), identified by the mark "CREATIVE COLORS INTERNATIONAL" relating to the establishment, development and operation of businesses specializing in providing services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services on a mobile basis, primarily to automobile, furniture, and commercial customers; and

WHEREAS, the distinguishing characteristics of the System include, without limitation, exclusively designed signage, equipment, solvents, chemicals and materials; specially equipped vans; procedures and techniques for providing upholstery repair, coloring, cleaning, protection and restoration and related services; the CREATIVE COLORS INTERNATIONAL Confidential Operations Manual; the CREATIVE COLORS INTERNATIONAL Proprietary Products; uniform operating methods, procedures and techniques; other confidential operations procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion, marketing and advertising; all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, Franchisor's affiliate, J & J's Creative Colors, Inc., is the owner of the right, title and interest together with all the goodwill connected thereto, in and to the trade name, trademark and service mark "CREATIVE COLORS INTERNATIONAL," "CREATIVE COLORS INTERNATIONAL, plus the design," associated logos and commercial symbols, and such other trade names, trademarks and service marks as are now designated (and may be designated in writing by Franchisor) as an integral part of the System (the "Mark(s)"); and

WHEREAS, Franchisor's affiliate, J & J's Creative Colors, Inc., developed and therefore is the owner of the right, title and interest in the System; and

WHEREAS, Franchisor's affiliate has licensed Franchisor the right to use and to sublicense its franchisees to use the Marks and the System in the operation of CREATIVE COLORS INTERNATIONAL businesses; and

WHEREAS, Franchisor grants to qualified persons franchises to own and operate CREATIVE

COLORS INTERNATIONAL businesses providing services authorized and approved by Franchisor in utilizing the System and Marks. Franchisee desires to operate a CREATIVE COLORS INTERNATIONAL business under the System and using the Marks and has applied for a franchise and such application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations, and service and the necessity of operating the Franchised Business in strict conformity with Franchisor's standards and specifications; and

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement hereby agree as follows:

I. APPOINTMENT AND FRANCHISE FEE

A. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right, license and privilege to use the Mark "CREATIVE COLORS INTERNATIONAL," and the other Marks, and Franchisee undertakes the obligation, to operate a CREATIVE COLORS INTERNATIONAL business providing services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services on a mobile basis ("Franchised Business"), all as designated or approved from time to time by Franchisor, and to use solely in connection therewith the System, as it may be changed, improved and further developed from time to time, from one (1) location only, such location to be determined on or before the day of signing this agreement and attached as Attachment A ("Area of Primary Responsibility").

B. Franchisee receives an exclusive Area of Primary Responsibility which will vary in size and dimensions from the Areas of Primary Responsibility of other franchisees. The boundaries of Franchisee's Area of Primary Responsibility shall be determined by approximately 300,000 in people population located within the area and be identified by street boundary. The determination of the Area of Primary Responsibility shall be made and agreed upon between Franchisor and Franchisee, and shall be set forth in Attachment A.

C. Franchisor will not, so long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof or except as provided in this Paragraph C. and in Paragraph H below, franchise or operate any other business that provides similar services under the CREATIVE COLORS INTERNATIONAL marks or under different marks, within the Area of Primary Responsibility which is described in Attachment A of this Agreement. However, Franchisor has the right to grant such other franchises outside of the Area of Primary Responsibility as Franchisor, in its sole and exclusive discretion, deems appropriate. Further, both within and outside of the Area of Primary Responsibility, Franchisor reserves the right to offer and sell at wholesale or retail (or any other species of retail vendor whatsoever) products and services, and CREATIVE COLORS INTERNATIONAL Proprietary Products, if any, as defined in Paragraph XIII.G. hereof, which comprise, or may in the future comprise a part of the System, which products may be resold at retail to the general public by such entities. Franchisor further reserves the right both within and outside the Area of Primary Responsibility to sell at both wholesale and retail all products and services which do

not comprise a part of the System. Those products and services which comprise a part of the System are delineated and set forth in detail in the CREATIVE COLORS INTERNATIONAL Confidential Operations and Training Manual ("Confidential Operations and Training Manual"), which Confidential Operations and Training Manual may be amended from time to time to reflect additions to, deletions from and modifications to the specification of those services and products which comprise a part of the System. Further, Franchisee acknowledges that any website, e-commerce, Internet or other cyberspace application is by its very nature a potential encroachment beyond and within the Area of Primary Responsibility granted herein. Franchisee therefore agrees that the manner and content of any Franchisee advertising, marketing and/or selling on any website, e-commerce, Internet or other cyberspace application is subject to the prior written permission of Franchisor and must be done in strict compliance with the standards, policies and procedures established from time to time by Franchisor.

D. At the time of execution of this Agreement, Franchisee acknowledges that upon its own independent investigation of its Area of Primary Responsibility that it contains approximately 300,000 in people population as determined by the most recent census listed on US Census Bureau. Franchisor makes no representation that such number of people population shall remain in the Area of Primary Responsibility throughout the term of this Agreement.

E. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor a franchise fee of Thirty-Nine Thousand, Five Hundred Dollars (\$39,500.00) upon execution of this Agreement. Said fee shall be deemed fully earned and non-refundable upon payment thereof, except as may be specifically provided in the Refunds and Cancellation Addendum, attached hereto as Attachment B. Franchisee is prohibited from opening a Franchised Business until the Initial Franchise Fee for that Franchised Business has been paid by Franchisee to Franchisor. The Initial Franchise Fee is fully earned upon execution of the Franchise Agreement and is not refundable under any circumstance.

F. In addition to the franchise fee, you are required to pay Twenty Nine Thousand, Five Hundred Dollars (\$29,500.00) for the start-up fee on or before the first day of the initial training. The start-up fee includes the initial training costs for up to two people, an airline voucher up to the amount of Five Hundred Dollars (\$500.00), a hotel voucher up to the amount of One Thousand Five Hundred Dollars (\$1,500.00), stationary, marketing presentation pieces, graphics for one van, the initial start-up supplies and equipment (see Exhibit J for a list of supplies and equipment), unlimited one week CCI Certified Training class and legal and administrative costs.

G. Franchisee is strictly prohibited from soliciting and/or providing services to an account that is located outside Franchisee's Area of Primary Responsibility. Violation of this prohibition is a material breach of this Agreement and constitutes grounds for termination of this Agreement.

H. Franchisor may, but is under no obligation to, actively or passively obtain National/Regional Accounts which have more than one place of business that wish to utilize the services of Creative Colors International.

In the event a National/Regional Account is obtained, Franchisor or Franchisor's affiliate will have the right to provide service to any customers as directed or requested by the National/Regional Account, even if said customers are located in Franchisee's Area of Primary Responsibility. Franchisee shall have a limited, conditional, revocable right to service customers of National/Regional Accounts

upon the following conditions:

1. Franchisee shall attend and satisfactorily complete any additional training required by Franchisor in order to master the services required by the National/Regional Account; and
2. Within three (3) days following receipt of notification from Franchisor of an offer to service a National/Regional Account (including the terms, conditions and prices which Franchisor and National/Regional Account have contracted to) Franchisee shall notify Franchisor in writing whether it will service the account; and
3. Franchisee agrees to accept the duties, obligation and rights under Franchisor's contract; and
4. Franchisee agrees to render such services to a National/Regional Account at the prices set forth in Franchisor's contract (such prices possibly being less than the prices charged by Franchisee to its customers). In the event Franchisee elects to service a National/Regional Account, Franchisee shall be bound by the terms and conditions of the Franchisor's contract with said National/Regional Account. In the event Franchisee at any time fails to meet or comply with the conditions set forth in this Paragraph H, Franchisee's right to service any or all National/Regional Accounts may be revoked by Franchisor without any compensation to Franchisee. If Franchisee elects not to service a National/Regional Account, Franchisor or its representative may service said National/Regional Account within Franchisee's Area of Primary Responsibility.

II. TERM AND GRANT OF A SUCCESSOR FRANCHISE.

- A. This Agreement shall be effective and binding for an initial term equal to ten (10) years from the date of its execution.
- B. Grant of a Successor Franchise. Franchisee shall have the right to acquire a grant of a successor franchise at the expiration of the initial term of the franchise, for successive terms of ten (10) years each, and provided that all of the following conditions have been fulfilled:
 1. Franchisee has, during the entire term of this Agreement, substantially complied with all its provisions;
 2. Franchisee has brought the Franchised Business into full compliance with the specifications and standards then applicable for new or successor CREATIVE COLORS INTERNATIONAL businesses;
 3. Franchisee has given notice of his election to acquire a successor franchise to Franchisor as provided below in Paragraph II.C;
 4. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates and has timely met these obligations throughout the

term of this Agreement;

5. Franchisee has executed upon the grant of a successor franchise Franchisor's then-current form of this Agreement (with appropriate modifications to reflect the fact that the agreement relates to the grant of a successor franchise), which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement, including, without limitation, a different percentage Continuing Services and Royalty Fee and advertising contribution; a different territorial grant; or a requirement for the operation of additional number of vans; provided, however, Franchisee shall not be required to pay the then-current initial franchise fee or its equivalent. Franchisor may reduce the Area of Primary Responsibility upon grant of a successor franchise if Franchisee has failed during the previous term to adequately service the customer base located within the Area of Primary Responsibility;

6. Franchisee shall pay to Franchisor a successor franchise fee in the amount of Five Thousand Dollars (\$5,000.00);

7. Franchisee has complied with Franchisor's then-current qualification and training requirements; and

8. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees.

C. If Franchisee desires to acquire a successor franchise at the expiration of this Agreement, Franchisee shall give Franchisor written notice at least six (6) months, but not more than twelve (12) months, prior to the expiration of the initial term of this Agreement. Within thirty (30) days after its receipt of such timely notice to acquire a successor franchise, if Franchisor does not consent to the grant of a successor franchise, Franchisor shall furnish Franchisee with written notice of: (1) reasons which could cause Franchisor not to grant a successor franchise to Franchisee, including any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (2) Franchisor's then current requirements relating to the image, appearance, decoration, furnishing, equipping and stocking of CREATIVE COLORS INTERNATIONAL businesses, and a schedule for effecting such upgrading or modifications in order to bring the Franchised Business in compliance therewith, as a condition of the grant of a successor franchise. The grant of a successor franchise shall be conditioned upon Franchisee's compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of termination of the initial term, provided, however, that in the event Franchisee is curing any deficiencies as required by Franchisor, the term of this Agreement shall be extended for a period of time equal to the number of days granted under the notice provision of Paragraph II.C. herein.

D. In the event the Franchisee is not granted a successor franchise for any reason, Franchisee shall be required to comply with all covenants contained in Paragraph XVI.D. of this Agreement upon non-renewal.

E. Franchisor may extend this Agreement's term for the time period necessary to give Franchisee either reasonable time to correct deficiencies or the thirty (30) days' notice of Franchisor's

refusal to grant a successor franchise. If Franchisee fails to notify Franchisor of Franchisee's election to acquire a successor franchise within the prescribed time period, Franchisor need not grant a successor franchise.

F. If Franchisee does not execute a Successor Agreement after the expiration of the Initial Term, and Franchisee continues to accept the benefits of this Agreement after the expiration of the Initial Term, then at Franchisor's option, this Agreement may be treated either as: (i) expired as of the date of the expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor's right; or (ii) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with written notice of such party's intention to terminate the Interim Term. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Term.

III. BUSINESS LOCATION

Franchisee must locate an office, or post office box, within Franchisee's Area of Primary Responsibility. Franchisee may operate the business office out of Franchisee's home as long as Franchisee's residence is within the Area of Primary Responsibility. If Franchisee decides to relocate the office outside of Franchisee's home, Franchisee must first obtain Franchisor's written approval of such location. Franchisor's primary consideration in approving Franchisee's site is whether it is within Franchisee's Area of Primary Responsibility. Franchisor will advise Franchisee within 30 days of Franchisor's approval or disapproval of Franchisee's site; if the parties cannot agree, they shall resolve the dispute through arbitration.

IV. VANS

A. Franchisee must own, lease or purchase a white Cargo van. Franchisee may purchase or lease original and replacement vans from any source provided they meet standards established by Franchisor.

B. Beginning with the first day of operation, and continuing until the second anniversary date of this Agreement, Franchisee is obligated to operate at least one (1) van during all weekdays, a minimum of eight (8) hours per day. Beginning on the second anniversary day of this Agreement, Franchisee is obligated to operate at least two (2) vans during all weekdays, each van operating a minimum of eight (8) hours per day.

1. In the event Franchisee fails to have a second van operating at any time after the second anniversary date of this Agreement, and Franchisee fails after thirty (30) days' notice by Franchisor to operate a second van, Franchisee's Area of Primary Responsibility shall be reduced by one-half.

2. If Franchisee, during the term of this Agreement, is given two notices by Franchisor to operate a second van, even though cured, Franchisee will not have an opportunity to cure a subsequent violation of this requirement, and Franchisee's Area of Primary Responsibility will be reduced in accordance with Paragraph IV.B.3., without an opportunity to

cure.

3. In the event Franchisor reduces Franchisee's Area of Primary Responsibility pursuant to this Paragraph IV.B., the configuration of Franchisee's revised Area of Primary Responsibility will be determined by Franchisor in its sole discretion. Franchisor will send Franchisee a revised Exhibit A which will be incorporated into Franchisee's Franchise Agreement, whether or not Franchisee executes said revised Exhibit A.

4. Once Franchisee's Area of Primary Responsibility has been reduced in accordance with this Paragraph IV.B., Franchisee will not have the right to reinstate the original Area of Primary Responsibility by the acquisition and operation of a second van or by the increase of Franchisee's activities such that its business is no longer underdeveloped.

5. Franchisor reserves the right to conduct market surveys, or a comparison of key Franchisor indicators, of Franchisee's Area of Primary Responsibility at any time during the term of this agreement. If such survey or comparison indicates, in Franchisor's determination that Franchisee's Area of Primary Responsibility is underdeveloped and if Franchisee does not add a van within 180 days then Franchisor will have the right to service the underdeveloped portion of the market. If Franchisor determines that franchisee's market could support an additional Van(s), Franchisor will so notify franchisee in writing setting forth the area to be developed and/or Van(s) to be added. Franchisee agrees that it will have (180) days from the date of receipt of Franchisor's notice to purchase and operate the additional Van(s) in accordance with Franchisor's development requirements. Franchisee's failure to develop the area and/or add the additional Van(s) within the time specified as notified by Franchisor, is a material breach of this Franchise Agreement.

C. Franchisee at its expense shall at all times during the term of this Agreement, maintain the interior and exterior of the vans utilized in the Franchised Business in good repair, attractive appearance, sound operating condition and equipped in accordance with Franchisor's standards and specifications. Franchisee, at the request of Franchisor, shall make necessary repairs and equipment modifications or additions to Franchisee's vans used in the Franchised Business in order to maintain the reputation of the System within a reasonable period of time after requested by Franchisor do so.

D. It shall be the sole responsibility of Franchisee to investigate all applicable licensing, leasing and other requirements for the maintenance of Franchisee's vans and to insure ongoing compliance with all such requirements throughout the term of this Agreement.

E. The vans used by Franchisee in conducting the Franchised Business must be capable of prominently providing the external display of CREATIVE COLORS INTERNATIONAL advertising copy, including the CREATIVE COLORS INTERNATIONAL logo graphics supplied and/or approved by Franchisor, and further, such logo and graphics must be maintained in good appearance. Additional sales, advertising or display information can be placed on the vans only with the prior written approval of Franchisor.

V. TRAINING AND ASSISTANCE

A. Franchisor shall make training available to Franchisee and to employees employed by Franchisee. Franchisee is required to attend and successfully complete to Franchisor's satisfaction prior to opening for business, a training and familiarization course of approximately three (3) weeks in duration to be conducted at Franchisor's headquarters. In addition, all of Franchisee's employees are required to attend and successfully complete to Franchisor's satisfaction, a CCI Certified Training course of approximately one or two (2) weeks in duration conducted at a Franchisor-designated facility. In order for employees to attend a one week CCI Certified training class, they must be out in the field for 4 to 8 weeks prior to training class. Franchisor will train up to two (2) people, including Franchisee, at the Initial training program, without charge to Franchisee. Franchisor will provide an airline voucher up to Five Hundred Dollars (\$500.00) and a hotel voucher up to One Thousand Five Hundred Dollars (\$1,500.00). All other expenses incurred by Franchisee and its designees in attending the training program, including, but not limited, to travel costs, room and board expenses, and employees' salaries, shall be the sole responsibility of Franchisee. For employees who attend a one week CCI Certified Training class following the Initial training program, there will be no charge. For employees who attend a two week extended CCI Certified Training class following the Initial training program, Franchisee shall pay Franchisor a training fee of One Thousand Dollars (\$1,000.00) per person for the second week of training. For all training after the initial training program, a Five Hundred Dollar (\$500.00) non-refundable deposit fee must be paid at least two weeks prior to the training class in order to hold training spot. If employee attends training class, we will give you a \$500 credit for supplies. Said training program shall cover material aspects of the operation of the Franchised Business, including but not limited to: an understanding of CREATIVE COLORS INTERNATIONAL conceptual plan; financial controls; promotion and merchandising methods, techniques and procedures; other management and operational techniques; procedures and techniques for providing upholstery coloring, repairs, cleaning and restoration; safety techniques; marketing and advertising techniques; deployment of labor; and maintenance of quality standards.

B. Around the time frame of commencement of operation of the Franchised Business, Franchisor shall furnish to Franchisee, at Franchisee's business location and at Franchisor's expense, one (1) of Franchisor's representatives for five (5) days, for the purpose of facilitating the opening of Franchisee's Franchised Business. During this period, such representative will also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a CREATIVE COLORS INTERNATIONAL business and shall assist in training personnel. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Business, and should Franchisor, in its discretion, deem it necessary, feasible and appropriate to comply with the request, Franchisee shall pay Franchisor a fee of TWO HUNDRED DOLLARS (\$200.00) per person per day of additional assistance, plus transportation and lodging expenses.

C. If, prior to the completion by Franchisee of the training program, Franchisor determines, in its sole discretion, that Franchisee is unable to satisfactorily complete the training program described above, or that Franchisee does not have the aptitude and/or attitude necessary to satisfactorily operate the franchised business, Franchisor shall have the right to terminate this Agreement as described in Attachment B, which is incorporated herein by reference.

D. If Franchisee designates new or additional managers or employees after the Initial

training program, Franchisor shall provide a one or two week CCI Certified Training program to such managers or employees to the extent that Franchisor can reasonably accommodate such managers or employees in Franchisor's regularly scheduled training course. Franchisor shall provide such training at Franchisor's then-current fee as set forth in Paragraph V.A. above. Franchisee shall be responsible for all expenses incurred by Franchisee's employees in attending such training.

E. Franchisor will provide and will require that previously-trained and experienced franchisees, their managers and/or employees attend refresher training programs at Franchisor's annual seminar to be conducted at Franchisor's headquarters or at such other location as may be designated by Franchisor. Franchisee's attendance is mandatory. Franchisee will be charged a nonrefundable registration fee of \$300 to \$600, depending on when Franchisee registers. If Franchisee does not register, Franchisee will be billed the highest amount. Attendance at such refresher training programs or seminars shall be at Franchisee's sole expense, including a registration fee to Franchisor. Attendance will not exceed three business days in duration. The registration and attendance requirements for the annual seminar will be established by policies promulgated by Franchisor. If Franchisee does not attend seminar, Franchisee shall be required to attend a refresher training class at Franchisor's headquarters and shall pay Franchisor an additional fee of TWO HUNDRED DOLLARS (\$200.00) per person per day of additional training.

VI. PROPRIETARY MARKS

A. Franchisee acknowledges that Franchisor's affiliate, J & J's Creative Colors, Inc., is the owner of the Marks. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor from time to time during the term of the franchise. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee acknowledges that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor and J & J's Creative Colors, Inc. and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional trademarks, service marks, and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

B. Franchisee shall not use any of the Marks or portion of any of the Marks as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law. The parties covenant and agree that Franchisee shall prominently identify its business as "CREATIVE COLORS INTERNATIONAL" in all its advertising, stationery, invoices, telephone directory listings, signage and all other like displays. Franchisee may include a corporate name or individual person's name in association with "CREATIVE COLORS INTERNATIONAL," provided

that such other name shall not be as prominent as "CREATIVE COLORS INTERNATIONAL" and provided that such other name is accompanied by the words "FRANCHISE OWNER" or "FRANCHISEE." A sample of the proper layout and use of the CREATIVE COLORS INTERNATIONAL name and the Franchise owner's name is attached hereto as Attachment D. Attachment D is the current layout only, and Franchisor reserves the right to modify the layout at any time.

C. Franchisee shall promptly notify Franchisor of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation thereof. Franchisee shall notify Franchisor of any action, claim or demand against Franchisee relating to the Marks, within ten (10) days after Franchisee receives notice of said action, claim, or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks, Franchisor and Franchisor's affiliate shall have the sole right to prosecute or defend any such action. Franchisor and Franchisor's affiliate shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in their sole discretion. Franchisor and Franchisor's affiliate shall have the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Mark. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor and its affiliate and execute any and all documents and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out such defense or prosecution. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with such infringement, challenge or claim. Franchisor and Franchisee will make every effort consistent with the foregoing to protect, maintain, and promote the Marks as identifying the System. Franchisor agrees to indemnify Franchisee against and to reimburse Franchisee for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which Franchisee is held liable in any proceeding arising out of the use of any Mark pursuant to and in compliance with this Agreement, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceeding in which it is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceeding and has otherwise complied with this Agreement, and that Franchisor shall have the right to defend any such claim. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

D. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor and/or Franchisee to modify or discontinue use of any of the Marks, and/or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, Franchisee shall comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor, and Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any of the Marks, other than to pay Franchisee's out-of-pocket costs incurred in connection with modifying tangible items.

E. In order to preserve the validity and integrity of the Marks and copyrighted materials licensed herein, to assure that Franchisee is properly employing the same in the operation of its Franchised Business, and to determine whether Franchisee and the Franchised Business are complying with this Agreement and all System Standards, Franchisor and Franchisor's designated agents or

representatives may at all times and without prior notice to Franchisee have the right of entry and inspection of Franchisee's operations and: (1) inspect the Franchised Business; (2) observe the manner in which Franchisee is rendering its services and conducting its activities and operations; (3) photograph the Business Location and Van(s) and observe and videotape the Franchised Business' operation for consecutive or intermittent periods Franchisor deems necessary; (4) inspect equipment, merchandise, accessories, products, supplies, reports, forms and documents and related data for test of content and evaluation purposes ; (5) remove samples of any products and supplies; (6) interview the Franchised Business' personnel and customers; and (7) inspect and copy any books, records, and documents relating to the CREATIVE COLORS INTERNATIONAL Business' operation. Franchisee agrees to cooperate with Franchisor fully. If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the Franchised Business' operation.

F. If Franchisor requests, Franchisee must also sign such other documents as Franchisor reasonably requires in order to allow others in Franchisee's state to use Franchisor's Marks, including without limitation any documents required by the applicable Secretary of State or Department of Commerce located in Franchisee's state.

VII. CONFIDENTIAL MANUALS

A. Franchisor will lend to Franchisee during the term of the franchise one (1) copy each of all Confidential Manuals containing reasonable, mandatory and suggested specifications, standards, pricing, operating procedures and rules prescribed from time to time by Franchisor for CREATIVE COLORS INTERNATIONAL businesses and information relative to other obligations of Franchisee hereunder and the operation of its Franchised Business. Franchisor shall have the right to add to and otherwise modify the Confidential Manuals from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for CREATIVE COLORS INTERNATIONAL businesses, provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Franchisee acknowledges that these manuals are designed to protect Franchisor's standards, systems, names and marks, and not to control the day-to-day operations of Franchisee's Franchised Business.

B. The Confidential Manuals shall at all times remain the sole property of Franchisor and shall promptly be returned upon the expiration or termination for any reason of this Agreement. Franchisee agrees and covenants that it shall not disclose duplicate or otherwise use in an unauthorized manner any portion of the Confidential Manuals.

C. The Confidential Manuals contain proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of the franchise and subsequent to the expiration or termination of the franchise. Franchisee shall at all times insure that its copies of the Confidential Manuals be available at the Franchised Business office premises in a current and up-to-date manner. At all times that the Confidential Manuals are not in use by authorized personnel, Franchisee shall maintain the Confidential Manuals in a locked receptacle at the office premises of the Franchised Business, and shall only grant authorized personnel, as defined in the Confidential Operations Manual, access to the key or lock combination of such receptacle. In the event of any dispute as to the contents of the Confidential Manuals, the terms of the master copy of the Confidential Manuals maintained by Franchisor at Franchisor's home office shall be controlling.

VIII. CONFIDENTIAL INFORMATION

A. Definition. Franchisor and Franchisor's affiliates possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), relating to developing and operating CREATIVE COLORS INTERNATIONAL Businesses, including (without limitation):

Territory selection criteria;

Training and operations manuals;

Methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating CREATIVE COLORS INTERNATIONAL Businesses;

Marketing and advertising programs for CREATIVE COLORS INTERNATIONAL Businesses;

Knowledge of, specifications for, and suppliers of products and supplies;

Customer Data (as defined in Subsection VIII.H. below) and the customer list, including names, addresses and other information;

Knowledge of the operating results and financial performance of CREATIVE COLORS INTERNATIONAL Businesses other than the CREATIVE COLORS INTERNATIONAL Business; and

Graphic designs and related intellectual property.

Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to Franchisee's attention before Franchisor and Franchisor's affiliates provided it to Franchisee directly or indirectly; which, at the time Franchisor disclosed it to Franchisee, already had lawfully become generally known in the upholstery repair industry through publication or communication by others (without violating an obligation to Franchisor); or which, after Franchisor discloses it to Franchisee, lawfully becomes generally known in the upholstery repair industry through publication or communication by others (without violating an obligation to Franchisor). However, if Franchisor includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

B. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in Confidential Information, other than the right to use it as Franchisor specifies in operating the CREATIVE COLORS INTERNATIONAL Business during this Agreement's term, and that Confidential Information is proprietary, includes Franchisor's trade secrets, and is disclosed to Franchisee only on the condition that Franchisee agrees, and Franchisee in fact does agree, that Franchisee:

Will not use Confidential Information in any other business or capacity;

Will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter for as long as the item is not generally known in the upholstery repair industry;

Will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and

Will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to CREATIVE COLORS INTERNATIONAL Business personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. Franchisor has the right to prescribe and regulate the form of agreements that Franchisee uses. Franchisor must be a named third party beneficiary of those agreements with independent enforcement rights. Attached to Franchisor's disclosure document as Exhibit N is "Agreement for Protection of Trade Secrets of The Creative Colors International, Inc. System", which is Franchisor's prescribed form of non-disclosure and non-competition agreement.

C. Franchisee acknowledges that its entire knowledge of the operation of a CREATIVE COLORS INTERNATIONAL business including the knowledge or know-how regarding the specifications, standards and operating procedures of the CREATIVE COLORS INTERNATIONAL services, is derived from information disclosed to Franchisee by Franchisor and that certain of such information is proprietary, confidential and a trade secret of Franchisor. Franchisee shall maintain the absolute confidentiality of all such proprietary information during and after the term of the franchise and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor.

D. Franchisee shall divulge such confidential information only to the extent and only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge and know-how, including, without limitation, specifications and standards concerning the operation of the Franchised Business and other data, which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had lawfully become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, lawfully becomes a part of the public domain, through publication or communication by others.

E. Due to the special and unique nature of the Confidential Information, Marks, and Confidential Manuals of Franchisor, Franchisee acknowledges that Franchisor shall be entitled to immediate equitable remedies, including but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential, unique, and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Sections VI, VII, and VIII of this Agreement. Furthermore, Franchisee agrees

that all employees or agents of Franchisee having access to the confidential and proprietary information of Franchisor shall be required to execute a confidentiality agreement in a form acceptable to Franchisor.

F. Franchisee shall not use in advertising or any other form of promotion of the copyrighted materials of Franchisor without the appropriate © copyright designation.

G. Innovations. All ideas, concepts, techniques, and marketing, advertising or other materials relating to a CREATIVE COLORS INTERNATIONAL Business, whether or not protectable intellectual property and whether created by or for Franchisee or Franchisee's owners or employees, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of the Franchise System, and works made-for-hire for Franchisor. To the extent that any item does not qualify as a "work made-for-hire" for Franchisor, by this paragraph Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and agrees to take whatever action (including signing assignment or other documents) Franchisor request to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the item.

H. Customer Data. Franchisee will follow Franchisor's written instructions with respect to the collection, disposition, treatment, transmission and handling of customer data and similar information ("Customer Data"). Franchisee agrees that Customer Data is Franchisor's sole and exclusive property, and that the customer list is Franchisor's proprietary information and property. Franchisee's use of Customer Data (even if Franchisee initially collected such data) shall be by virtue of this limited license from Franchisor. Franchisee's license to use the Customer Data is limited to Franchisee's use of the Customer Data solely in connection with the operation of Franchisee's Franchised Business during the term of this Agreement. Upon expiration or termination of this Agreement, Franchisee will destroy or, at Franchisor's option, transmit to Franchisor, all Customer Data and copies thereof. Customer Data is included in "Confidential Information" as defined in Subsection A. above.

IX. MODIFICATION OF THE SYSTEM

Franchisee acknowledges that from time to time hereafter Franchisor may change or modify the System identified by the Marks, including, without limitation, the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials; new programs or systems; new upholstery repair, coloring, cleaning, protection and restoration techniques, products and services; new employee training or education programs and services; new equipment; or other new techniques and that Franchisee will accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of this Agreement at the time of execution hereof. Franchisee will make such expenditures as such changes or modifications in the System may reasonably require. Franchisee shall not change, modify or alter in any way the System without written permission of Franchisor.

X. MARKETING

Recognizing the value of marketing and the importance of the standardization of marketing and promotion to the furtherance of the goodwill and the public image of CREATIVE COLORS INTERNATIONAL businesses, Franchisee agrees as follows:

A. Franchisee will submit to Franchisor or its designated agency, for its prior approval, all promotional materials and marketing to be used by Franchisee, including, but not limited to, newspapers, radio and television advertising, signs and telemarketing scripts. In the event written disapproval of said marketing and promotional materials is not given by Franchisor to Franchisee within twenty (20) days from the date such material is received by Franchisor, said materials shall be deemed approved. Failure by Franchisee to conform with the provisions herein and subsequent nonaction by Franchisor to require Franchisee to cure or remedy this failure and default shall not be deemed a waiver of future or additional failures and defaults of any other provision of this Agreement. The submission of marketing to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its products or services. Franchisor reserves the right to use for its own purposes or to disseminate to other CREATIVE COLORS INTERNATIONAL franchisees any and all marketing materials, procedures and concepts submitted to Franchisor by Franchisee.

B. Franchisee shall contribute to the CREATIVE COLORS INTERNATIONAL Marketing and Development Fund ("Fund") an amount equal to the greater of: (i) one percent (1%) of the Gross Sales ("Gross Sales") derived from the Franchised Business, or (ii) the following minimum amounts per month:

During the first full year of business.....	\$ 50.00
During the second full year of business.....	\$ 75.00
During the third full year of business.....	\$100.00

Franchisee's required payments to the Fund shall be made at the same time and in the same manner as the Continuing Services and Royalty Fee as provided in Section XI. of this Agreement. Such sums shall be maintained and administered by Franchisor or its designee as follows:

1. Franchisor shall oversee all marketing programs over the creative concepts, materials and media used in such programs and the placement and allocation thereof. All marketing materials shall be and remain the property of Franchisor and may not be altered by Franchisee. Franchisor cannot and does not ensure that any particular franchisee benefits directly or pro rata from the placement of marketing.

2. Although Franchisor intends the Fund to be of perpetual duration, Franchisor maintains the right to terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for marketing and promotional purposes.

3. Once contributions to the Fund are made by Franchisee, all such monies shall be used as herein required and shall not be returned to Franchisee.

4. If at any time, fifty percent (50%) or more of the existing CREATIVE COLORS INTERNATIONAL franchisees elect to raise the percentage marketing contribution level, participation will be required of all franchisees, but in no event will Franchisee's contribution exceed two percent (2%) of Franchisee's Gross Sales.

5. Franchisor may charge the Fund an administrative fee, not to exceed ten percent (10%) of the expenditures made. The administrative fee is in addition to fees Franchisor may

charge the Fund for Franchisor's direct expenses or services furnished.

6. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies; developing and producing in-store marketing materials.

7. The Fund will not be Franchisor's asset. Although the Fund is not a trust, Franchisor will hold all Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. Franchisor does not owe any fiduciary obligation to Franchisee for administering the Fund or any other reason.

C. Franchisee is required to advertise continuously in the classified or Yellow Pages of the local telephone directory or on the world wide web using Franchisor's approved supplier. Franchisee shall do so in boldface type under the listings "Vinyl Repair" and "Leather Repair," and such other listings as deemed appropriate by Franchisor. The area code of Franchisee's telephone number listed in the telephone directory must be a number that is the same as at least one area code that is local to Franchisee's Area of Primary Responsibility. The telephone directory that Franchisee advertises in must be in the distribution area of Franchisee's Area of Primary Responsibility. When more than one (1) CREATIVE COLORS INTERNATIONAL facility serves a metropolitan area, classified advertisements shall list all CREATIVE COLORS INTERNATIONAL facilities operating within the distribution area of such classified directories and Franchisee shall contribute its equal share in the cost of such advertisement. Franchisee's expenditures for Yellow Page advertisements shall be independent of and in addition to Franchisee's contributions to the Fund.

D. Franchisee shall not advertise on the internet unless it is through Franchisee's personal website, that is linked to Franchisor's main website and Franchisee's advertising is approved by Franchisor.

E. Franchisee shall not use in marketing or any other form of promotion, the trademarks, service marks or commercial symbols of Franchisor without the appropriate ® registration mark or the designations TM or SM where applicable.

XI. CONTINUING SERVICES AND ROYALTY FEES

A. Franchisee shall pay without offset, credit or deduction of any nature to Franchisor, so long as this Agreement shall be in effect, a monthly Continuing Services and Royalty Fee equal to the greater of: (i) seven and a half percent (7.5%) of the Gross Sales derived from the Franchised Business, or (ii) the following minimum amounts per month:

During first full year of business	\$375.00
During second full year of business.....	\$500.00
During third full year of business and thereafter	\$625.00

There is no Royalty fee due for the first full month of business. Franchisee shall pay the Continuing Services and Royalty Fee in the manner specified below or as otherwise prescribed in the Confidential

Operations Manual:

1. Postmarked by the 15th of every month, Franchisee will submit to Franchisor on a form approved by Franchisor, a correct statement, signed by Franchisee, of Franchisee's Gross Sales for the preceding month just ended. Each monthly statement of Gross Sales shall be accompanied by the Continuing Services and Royalty Fee payment based on the Gross Sales reported in the statement so submitted. Franchisee will make available to Franchisor for inspection at reasonable times by Franchisor, all original books and records that Franchisor may deem necessary to ascertain Franchisee's Gross Sales.

2. Definition of Gross Sales. For purposes of this Agreement, "Gross Sales" means all receipts of the Franchised Business, including amounts received, charged, or performed on a credit or time basis, and the value of all services or products received by Franchisee, for services provided or products or gift certificates sold, whether or not sold or performed at or from the Franchised Business, including cash and proceeds of business interruption insurance policies, less sales, use or service taxes collected and paid to the appropriate taxing authority.

3. All royalty fee payments not postmarked by the 15th day of the month shall be in violation of this Agreement and will be charged a \$25.00 late fee.

4. Franchisor shall have the right to require Franchisee to participate in an electronic funds transfer program under which all Continuing Services and Royalty Fee payments, advertising contributions to the marketing fund, amounts due for purchases by Franchisee from Franchisor and its affiliates and any other payment due Franchisor under this Agreement or any other agreement between Franchisee and Franchisor are transferred electronically from Franchisee's bank account to the bank or other financial institution as specified by Franchisor. If Franchisor institutes this program, Franchisee agrees to make the funds available in its bank account for withdrawal by electronic transfer no later than the due date for the payment.

5. Franchisee shall keep an active credit card on file with Franchisor. Franchisee's credit card must have a credit line sufficient to cover all Continuing Services and Royalty Fee payments, advertising contributions to the marketing fund and amounts due for purchases by Franchisee from Franchisor and its affiliates. Franchisor shall have the right to debit Franchisee's credit card at any time that Franchisee fails to submit any payments due to Franchisor per the terms of this Agreement or any other agreement between Franchisee and Franchisor.

B. All Continuing Services and Royalty Fee payments, advertising contributions to the Fund, amounts due for purchases by Franchisee from Franchisor and its affiliates, and other amounts which Franchisee owes to Franchisor or its affiliates shall bear interest after due date at the highest applicable legal rate for open account business credit not to exceed two percent (2%) per month. Franchisee acknowledges that this Paragraph shall not constitute an agreement by Franchisor or its affiliates to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section XVII hereof, notwithstanding the provisions of this Paragraph.

C. All payments under this Agreement that are not honored for any reason will be charged a fee of \$50.00 to help offset bank charges and administrative expenses. This fee will be in addition to any late fee or interest that may accrue because of insufficient funds.

D. Franchisor shall have the right to establish reasonable procedures for verifying figures and collecting Continuing Services and Royalty Fees.

E. Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Continuing Services and Royalty Fee payments, advertising contributions to the Fund, purchases from Franchisor and its affiliates, interest or any other indebtedness.

XII. ACCOUNTING AND RECORDS

A. Franchisee shall establish and maintain a bookkeeping, accounting and record keeping system conforming to the requirements prescribed by Franchisor, including, without limitation, the use and retention of customer invoices, payroll records, check stubs, cash receipts and disbursements, journals and general ledgers.

B. Franchisee shall submit a Sales by Customer Summary report to Franchisor each month on a form approved by Franchisor. In addition, Franchisee will supply to Franchisor on or before the fifteenth (15th) day of each calendar quarter, in the form approved by Franchisor, a profit and loss statement and balance sheet for the last preceding calendar quarter. Additionally, Franchisee shall, at its expense, submit to Franchisor within one hundred twenty days (120) days after the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared by an independent certified public accountant on an accrual basis including all adjustments necessary for fair presentation of the financial statements. Such financial statements will be certified to be true and correct by Franchisee. Franchisor reserves the right to require certified annual financial statements, prepared in accordance with generally accepted accounting practices, reviewed or audited by an independent certified public accountant.

C. Franchisee shall submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Confidential Operations Manual or otherwise in writing.

D. Franchisee shall obtain, maintain, and utilize computer terminals with on-line access and software which meet Franchisor's specifications, which may be amended from time to time. All Gross Sales, inventory data, sales information, and such other information as required by Franchisor shall be recorded on such computer terminals. In addition, Franchisee shall utilize such automated central accounting system equipment and software program(s) as Franchisor may prescribe. Franchisor shall have full access to all of Franchisee's computer data, computer system and related information by means of direct access whether in person, and/or by network connection thru High Speed Internet (LAN Network Connection).

E. Franchisor or its designated agents shall have the right at all reasonable times to examine

and copy, at Franchisor's expense, the books, records, and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee at Franchisor's expense. If an inspection should reveal that any payments to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the maximum rate permitted by law. If an inspection discloses an understatement in any report of three percent (3%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

F. Franchisee acknowledges that nothing contained herein constitutes Franchisor's agreement to accept any payments after same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute a material default and grounds for termination of this Agreement.

G. Franchisee must record all Gross Sales of the Franchised Business on the Computer System. Franchisor may provide SKU numbers (or other identification codes) for each type of revenue-producing transaction Franchisee may encounter at the Franchised Business (including revenues derived from transactions other than sales to customers). Franchisee must use the computer system to maintain certain sales data and other information.

XIII. STANDARDS OF QUALITY AND PERFORMANCE

A. Franchisee shall comply with all requirements set forth in this Agreement, the Confidential Operations and Training Manual and other written policies supplied to Franchisee by Franchisor. Mandatory specifications, standards, operating procedures and rules prescribed from time to time by Franchisor in the Confidential Operations and Training Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein and shall be reasonably and uniformly applied to all franchisees. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules. Franchisee shall comply with the entire System including, but not limited to, the provisions of this Section XIII.

B. Franchisee shall commence operation of the Franchised Business not later than sixty (60) days after the execution of this Agreement or as otherwise approved in writing by Franchisor. Prior to the opening of the Franchised Business, Franchisee shall have complied with all Franchisor's pre-opening standards and specifications. If Franchisee for any reason fails to commence operation as herein provided, such failure shall be considered a default and Franchisor may terminate this Agreement as herein provided.

C. Franchisee shall maintain the condition and appearance of the vans used in the operation of the Franchised Business consistent with Franchisor's standards. Franchisee shall maintain the vans used in the operation of the Franchised Business as Franchisor from time to time requires to maintain or improve the appearance and efficient operation of the Franchised Business, including, but not limited to, replacement of worn out or obsolete vans, equipment, and signs. If at any time in Franchisor's judgment the general state of repair or the appearance of the vans, equipment, or signs used in the Franchised

Business do not meet Franchisor's standards, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice, and thereafter fails to implement a bona fide program to complete any required maintenance, Franchisor shall have the right, in addition to all other remedies, to effect such repairs, maintenance or replacements of vans, equipment, or signs on behalf of Franchisee and Franchisee shall pay the entire costs thereof on demand.

D. Franchisee shall make no material alterations to the vans used in the operation thereof nor shall Franchisee make material replacements of or alterations to the equipment or signs of the Franchised Business without the prior written approval by Franchisor.

E. Franchisee shall provide prompt, professional service and after-sale support to customers of the Franchised Business in accordance with specifications and standards prescribed by Franchisor for handling customer complaints and ensuring customer satisfaction. In order to promote and enhance the reputation of the franchise network and the CREATIVE COLORS INTERNATIONAL brand and Marks, Franchisee shall visit each commercial customer account a minimum of once each week or as established between Franchisee and said commercial customer.

F. Franchisee shall offer for sale and use at the CREATIVE COLORS INTERNATIONAL Franchised Business all types of services for repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces and providing related services that Franchisor from time to time authorizes, and shall not offer for sale or sell or provide through the Franchised Business any other category of materials, supplies, merchandise, products or accessories or use such Franchised Business for any purpose other than the operation of a CREATIVE COLORS INTERNATIONAL business in full compliance with this Agreement.

G. Franchisor has developed a specially formulated and prepared line of Proprietary Products and other items and merchandise bearing the Marks ("CREATIVE COLORS INTERNATIONAL"). Franchisee shall use only the Proprietary Products designated by Franchisor. The formulae and methods of preparation of the Proprietary Products are trade secrets of Franchisor and its affiliate. Franchisor has determined that in order to protect its trade secrets, maintain the uniform quality throughout the System and to monitor the manufacture and sale of Proprietary Products, it will supply Proprietary Products to Franchisees of Franchisor. Franchisee shall purchase Proprietary Products exclusively from Franchisor, or as designated by Franchisor. Franchisor shall sell to Franchisee such quantities of Proprietary Products as Franchisee requires from time to time in the operation of the CREATIVE COLORS INTERNATIONAL Franchised Business and at prices in effect at the time of purchase. Franchisee will be required to carry an adequate supply and maintain a representative inventory of such CREATIVE COLORS INTERNATIONAL Proprietary Products as required by the Confidential Operations Manual. Franchisee shall maintain, carry and promote such CREATIVE COLORS INTERNATIONAL Proprietary Products for use in servicing the general public in order to meet customer demand as designated by Franchisor. Franchisee acknowledges that an essential component of the System is the development and promotion of bio-degradable solutions and cleaners approved by the Environmental Protection Agency. Franchisee may only use solvents and cleaners approved by Franchisor.

H. Starting with the second year of the franchise term, Franchisee must purchase from

Franchisor, or as authorized by Franchisor, a minimum inventory of Proprietary Products equal to two percent (2%) of Gross Sales each fiscal year, or a minimum of two thousand five hundred dollars (\$2,500.00), whichever is greater. If Franchisee does not purchase this amount, Franchisee will be charged the remaining balance at the end of the year. Our current price list of Proprietary Products is available on our online CCI intranet. Use of any substitute for a Proprietary Product is a material breach of this Agreement and constitutes grounds for termination of this Agreement.

I. From time to time, Franchisor shall provide to Franchisee a list of approved manufacturers, suppliers and distributors authorized for the Franchised Business ("Approved Suppliers List") and a list of approved inventory, products, equipment, signs, stationery, supplies, chemicals, products, merchandise, and other items or services necessary to operate the Franchised Business ("Approved Supplies List"). Such list shall specify the manufacturer, supplier and distributor and the inventory products, equipment, signs, stationery, supplies, chemicals, products, merchandise and other items and services which Franchisor has approved to be carried or used in the System. Franchisor may revise the Approved Suppliers List and Approved Supplies List from time to time in its sole discretion. Such approved list shall be submitted to Franchisee as Franchisor deems advisable. If Franchisee proposes to offer for sale at the Franchised Business any brand of product, or to use in the operation of Franchised Business any material or supply which is not then approved by Franchisor as meeting its minimum specifications and quality standards, or to purchase any product from a supplier that is not then designated by Franchisor as an approved supplier, Franchisee shall first notify Franchisor and shall upon request by Franchisor submit samples and such other information as Franchisor requires for examination and/or testing or to otherwise determine whether such product, material or supply, or such proposed supplier meets its specifications and quality standards and make sure these items are compatible with Franchisor's Proprietary Products. A charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any supplier of an approved item and to revoke its approval of any item which fails to continue to meet any of Franchisor's criteria. Franchisor further reserves the right to receive and retain payments from suppliers on account of purchases by Franchisees from suppliers.

J. Franchisor or our affiliate may sell products under the Trademarks within and outside Franchisee's Area of Primary Responsibility through any method of distribution other than a dedicated Creative Colors International franchise location, including, sales through such channels of distribution as electronic commerce, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). Franchisee may not use alternative distribution channels to make sales outside or inside Franchisee's Area of Primary Responsibility and Franchisee will receive no compensation for Franchisor's sales through alternative distribution channels.

K. The Franchised Business shall at all times be under the direct supervision of Franchisee (or a trained and competent employee acting as full-time manager). Franchisee shall keep Franchisor informed at all times of the identity of any employee(s) acting as manager(s) of the Franchised Business. Franchisee shall provide Franchisor a list of current names, addresses and phone numbers of all employee(s). Franchisee shall at all times faithfully, honestly and diligently perform its obligations hereunder and shall not engage in any business or other activities that will conflict with its obligations hereunder.

L. Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes. Franchisee will operate in full compliance with all applicable laws and government regulations including the payment of any tax assessed on royalty or marketing fund payments.

M. Franchisor may require Franchisee and Franchisee's employees to be bonded at Franchisee's expense.

N. All advertising and promotional activities by Franchisee in any medium shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the type, quality and other features of the services and related support activities.

O. Franchisee shall maintain a current listing of the names and addresses of all customers of the Franchised Business, which listing shall be the sole property of Franchisor. Franchisee shall update the customer listing and supply a copy of same to Franchisor on a monthly basis. The use of the phrase "Franchisee's customer list" in this Agreement is for convenience only, and is not to be interpreted to confer any property or ownership rights in said customer list to Franchisee.

P. Whenever a CREATIVE COLORS INTERNATIONAL process requires the use of a particular guarantee, as stated in the Confidential Operations and/or Training Manual, Franchisee shall execute and deliver to each customer to whom the CREATIVE COLORS INTERNATIONAL process has been sold a guarantee on the form then currently furnished by Franchisor. Franchisee shall perform and fulfill promptly upon presentation of a valid guarantee the services requested by the customer, all in accordance with the terms and conditions of the respective guarantee. Franchisee hereby authorizes Franchisor to charge Franchisee's account with such amount as shall be determined under the provisions of the guarantee policy then in effect in the event some other Franchisee or Franchisor performs work under Franchisee's guarantee. Franchisor shall credit Franchisee's account with the charges for work performed by Franchisee that relates to a guarantee issued by any such other franchisee.

Q. Franchisee acknowledges that each and every detail of the quality of workmanship, customer service, customer relations, warranty and guarantee service, appearance and demeanor of Franchisee and its employees, and chemicals and materials utilized by Franchisee, is important to Franchisor and to other CREATIVE COLORS INTERNATIONAL businesses. Franchisor shall endeavor to maintain high standards of quality and service by all CREATIVE COLORS INTERNATIONAL businesses. To this end, Franchisee shall cooperate with Franchisor by maintaining such high standards in the operation of the franchise and Franchisee shall at all times give prompt, courteous and efficient service to its customers. All work performed by the Franchised Business shall be performed competently and in a workmanlike manner. The Franchised Business shall in all dealings with its customers, suppliers and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. If in any situation Franchisor feels that Franchisee did not fairly handle a customer complaint, Franchisor has the right, but not the obligation, to intervene and satisfy the customer. In such event, Franchisor may in its discretion reimburse the customer up to one hundred

percent (100%) of the original amount for upholstery repair, coloring, cleaning, protection and restoration services and related services or products provided or performed, and Franchisee shall reimburse Franchisor for any such payment to a customer within thirty (30) days of receipt of invoice from Franchisor.

R. Franchisee shall use only such warranty and guarantee forms, work order forms, invoices and other forms as are approved by Franchisor. Franchisee shall obtain such forms from Franchisor or from suppliers approved by Franchisor to produce such forms utilizing the Marks. All invoices shall be sequentially numbered. Copies of all work order forms and invoices issued or voided out by Franchisee shall be submitted to Franchisor on a monthly basis.

S. Franchisee shall promptly make all such payments of invoices and statements rendered to Franchisee in accordance with the terms thereof and make timely remittances of Continuing Services and Royalty Fees, advertising fees, and any purchases pursuant to this Agreement. All past due accounts owing to Franchisor shall bear interest at the maximum rate allowed under applicable law.

T. Franchisee shall notify Franchisor 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 including action against professional services/credentials of any employee or contractor associated with Franchisee, which may adversely affect the operation or financial condition of the Franchised Business.

U. Franchisee and all employees shall, when making sales presentations or providing the franchised services, wear the proper Creative Colors image attire, including a Creative Colors International shirt with logo.

V. Franchisee shall participate actively in a CREATIVE COLORS INTERNATIONAL Advisory Council ("Council") and participate in all Council programs approved by Franchisor for Franchisee's particular Council. Franchisee is required to pay its own expenses in belonging to the Council. The purposes of the Council(s) include, but are not limited to, exchanging ideas and problem solving methods, advising Franchisor on expenditures for regional marketing and advertising, providing back-up support and staffing for lobbying and community influence, and coordinating franchisee efforts. Such Council(s) may be formed by Franchisor at such time that more than one (1) Franchisee conducts a CREATIVE COLORS INTERNATIONAL Franchised Business in any given region, the boundaries of such region to be determined in the sole and unfettered discretion of Franchisor.

W. Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary System standards for any franchise owner based upon the peculiarities of any condition that Franchisor considers important to that franchise owner's successful operation. Franchisee has no right to require Franchisor to grant Franchisee a similar variation or accommodation.

XIV. FRANCHISOR'S OPERATIONS ASSISTANCE

A. Franchisor may from time to time advise or offer guidance to Franchisee relative to prices for services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and related services or products offered for sale by the CREATIVE COLORS INTERNATIONAL business that in Franchisor's judgment constitute good business practice. Such guidance will be based on the experience of Franchisor and its franchisees in operating CREATIVE COLORS INTERNATIONAL businesses and an analysis of the costs of such services, activities, merchandise, supplies, accessories and products and prices charged for competitive inventory and products. Franchisee shall not be obligated to accept any such advice or guidance and shall have the sole right to determine the prices to be charged from time to time by the CREATIVE COLORS INTERNATIONAL business, and no such advice or guidance shall be deemed or construed to impose upon Franchisee any obligation to charge any fixed, minimum or maximum prices for any product offered for sale by the CREATIVE COLORS INTERNATIONAL Franchised Business.

B. Upon commencement of operation of the Franchised Business, and during the term of this Agreement, Franchisor shall provide to Franchisee the following:

1. A comprehensive list of established sources of tools, equipment, chemicals, merchandise and supplies necessary for the operation of the Franchised Business and provide specifications for such products;
2. Assistance in the grand opening of Franchisee's Franchised Business;
3. Information on new methods of operation and new services;
4. Suggested and mandatory specifications, standards, operating procedures and rules prescribed from time to time by Franchisor, as well as information relative to other obligations of Franchisee under this Agreement and the operation of the franchise; and
5. Regulation of quality standards and products in conformance with the System specifications throughout the network of CREATIVE COLORS INTERNATIONAL businesses.

C. Franchisor shall advise Franchisee of problems arising out of the operation of the Franchised Business as disclosed by reports submitted to Franchisor by Franchisee or by inspections conducted by Franchisor of the Franchised Business. Operations assistance may consist of advice and guidance with respect to:

1. Proper utilization of procedures developed for a CREATIVE COLORS INTERNATIONAL business with respect to services offered and used, equipment, chemicals, products, merchandise and supplies as approved by Franchisor;
2. Additional equipment, merchandise, products and services authorized for CREATIVE COLORS INTERNATIONAL businesses;
3. The institution of proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of a CREATIVE COLORS INTERNATIONAL business; and

4. Advertising, catalogs and promotional programs.

D. Franchisor or Franchisor's representative shall make occasional visits to the Franchised Business for the purposes of consultation, assistance, and guidance of Franchisee in all aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business will prepare, for the benefit of both Franchisor and Franchisee, written reports with respect to such visits outlining any suggested changes or improvements in the operations of the Franchised Business and detailing any defaults in such operations which become evident as a result of any such visit, and a copy of each such written report shall be provided to both Franchisor and Franchisee.

E. All of the specifications, Approved Suppliers Lists, Approved Supplies Lists, training and operations manuals to be provided by Franchisor to Franchisee pursuant to this Agreement shall be delivered within sixty (60) days after execution of this Agreement.

F. Franchisee agrees that Franchisor has the right to delegate the performance of any portion or all of Franchisor's obligations under this Agreement to third-party designees, whether these designees are Franchisor's agents or independent contractors with whom Franchisor has contracted to perform these obligations. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Agreement.

G. Franchisee acknowledges that Franchisor maintains a staff to manage and operate the Franchise System and that staff members can change as employees come and go. Franchisee represents that Franchisee has not signed this Agreement in reliance on any particular shareholder, director, officer, or employee remaining with Franchisor in that capacity.

XV. INSURANCE

A. Franchisee shall procure, at its sole expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees 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 Franchisor may reasonably require for its own and Franchisee's protection. Franchisor shall be named an additional insured in such policy or policies.

B. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Confidential Operations Manual or otherwise in writing, and shall include, at a minimum (except as different coverage and policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Confidential Operations Manual or otherwise in writing) the following:

1. Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated.

2. Comprehensive general liability insurance and product liability insurance with limits of Three Hundred Thousand Dollars (\$300,000.00) combined single limit including the following coverage: broad form contractual liability, personal injury (employee and contractual inclusion deleted); products/completed operation; and fire legal; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the CREATIVE COLORS INTERNATIONAL Franchised Business, provided that the required amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims; and provided further, that 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 Franchisor.

3. Automobile liability insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least Three Hundred Thousand Dollars (\$300,000.00).

4. Such additional insurance and types of coverage as may be required from time to time by Franchisor.

C. Franchisee shall indemnify and hold harmless Franchisor to the fullest extent permissible under applicable law from and against any and all loss, costs, expenses (including, without limitation, reasonable attorneys' fees), damages and liabilities arising from Franchisee's use of hazardous materials, hazardous wastes and/or hazardous chemicals in the operation of the Franchised Business.

D. 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 Franchisor. Within thirty (30) days of the signing of this Agreement, but in no event later than two (2) weeks prior to the date on which Franchisee commences the Grand Opening of the Franchised Business, a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor for approval. Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee 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 Franchisee.

E. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

XVI. COVENANTS

A. Unless otherwise specified, the term "Franchisee" as used in this Section XVI shall include, collectively and individually, all officers, directors, and holders of a beneficial interest, at any time during the term of this Agreement, of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; and of any limited liability company controlling Franchisee; and the general partners and any limited partner (including any corporation and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of securities, of a corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership.

B. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (if Franchisee is an individual), a shareholder of a beneficial interest of ten percent (10%) or more of the securities of Franchisee (if Franchisee is a corporation), a member owning ten percent (10%) or more of the ownership interest of Franchisee (if Franchisee is a limited liability company), a general partner of Franchisee (if Franchisee is a partnership), or Franchisee's Manager shall devote full time, energy, and best efforts, to the management and operation of the Franchised Business.

C. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

1. Divert or attempt to divert any business or customers of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

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

3. Own, maintain, engage in, consult with, provide supplies to, be employed by, advise, lease or sublease to, invest in, franchise, lend money to, or have any interest in any competitive business (including any business operated by Franchisee prior to entry into this Agreement) specializing, in whole or in part, in the selling and providing of goods or services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services the same as or similar to those offered or provided by Franchisee or by Franchisor.

D. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable training and confidential information, including, without limitation, information regarding the promotional, operational, sales and marketing methods and techniques of Franchisor and the System. Accordingly, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a period of two (2) years, commencing on the effective date of termination or expiration or the date on which all persons restricted by this Paragraph begin to comply with this Paragraph, whichever is later, either directly or indirectly, for himself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, engage in,

consult with, provide supplies to, be employed by, or have any interest in any business specializing, in whole or in part, in the selling and providing of goods or services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services the same as or similar to those offered or provided by Franchisees or by Franchisor:

1. To any accounts that, as of the date of termination of this Agreement or within six months prior to said date, was serviced by Franchisee or by any other Franchisee of Franchisor; or
2. Within Franchisee's Area of Primary Responsibility, or within a distance of ten (10) miles of the outside boundaries of Franchisee's Area of Primary Responsibility; or
3. Within a distance of ten (10) miles of the outside boundaries of the Area of Primary Responsibility of any Franchisee or affiliate of Franchisor that offers the same or similar services as those offered by Franchisee pursuant to this Agreement.

E. 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 Section XVI is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee shall 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 Section XVI.

F. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraphs XVI.C. and XVI.D. in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XXVI.

G. Franchisor shall have the right to require all of Franchisee's officers, directors, and personnel performing managerial, supervisory and marketing functions and all personnel receiving training from Franchisor and personnel having access to Franchisee's customer lists to execute covenants similar to those set forth in this Article XVI in a form satisfactory to Franchisor.

H. Franchisee acknowledges that Franchisor shall be entitled to immediate equitable remedies, including but not limited to, restraining orders in order to safeguard such proprietary, confidential, unique and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of this Section XVI. In the event Franchisor is required to employ legal counsel or incur other expenses to seek equitable relief hereunder, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees and other expenses incurred in seeking or obtaining such equitable relief.

XVII. DEFAULT AND TERMINATION

A. Franchisee may terminate this Agreement if Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within a reasonable time after written notice thereof is delivered to Franchisor. Such termination shall be effective thirty (30) days after delivery to Franchisor of notice that such breach has not been cured and Franchisee elects to terminate this Agreement. Termination of this Agreement by Franchisee for any reason other than breach of this Agreement by Franchisor and Franchisor's failure to cure such breach within a reasonable time after receipt of written notice thereof shall be deemed a termination by Franchisee without cause.

B. This Agreement shall, at the option of Franchisor, terminate automatically upon delivery of notice of termination to Franchisee, if Franchisee or its owner(s), officer(s) or manager(s):

1. Fails to equip vans as provided in Section IV hereof, or fails to satisfactorily complete the training program as provided in Section V, or fails to commence business within sixty (60) days of signing this Agreement as provided in Section XIII.B, or substitutes a proprietary product as provided in Section XIII.G.
2. Has made any material misrepresentation or omission in its application for the franchise;
3. Is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the CREATIVE COLORS INTERNATIONAL Franchised Business;
4. Makes any unauthorized use, disclosure or duplication of any portion of the Confidential Operations Manual or Training Manual or duplicates or discloses or makes any unauthorized use of any trade secret or confidential information provided to Franchisee by Franchisor;
5. Abandons or fails or refuses to actively operate the Franchised Business for five (5) business days in any twelve (12) month period, unless the Franchised Business has not been operational for a purpose approved by Franchisor;
6. Surrenders or transfers control of the operation of the CREATIVE COLORS INTERNATIONAL Franchised Business, makes or attempts to make an unauthorized direct or indirect assignment of the franchise or an ownership interest in Franchisee or fails or refuses to assign the franchise or the interest in Franchisee of a deceased or incapacitated controlling owner thereof as herein required;
7. Submits to Franchisor on two (2) or more separate occasions at any time during the term of the franchise any reports or other data, information or supporting records which understate by more than five percent (5%) the Continuing Services and Royalty Fees and any fees owed to Franchisor for any period of, or periods aggregating, three (3) or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;
8. Is adjudicated bankrupt, becomes insolvent, commits any affirmative act of

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

9. Materially misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to materially impair the goodwill associated with any of the Marks;

10. Fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other information or supporting records, to pay when due the Continuing Services and Royalty Fees, advertising contributions, amounts due for purchases from Franchisor and its affiliates or other payments due to Franchisor and its affiliates, or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice of default is delivered to Franchisee; or

11. Solicits or engages in business in violation of the territorial rights granted herein, including, but not limited to, soliciting or servicing an account outside of Franchisee's Area of Primary Responsibility.

C. This Agreement shall terminate, at Franchisor's sole option, without further action by Franchisor or notice to Franchisee if Franchisee or Franchisee's owner:

1. Fails or refuses to make payments of any amounts due Franchisor or its affiliates for Continuing Services and Royalty Fees, advertising contributions, purchases from Franchisor or its affiliates or any other amounts due to Franchisor or its affiliates, and does not correct such default within ten (10) days after written notice of default is delivered to Franchisee;

2. Fails or refuses to comply with any other provision of this Agreement, or any mandatory specification, standard or operating procedure prescribed in the Confidential Operations Manual or Training Manual or otherwise in writing, and does not correct such failure within thirty (30) days after written notice of default is given to Franchisee, or fails to provide proof acceptable to Franchisor that Franchisee has made all reasonable efforts to correct such failure and will continue to make all reasonable efforts to cure until a cure is effected if such failure cannot reasonably be corrected within thirty (30) days after written notice of default is delivered to Franchisee; or

3. Franchisee's or any of Franchisee's owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of Franchisee's owners otherwise violate any such law, ordinance, or regulation.

D. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other

than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and Franchisor shall comply with applicable law in connection with each of these matters.

E. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights against Franchisee, Franchisor, in the event that Franchisee shall not have cured a default under this Agreement within the thirty (30) days after receipt of a written notice of default from Franchisor, may, at its option, enter upon the premises of the Franchised Business and exercise complete authority with respect to the operation of said business until such time as Franchisor determines that the default of Franchisee has been cured and that there is compliance with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control, and operate said business, and that Franchisee shall pay Franchisor a service fee of not more than THREE HUNDRED Dollars (\$300.00) per day plus all travel expenses, room and board and other expenses reasonably incurred by such representative so long as it shall be required by the representative to enforce compliance herewith. Franchisee further agrees that if, as herein provided, Franchisor temporarily operates for Franchisee the business franchised herein, Franchisee shall indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, respecting any and all acts and omissions which Franchisor may perform, or fail to perform as regards the interests of Franchisee or third parties.

F. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights against Franchisee, Franchisor, in the event that Franchisee, prior to the termination of this Agreement, fails to pay any amounts owed to Franchisor or Franchisor's affiliates or fails to comply with any term of this Agreement, then in addition to Franchisor's right to terminate this Agreement or to bring a claim for damages or to enforce this Agreement, Franchisor has the option:

1. To remove the listing of Franchisee's CREATIVE COLORS INTERNATIONAL business from all advertising published or approved by Franchisor.
2. To cease listing Franchisee's CREATIVE COLORS INTERNATIONAL business on Franchisor's website and to discontinue any links from that site to any site for Franchisee's business.
3. To prohibit Franchisee from attending any meetings or programs held or sponsored by Franchisor;
4. To terminate Franchisee's access to any computer system or software Franchisor maintains or licenses to Franchisee; and/or
5. To suspend all services Franchisor or Franchisor's affiliates provide to Franchisee under this Agreement or otherwise.

Franchisor's actions, as outlined in this Section XVII.F. may continue until Franchisee has brought Franchisee's accounts current, cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. The taking of any of the actions permitted in this Section will not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or Franchisor's affiliates under the terms of this Agreement or otherwise. Further,

Franchisee acknowledges that the taking of any or all such actions on Franchisor's part will not deprive Franchisee of the most essential benefits of this Agreement, and will not constitute a constructive termination of this Agreement.

SECTION XVIII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

Upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall forthwith terminate, and:

A. Franchisee shall immediately cease to operate the Franchised Business under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

B. Franchisee shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, any confidential methods, procedures and techniques associated with the System, the Marks and any distinctive forms, slogans, signs, symbols, logos or devices associated with the Marks or System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, stationery, forms, and any other article which displays the Marks associated with the System.

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

D. In the event Franchisee continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Marks. This paragraph is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended as a waiver or modification of Paragraph XVI.D. of this Agreement. Franchisee shall not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition. Franchisee shall make such modifications or alterations to the vans used in the operation of the Franchised Business or the Franchised Business itself (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business thereon subsequently operated by Franchisee or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose, including, without limitation, removal of all distinctive physical and structural features identifying the System. In the event Franchisee fails or refuses to comply with the requirements of this Section XVIII, Franchisor shall have the right to enter upon the premises where Franchisee's Franchised Business was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at the expense of Franchisee, which expense Franchisee shall pay upon demand.

E. Franchisee shall promptly pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums shall include but not be limited to, all damages, costs, expenses, including reasonable attorneys' fees, and lost royalties incurred by Franchisor as a result of the default, each of which shall be considered Franchisor's actual damages (without limiting the scope of actual damages, which may include other items).

F. Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor prior and subsequent to the termination or expiration of the franchise herein granted in obtaining injunctive or other relief for the enforcement of any provisions of this Section XVIII or Section XVI or any other provisions hereunder.

G. Franchisee shall immediately turn over to Franchisor all manuals, including the Confidential Operations Manual, Training Manual, customer lists, records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which Franchisee acknowledges are Franchisor's property).

H. Franchisor shall acquire all right, title and interest in and to any sign or sign faces bearing the Marks. Franchisee hereby acknowledges Franchisor's right to have access to the premises and/or vans of the Franchised Business should Franchisor elect to take possession of any said sign or sign faces bearing the Marks. All marks must be removed from all Franchisee's vans and a photograph of the unstriped vans must be submitted to Franchisor. Removal shall be at Franchisee's expense.

I. Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase for cash any or all advertising materials and all items bearing Franchisor's Marks, at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, such dispute shall be submitted to arbitration as required in Paragraph XXIX.A. of this Agreement.

J. Franchisee hereby acknowledges that all telephone numbers used in the operation of the Franchised Business constitute property of Franchisor; and upon termination or expiration of this Agreement, Franchisee shall assign to Franchisor or its designee, all Franchisee's right, title, and interest in and to Franchisee's telephone numbers and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number in any regular, classified or other telephone directory listing associated with the Marks and to authorize transfer of same to or at the direction of Franchisor.

K. Franchisee shall comply with the covenants contained in Paragraph XVI.D. of this Agreement.

L. Franchisee shall return to Franchisor all Franchisor's Proprietary Supplies and equipment. Franchisor will purchase all Franchisor's Proprietary supplies and equipment from Franchisee, at Franchisee's cost or fair market value, whichever is less.

M. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and

notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

XIX. TRANSFERABILITY OF INTEREST

A. This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and

2. Expressly assume and agree to perform such obligations. Specifically, and without limitation to the foregoing, Franchisee expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or other entity; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of CREATIVE COLORS INTERNATIONAL, INC. as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the business in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

3. Franchisor may change Franchisor's ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement.

B. This Agreement and all rights hereunder may be assigned and transferred by Franchisee and, if so, shall be binding upon and inure to the benefit of Franchisee's successors and assigns, subject to the following conditions and requirements, and Franchisor's right of first refusal as set forth in Section XXI below:

1. No Franchisee, partner of Franchisee (if Franchisee is a partnership), member of Franchisee (if Franchisee is a limited liability company) or shareholder of Franchisee (if Franchisee is a corporation), without Franchisor's prior written consent, by operation of law or otherwise shall sell, assign, transfer, convey, give away, or encumber to any person, firm, or corporation, all or any part of its interest in this Agreement or its interest in the franchise granted hereby or its interest in any proprietorship, limited liability company, partnership or corporation which owns any interest in the franchise, nor offer, permit, or suffer the same to be sold, assigned, transferred, conveyed, given away, or encumbered in any way to any person, firm, or corporation. Franchisee may not without the prior written consent of Franchisor fractionalize any of the rights of Franchisee granted pursuant to this Agreement. The following restrictions on

transferability also apply to any purported transfers through a will or through divorce or separation proceedings. Any purported assignment of any of Franchisee's rights herein not having the aforesaid prior written consent shall be null and void and shall constitute a material default hereunder.

2. Franchisor shall not unreasonably withhold its consent to any transfer referenced in Paragraph XIX.B.1. of this Agreement when requested; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of Franchisor.

a) If Franchisee is an individual or partnership and desires to assign and transfer its rights to a corporation or limited liability company ("LLC"):

(1) Said transferee corporation/LLC shall be newly organized and its charter shall provide that its activities are confined exclusively to acting as a CREATIVE COLORS INTERNATIONAL franchisee as licensed under this Agreement;

(2) Franchisee shall be and shall remain the owner of the majority equity interest of the transferee entity;

(3) The individual Franchisee (or, if Franchisee is a partnership, one of the partners) shall be and shall remain the principal executive officer of the transferee corporation or LLC;

(4) The transferee corporation or LLC shall enter into a written assignment (in a form satisfactory to Franchisor), in which the transferee corporation or LLC assumes all of Franchisee's obligations hereunder;

(5) All shareholders of the transferee corporation or members of the transferee LLC shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor under this Agreement;

(6) Each stock certificate of the transferee corporation or membership certificate of the transferee LLC shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(7) No new shares of common or preferred voting stock in the transferee corporation or membership certificates in the transferee LLC shall be issued to any person, partnership, member, LLC, trust, foundation, or corporation without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new owners of stock or membership interest; and

(8) All accrued money obligations of Franchisee to Franchisee's

suppliers, Franchisor, its subsidiaries or assignees, shall be satisfied prior to assignment or transfer.

b) If Franchisee is a corporation or LLC formed solely for the purposes of acting as a CREATIVE COLORS INTERNATIONAL franchisee as licensed under this Agreement, each stock certificate of the corporation or each membership certificate of the LLC shall have conspicuously endorsed upon it a statement that it is held subject to, and that assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement.

c) If the transfer, other than such transfer as is authorized under Paragraph XIX.B.2.a. of this Agreement, if consummated alone or together with other related previous, simultaneous, or proposed transfers, would have the effect of transferring control of the franchise licensed herein to someone other than an original signatory of this Agreement:

(1) The transferee(s) shall be of good moral character and reputation and shall have a good credit rating and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with such information as Franchisor may require to make such determination concerning each such proposed transferee(s);

(2) The transferee(s) or such other individual(s) as shall be the actual manager of the franchise shall have successfully completed and passed the training course then in effect for franchisees, or otherwise demonstrated to Franchisor's satisfaction, sufficient ability to operate the Franchised Business being transferred;

(3) The transferee(s), including all shareholders, officers, directors, partners, and members of the transferee(s), shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct:

aa. The Franchise Agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional franchise fee shall not be charged; and/or

bb. A written assignment from Franchisee in a form satisfactory to Franchisor, wherein transferee shall assume all of Franchisee's obligations hereunder.

(4) Approval by Franchisor of any transfer by Franchisee of the franchise herein granted or any of Franchisee's rights under this Agreement shall in no way be deemed a release by Franchisor of Franchisee's obligations pursuant to this Agreement. Consent by Franchisor to a transfer of the franchise shall not

constitute or be interpreted as consent for any future transfer thereof;

(5) The term of said agreements required pursuant to Paragraph XIX.B.2.c.(3) shall be for the unexpired term of this Agreement and for any extensions, renewals or successor franchises as provided herein;

(6) If transferee is a corporation or LLC:

aa. Each stock certificate of the transferee corporation or membership certificate of the transferee LLC shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; and

bb. No new shares of common or preferred voting stock in the transferee corporation or no new membership interests in the transferee LLC shall be issued to any person, partnership, trust, foundation, member, LLC, or corporation without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new owners of stock or membership interest.

cc. All shareholders of the transferee corporation or all members of the transferee LLC shall enter into a written agreement, in a form satisfactory to Franchisor guaranteeing the performance of the transferee entity's obligations under this Agreement.

(7) All accrued money obligations of Franchisee to Franchisee's suppliers, to Franchisor, its subsidiaries, affiliates or assignees, shall be satisfied prior to assignment or transfer, and Franchisee shall not be in default under the terms of this Agreement; and

(8) Franchisee, prior to the transfer, shall execute a general release, in a form prescribed by Franchisor, of any and all existing claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees, except such claims as are not permitted to be waived under applicable law.

3. Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor, and the transferee or Franchisee shall have fully paid to Franchisor a transfer fee equal to Ten Thousand Dollars and no cents (\$10,000.00), for the training, supervision, administrative costs, overhead, counsel fees, accounting and other Franchisor expenses in connection with the transfer. This transfer fee does not apply to an assignment of interest to a corporation or LLC under Paragraph XIX.B.2.a. of this Agreement.

4. No sale, assignment, transfer, conveyance, encumbrance, or gift of any interest in

this Agreement or in the franchise granted thereby, shall relieve Franchisee and the shareholders, members, or partners participating in any transfer, of the obligations of the covenants contained in Section XVI, except where Franchisor shall expressly authorize in writing.

C. Franchisee must promptly ("promptly" herein defined as within fifteen (15) days of receipt of an offer to buy) give Franchisor written notice whenever Franchisee has received an offer to buy Franchisee's franchise, and comply with its obligations under Article XXI (right of first refusal). Franchisee must also give Franchisor written notice simultaneously with any offer to sell the franchise made by, for, or on behalf of Franchisee. Franchisee shall indemnify and hold harmless Franchisor for Franchisee's failure to comply with this Paragraph.

D. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or on the van(s), or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

XX. DEATH OR INCAPACITY OF FRANCHISEE

A. In the event of the death or incapacity of an individual franchisee, or any partner of a Franchisee which is a partnership, or any shareholder owning fifty percent (50%) or more of the capital stock of a franchisee which is a corporation, or any member owning fifty percent (50%) or more of the ownership interest of a Franchisee which is an LLC, the heirs, beneficiaries, devisee, or legal representatives of said individual, partner or shareholders, shall, within thirty (30) days of such event:

1. Apply to Franchisor for the right to continue to operate the franchise for the duration of the term of this Agreement and any successor franchises, which right shall be granted upon the fulfillment of all of the conditions set forth in Paragraph XIX.B.2.b. of this Agreement (except that no transfer fee shall be required); or

2. Sell, assign, transfer, or convey Franchisee's interest in compliance with the provisions of Paragraphs XIX.B. and XXI of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the thirty (30) days to sell, assign, transfer or convey shall be computed from the date of application. For purposes of this Paragraph, Franchisor's silence on an application made pursuant to Paragraph XX.B. through the thirty (30) days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

B. In the event of the death or incapacity of an individual Franchisee, or any partner, shareholder, or member of a Franchisee which is a partnership, corporation, or LLC, where the aforesaid provisions of Section XIX have not been fulfilled within the time provided, all rights licensed to Franchisee under this Agreement shall, at the option of Franchisor, terminate forthwith and automatically revert to Franchisor.

C. For purposes of this Agreement, "incapacity" shall be defined as the inability of Franchisee to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional incapacity, chemical dependency or other limitation. Any dispute as to the existence of an incapacity as defined herein shall be resolved by majority decision of

three (3) licensed medical physicians practicing in the MSA in which the Franchised Business is located, with each party selecting one (1) medical physician, and the two (2) medical physicians so designated selecting the third medical physician. The determination of the majority of the three (3) medical physicians shall be binding upon the parties and all costs of making said determination shall be borne by the party against whom it is made.

XXI. RIGHT OF FIRST REFUSAL

If Franchisee or its owners propose to sell the Franchised Business (or its assets) or part or all of the ownership of Franchisee, Franchisee or its owners shall obtain and deliver a bona fide, executed written offer to purchase same to Franchisor, which shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, exercisable by written notice to Franchisee or its owners, to purchase the Franchised Business (or its assets) or such ownership for the price and on the terms and conditions contained in such offer to Franchisor, provided that Franchisor may substitute cash for any form of payment proposed in the proposed sale offer. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. If Franchisor does not exercise this right of first refusal, the offer may be accepted by Franchisee or its owners, subject to the prior written approval of Franchisor, as provided in Section XIX hereof, provided that if such sale is not consummated within one hundred twenty (120) days of the date thereof, Franchisor shall again have the right of first refusal herein described. Should a transferee franchisee assume the rights and obligations under this Agreement, such transferee franchisee shall likewise be subject to Franchisor's right of first refusal under terms and conditions as set forth herein.

XXII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. This Agreement does not create a fiduciary relationship between the parties, nor does it constitute Franchisee as an agent, legal representative, joint venturer, partner, employee, or servant of Franchisor for any purpose whatsoever; and it is understood between the parties hereto that Franchisee shall be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor to incur any debt, or to create any obligation, express or implied, on behalf of Franchisor. No training, assistance or supervision which Franchisor gives or offers Franchisee will defeat this independent contractor status.

B. During the term of this Agreement and any extension hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the vans used in the operation of the Franchised Business and on all forms, stationery, or other written materials, the content of which Franchisor reserves the right to specify. In addition, Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, public officials, CREATIVE COLORS INTERNATIONAL Business personnel, and others as the CREATIVE COLORS INTERNATIONAL Business owner under a franchise Franchisor has granted.

C. Franchisee shall defend at its own cost and indemnify and hold harmless to the fullest extent permissible under applicable law Franchisor, its shareholders, directors, officers, employees and

agents, from and against any and all loss, costs, expenses (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business, including the sale of any goods and/or service sold from the Franchised Business. Such loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchised Business, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees. All such indemnification shall survive termination of this Agreement.

XXIII. NON-WAIVER

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXIV. NOTICE

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Creative Colors International, Inc.
Attn: President
19015 S. Jodi Road
Suite E
Mokena, IL 60448

Notices to Franchisee: At the address specified on Attachment E to this Agreement

Copy to: _____

Any notice by certified mail shall be deemed to have been given at the date and time of mailing.

Any notice that Franchisor sends to Franchisee may be sent only to the one (1) person identified on **Attachment E**, even if Franchisee has multiple owners, at the email or postal address specified on **Attachment E**. Franchisee may change the person and/or address for notice only by giving Franchisor thirty (30) days' prior notice by any of the means specified in subparagraphs (a) through (e) above.

XXV. COST OF ENFORCEMENT OR DEFENSE

A. In the event that either party to this Agreement is required to employ legal counsel or to incur other expenses to enforce any obligation of the second party hereunder, whether or not a legal proceeding is filed, or to defend against any claim, demand, action, or proceeding by reason of the second party's failure to perform any obligation imposed upon the second party by this Agreement, and provided that legal action is filed and such action or the settlement thereof establishes the second party's default hereunder, then the first party shall be entitled to recover from the second party the amount of all reasonable attorney's fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

B. Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any consequential, punitive, or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it. This waiver of punitive damages shall not apply to indemnification for third party claims under XV.C. or XXII.C.

XXVI. ENTIRE AGREEMENT

This Agreement, any Exhibit attached hereto, and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. No other representation has induced Franchisee to execute this Agreement, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise. Provided, however, nothing in this Agreement or in any related agreement is intended to disclaim Franchisor's representations made in the franchise disclosure document. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

Any policies that Franchisor adopts and implements from time to time to guide Franchisor in Franchisor's decision-making are subject to change, are not a part of this Agreement, and are not binding on Franchisor.

XXVII. SEVERABILITY AND CONSTRUCTION

A. Each Paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any Paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement, Franchisor may, at its option, terminate this Agreement.

B. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

C. Franchisee shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

D. All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

E. This Agreement may be executed in multiple copies, and each copy so executed shall be deemed an original.

F. Except as provided in Sections XXII.C. (Indemnification) and XXIX.(Arbitration), nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. The language of all provisions of this Franchise Agreement shall be construed simply according to its fair meaning and not strictly against the franchisor or the franchisee. It is the desire and intent of the parties that the provisions of this Franchise Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought.

XXVIII. APPLICABLE LAW AND JURISDICTION

A. THIS AGREEMENT TAKES EFFECT UPON ITS ACCEPTANCE AND EXECUTION BY FRANCHISOR IN ILLINOIS; AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS THEREOF, WHICH LAWS SHALL PREVAIL IN THE EVENT OF ANY CONFLICT OF LAW, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15, U.S.C. SECTIONS 1051 ET SEQ).

B. FRANCHISEE AGREES THAT ANY ACTION SOUGHT TO BE BROUGHT BY

EITHER PARTY, EXCEPT THOSE CLAIMS REQUIRED TO BE SUBMITTED TO ARBITRATION SHALL BE BROUGHT IN A COURT IN OR NEAREST THE CITY WHERE OUR PRINCIPAL BUSINESS ADDRESS IS THEN LOCATED (currently the United States District for the State of Illinois, Seventh District Court or the Circuit Court of Will County, Illinois), AND THE PARTIES DO HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSES OF CARRYING OUT THIS PROVISION.

C. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR FRANCHISEE BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.

D. NOTHING HEREIN CONTAINED SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN SPECIFIC PERFORMANCE OF THE PROVISIONS OF THIS AGREEMENT AND SEEK INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT THAT WILL CAUSE IT LOSS OR DAMAGES, UNDER CUSTOMARY EQUITY RULES, INCLUDING THE APPLICABLE RULES FOR OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS. FRANCHISEE AGREES THAT FRANCHISOR MAY HAVE SUCH INJUNCTIVE RELIEF, WITHOUT BOND, BUT UPON DUE NOTICE, IN ADDITION TO SUCH FURTHER AND OTHER RELIEF AS MAY BE AVAILABLE AT EQUITY OR LAW, AND THE SOLE REMEDY OF FRANCHISEE, IN THE EVENT OF THE ENTRY OF SUCH INJUNCTION, SHALL BE THE DISSOLUTION OF SUCH INJUNCTION, IF WARRANTED, UPON HEARING DULY HAD (ALL CLAIMS FOR DAMAGES BY REASON OF THE WRONGFUL ISSUANCE OF ANY SUCH INJUNCTION BEING EXPRESSLY WAIVED HEREBY).

XXIX. ARBITRATION

A. Except as otherwise specifically provided in Paragraph D of Section XXVIII, all controversies, disputes and claims arising between the Franchisor (its subsidiaries and affiliates, and their respective shareholders, officers, directors, agent, employees and attorneys in their representative capacity, if applicable) and Franchisee (its owners, guarantors and employees, if applicable) arising out of or related to:

- (1) this agreement or any other agreement between the parties or any provision of such agreement;
- (2) the relationship of the parties hereto;
- (3) the validity of this agreement or any other agreement between the parties or any provision of such agreement; or
- (4) any specification, standard or operating procedures prescribed by Franchisor, which shall not be resolved within fifteen (15) days after either the Franchisor or Franchisee shall notify the other in writing of such controversy, dispute or claim shall be submitted for

arbitration to the Chicago, Illinois office of the American Arbitration Association on demand of either party. Such arbitration proceedings shall be conducted at a location chosen by the arbitrator in the city where our principal business address is then located, and, except as otherwise provided in this Agreement, shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sec. 1 Et Seq) shall be governed by it.

B. The arbitrator shall have the right to award or include in his award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorney's fees and costs, in accordance with Paragraph A of Section XXV, provided that the arbitrator shall not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties agree to be bound by the provisions of any statute of limitations which would be otherwise applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder. The parties further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedures) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred.

C. Nothing contained herein shall bar the right of either party to seek and obtain temporary injunctive relief from a court of competent jurisdiction in accordance with applicable law against threatened conduct that will cause loss or damage, pending completion of the arbitration.

D. The parties agree that arbitration shall be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between Franchisor and Franchisee shall not be consolidated with any other arbitration proceeding involving Franchisor and any other person, corporation or partnership.

E. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

F. It is the intent of the parties that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a class wide basis.

XXX. "FRANCHISEE" DEFINED AND GUARANTY; CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.

As used in this Agreement, the term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law and shall be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, in the event said entity is a partnership, all shareholders of the entity that executes this Agreement, in the event said

entity is a corporation, and all members in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, and members of the entity that signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. All partners of the entity that executes this Agreement, in the event said entity is a partnership, and all shareholders of the entity that executes this Agreement, in the event said entity is a corporation, and all members of the entity that executes this Agreement, in the event said entity is a limited liability company, shall execute the Guaranty and Assumption of Obligations attached hereto as Attachment C and made a part hereof.

If Franchisee is at any time a corporation, limited liability company, or general or limited partnership (collectively, an "Entity"), Franchisee agrees and represents that:

Franchisee will have the authority to execute, deliver, and perform Franchisee's obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of Franchisee's incorporation or formation;

Franchisee's organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to this Agreement's restrictions;

Attachment E to this Agreement completely and accurately describes all of Franchisee's owners and their interests in Franchisee as of the Effective Date; and

Each of Franchisee's owners during this Agreement's term will execute a guaranty in the form Franchisor prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and Franchisor. Subject to Franchisor's rights and Franchisee's obligations under Section XIX, Franchisee and Franchisee's owners agree to sign and deliver to Franchisor revised Attachment E to reflect any permitted changes in the information that Attachment E now contains.

XXXI. FORCE MAJEURE

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. This clause shall not apply or not result in an extension of the term of this Agreement.

XXXII. CAVEAT

The success of the business venture contemplated to be undertaken by Franchisee by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent business person, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty express or implied as to the

potential success of the business venture contemplated hereby.

XXXIII. ACKNOWLEDGEMENTS

A. FRANCHISEE ACKNOWLEDGES THAT THERE ARE CERTAIN RISKS AND HEALTH HAZARDS THAT MAY BE ASSOCIATED WITH THE HANDLING OF HAZARDOUS MATERIALS, HAZARDOUS WASTE AND/OR HAZARDOUS CHEMICALS. FRANCHISEE FURTHER ACKNOWLEDGES THAT USE OF CERTAIN HAZARDOUS MATERIALS, HAZARDOUS WASTE AND/OR HAZARDOUS CHEMICALS IS AN INTEGRAL PART OF THE FRANCHISED BUSINESS. FRANCHISEE HEREBY INDEMNIFIES AND HOLDS HARMLESS FRANCHISOR, ITS GENERAL PARTNERS, AND THEIR SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS, FROM AND AGAINST ANY AND ALL LOSS, COST, EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), DAMAGES AND LIABILITIES, HOWEVER CAUSED, RESULTING DIRECTLY OR INDIRECTLY, OR PERTAINING TO THE USE OF HAZARDOUS MATERIALS, HAZARDOUS WASTE AND/OR HAZARDOUS CHEMICALS USED IN THE OPERATION OF THE FRANCHISED BUSINESS AND/OR FOR THE WORK COMPLETED BY FRANCHISEE DURING THE OPERATION OF THE FRANCHISED BUSINESS.

B. Franchisee represents and acknowledges that it has received, read and understood this Agreement, and that Franchisor has fully and adequately explained the provisions of each to Franchisee's satisfaction; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

XXXIV. FRANCHISEE'S PERSONNEL

A. Franchisor authorizes Franchisee to employ personnel to perform the CREATIVE COLORS INTERNATIONAL services to Franchisee's accounts in Franchisee's Area of Primary Responsibility. Franchisee is required to have each of his employees execute a Trade Secret Agreement and Employment Contract protecting Franchisee and Franchisor against unauthorized use of Franchisor's Trade Secrets and Franchisee's customer lists, and imposing a reasonable restriction against competition. Attached to this disclosure document as Exhibit N is our "Agreement for Protection of Trade Secrets of the Creative Colors International, Inc. System", which is our approved form agreement for use by you with your employees.

B. Franchisee is required to promptly furnish Franchisor a copy of each Employment Contract entered into between Franchisee and Franchisee's employees.

C. A sample form Employment Contract is found in the Operations Manual. Franchisee acknowledges that the sample Employment Contract may not be enforceable in the state where Franchisee's employees are located, and for that reason, Franchisee assumes responsibility for having said Employment Contract reviewed by an attorney who will advise Franchisee as to the applicable state law and make appropriate revisions to the restrictive covenants. Notwithstanding the sentence immediately preceding, Franchisee may not modify Paragraph 13 of the Employment Contract, which provides that the Franchisor is an intended third-party beneficiary of that agreement. Franchisee hereby

indemnifies and holds Franchisor harmless from any claim, losses, damages, or causes of action arising out of the use by Franchisee of the sample Employment Contract, if any provision (other than paragraph 13 referred to above) is found to be unenforceable.

D. Franchisee's personnel who perform the CREATIVE COLORS INTERNATIONAL services to Franchisee's accounts must be W-2 employees and not independent contractors. Franchisee acknowledges that employees are not a sub-franchisee of Franchisee in any manner and derives no right to use the franchised know-how or trademarks other than to perform services to Franchisee's accounts.

XXXV. WAIVER OF COLLATERAL ESTOPPEL

The parties agree that they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between the Parties. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or of a court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between Franchisee and Franchisor. The parties, therefore, waive the right to assert the principles of collateral estoppel in any action between the parties to this Franchise Agreement so that one party is prevented from raising against the other party to this Franchise Agreement the loss by that party of a similar claim or defense in another action.

XXXVI. FRANCHISOR'S BUSINESS INTERESTS

Franchisee further acknowledges that Franchisor and Franchisor's affiliates have their own business interests that are not intended to be restricted by this Franchise Agreement. Except as expressly provided in this Franchise Agreement, Franchisor and Franchisor's affiliates may pursue their own business interests without obligation to, and irrespective of, the impact of Franchisor's actions upon Franchisee and Franchisee's Franchised Business. These actions include, but not by way of limitation, ownership, operation, or disposition of Franchisor's company operations or other businesses, and the sale of products through other methods of distribution.

XXXVII. LIQUIDATED DAMAGES

In the event Franchisor terminates the Franchise Agreement with cause, or if Franchisee terminates without good cause, Franchisee must pay Franchisor calculated as follows: the average monthly Continuing Services and Royalty Fee Franchisee was obligated to pay Franchisor during the twelve (12) month period prior to termination, multiplied by the shorter of: (i) twenty-four (24) or (ii) the number of months remaining in the term of the unexpired Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement in triplicate the day and year first above written.

NOT EFFECTIVE UNLESS AND UNTIL ACCEPTED BY THE FRANCHISOR, AS EVIDENCED BY DATING AND SIGNING BY AN OFFICER OF FRANCHISOR.

CREATIVE COLORS INTERNATIONAL, INC.,

ATTEST:

Witness

By: _____
Dated: _____

ATTEST:

Witness

Franchisee
Dated: _____

Witness

Franchisee
Dated: _____

ATTACHMENT A TO THE FRANCHISE AGREEMENT

BY AND BETWEEN CREATIVE COLORS INTERNATIONAL, INC.

AND

DATED _____, 200__

The parties hereto agree that the FRANCHISEE'S AREA OF PRIMARY RESPONSIBILITY shall be designated as follows:

TO BE ATTACHED AND FINALIZED UPON SIGNING AGREEMENT

Franchisee acknowledges and agrees that the above designation of Franchisee's Area of Primary Responsibility does not constitute a representation or warranty of any kind, expressed or implied, as to the potential for success Franchisee might have in marketing the services described in the Franchise Agreement. The Franchisor's designation of the Area of Primary Responsibility indicates only that the Franchisor believes that the Area of Primary Responsibility falls within the acceptable criteria established by the Franchisor as of the time period encompassing the evaluation. Both Franchise and Franchisor acknowledge that application of criteria that have been effective with respect to other Areas of Primary Responsibility may not be predictive of the potential for all Areas of Primary Responsibility and that, subsequent to the Franchisor's designation of an Area of Primary Responsibility, demographic and/or economic factors, including competition from other businesses, included in or excluded from the Franchisor's criteria could change, thereby altering the potential of an Area of Primary Responsibility. The uncertainty and instability of such criteria are beyond the Franchisor's control and Franchise hereby acknowledges and agrees that the Franchisor is not responsible for the failure of an Area of Primary Responsibility designated by Franchisor to meet expectations as to potential revenue or operational criteria. Franchise further acknowledges and agrees that his acceptance of a License for the operation of a CREATIVE COLORS INTERNATIONAL business in the above Area of Primary Responsibility is based on his own independent investigation of the suitability of the Area of Primary Responsibility.

Franchise further acknowledges that the Franchise Agreement (Paragraph H of Section I) strictly prohibits Franchise from soliciting and/or providing services to an Account that is located outside Franchise's Area of Primary Responsibility. Violation of this prohibition is a material breach of the Franchise Agreement and constitutes grounds for termination of the Franchise Agreement.

CREATIVE COLORS INTERNATIONAL, INC.

an Illinois Corporation

By _____

FRANCHISEE

ATTACHMENT B TO THE FRANCHISE AGREEMENT

Franchisee: _____ Dated:

Refunds and Cancellation

This entire contract is further conditioned upon Franchisor's evaluation of the personal abilities, aptitudes, attitudes, and financial qualifications of Franchisee, and Franchisee's manager, if applicable, and Franchisee's success in being thoroughly trained in Franchisor's techniques and business know-how. In accordance therewith, Franchisee, and, Franchisee's manager, if applicable, shall submit all data requested and attend the initial training program conducted by Franchisor. Franchisor shall have the right at any time prior to the completion by Franchisee of the training program, in its sole discretion, to determine that Franchisee is unable to satisfactorily complete the training program or that Franchisee does not have the aptitude and/or attitude necessary to satisfactorily operate the franchised business. If, for any reason, Franchisor elects to cancel this Agreement prior to the start of Franchisee's training based on Franchisor's evaluation of Franchisee's personal abilities, aptitudes, attitude and financial qualifications, Franchisor shall notify Franchisee in writing of the cancellation within fifteen (15) days of Franchisor's receipt of the above data. Said notice shall be accompanied by a refund to Franchisee of monies paid to Franchisor under the terms of this Agreement less the amount stated below, and the notice and refund shall cause an automatic cancellation of this Agreement without further notice.

In the event Franchisor elects to cancel this Agreement based on Franchisor's evaluation of Franchisee during Franchisee's attendance of the initial training program, Franchisor shall notify Franchisee in person, including furnishing Franchisee a written statement why Franchisor in good faith determines that Franchisee is unable to successfully complete training and/or does not have the necessary aptitude and/or attitude to succeed in this business.

In the event of a cancellation of this Agreement as set forth above, Franchisor shall be entitled to a reasonable fee for its evaluation of Franchisee and related preparatory work performed and expenses actually incurred, but not to exceed the sum of FIVE THOUSAND Dollars (\$5,000.00). If Franchisee has paid franchise fees in excess of the amount owed to Franchisor for Franchisor's evaluation, Franchisor shall return such excess amount to Franchisee and Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement.

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Notwithstanding the foregoing, Franchisee shall be bound by all provisions regarding confidentiality and restrictive covenants as set forth in Paragraph VI.A. and Sections VII, VIII, XVI and XVIII of the Franchise Agreement.

CREATIVE COLORS INTERNATIONAL, INC.,

ATTEST:

Witness

By: _____

ATTEST:

Witness

Franchisee

Witness

Franchisee

ATTACHMENT C TO THE FRANCHISE AGREEMENT
GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 200
, by _____
_____ (“Franchisee”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by Creative Colors International, Inc. ("Franchisor"), each of the undersigned hereby personally and unconditionally (1) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) shall be personally bound by, and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Section XVI of the Franchise Agreement. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which Franchisee, he or she, may be entitled.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTOR(S)
IN FRANCHISE

PERCENTAGE OF OWNERSHIP

_____ %

_____ %

Attachment D
to Franchise Agreement

BUSINESS CARD SPECIFICATIONS

Your business cards should include the following:

- ~ Creative Colors International logo and name, prominently displayed
- ~ Business phone number
- ~ Business address
- ~ Pager number, if desired
- ~ The phrase "*On-Site Repair & Restoration of Leather, Vinyl, Fabrics & Plastics*"
- ~ The website address www.CreativeColorsIntl.com
- ~ The registered trademark after the Creative Colors International name
- ~ Your business name if so desired and/or your name followed by the words "Franchise Owner" or "Franchisee"

ATTACHMENT E TO THE FRANCHISE AGREEMENT

**Effective Date: This Attachment E is current and complete
as of _____, 200**

You and Your Owners

1. **Form of Owner** (chose a or b):

(a) **Individual Proprietorship**. Your owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company, or Partnership**. (circle one) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners**. The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name

Percentage/Description of Interest

- (a) _____
- (b) _____
- (c) _____
- (d) _____

3. **Name and Address of Person to Receive Notice for Franchise Owner.**

- (a) Name: _____
- (b) Postal Address: _____

- (c) E-mail Address: _____

CREATIVE COLORS INTERNATIONAL, INC.,

ATTEST:

Witness

By: _____

ATTEST:

Witness

Franchisee

Witness

Franchisee

CREATIVE COLORS INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

EXHIBIT F

TO THE FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

1. REFERENCES AND DEFINITIONS.....	152
2. USE OF SYSTEM.....	153
3. GRANT OF DEVELOPMENT RIGHTS.....	153
4. DEVELOPMENT RIGHTS AND OBLIGATIONS.....	154
5. CREATIVE COLORS INTERNATIONAL FRANCHISED BUSINESSES CLOSINGS.....	156
6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS.....	157
7. DUTIES OF AREA DEVELOPER.....	157
8. OFFICE LOCATION.....	159
9. AREA DEVELOPMENT FEE.....	159
10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT; INCORPORATION OF CERTAIN PROVISIONS.....	160
11. TERMINATION.....	160
12. EFFECT OF TERMINATION AND EXPIRATION.....	162
13. TRANSFER OF INTEREST.....	162
14. APPROVALS.....	167
15. AREA DEVELOPER’S RECORDS AND REPORTS.....	167
16. ENFORCEMENT.....	168
17. CAVEAT.....	168
18. MISCELLANEOUS.....	169
Attachment A – Development Area.....	171
Attachment B – Development Schedule.....	173
Attachment C – Principals of Area Developer.....	175
Attachment D – Guaranty and Assumption of Obligations.....	177

EXHIBIT F
CREATIVE COLORS INTERNATIONAL, INC.
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "Agreement"), is made and entered into this _____ day of _____, 20____, by and between CREATIVE COLORS INTERNATIONAL, Inc., an Illinois corporation, whose principal business address is 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448 (the "Franchisor") and _____, whose principal business address is _____ (the "Area Developer").

WITNESSETH:

WHEREAS, Franchisor or its affiliate, over a period of time and as the result of the expenditure of time, skill, effort and money, has developed and owns a unique system ("System"), identified by the mark "CREATIVE COLORS INTERNATIONAL" relating to the establishment, development and operation of businesses specializing in providing services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services on a mobile basis, primarily to automobile, furniture, and commercial customers; and

WHEREAS, the distinguishing characteristics of the System include, without limitation, exclusively designed signage, equipment, solvents, chemicals and materials; specially equipped vans; procedures and techniques for providing upholstery repair, coloring, cleaning, protection and restoration and related services; the CREATIVE COLORS INTERNATIONAL Confidential Operations Manual; the CREATIVE COLORS INTERNATIONAL Proprietary Products; uniform operating methods, procedures and techniques; other confidential operations procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion, marketing and advertising; all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, Franchisor's affiliate, J & J's Creative Colors, Inc., is the owner of the right, title and interest together with all the goodwill connected thereto, in and to the trade name, trademark and service mark "CREATIVE COLORS INTERNATIONAL," "CREATIVE COLORS INTERNATIONAL, plus the design," associated logos and commercial symbols, and such other trade names, trademarks and service marks as are now designated (and may be designated in writing by Franchisor) as an integral part of the System (the "Mark(s)"); and

WHEREAS, Franchisor's affiliate, J & J's Creative Colors, Inc., developed and therefore is the owner of the right, title and interest in the System; and

WHEREAS, Franchisor's affiliate has licensed Franchisor the right to use and to sublicense its Area Developers to use the Marks and the System in the operation of CREATIVE COLORS INTERNATIONAL businesses; and

WHEREAS, Franchisor grants to qualified persons franchises to own and operate CREATIVE

COLORS INTERNATIONAL businesses providing services authorized and approved by Franchisor in utilizing the System and Marks. Area Developer desires to operate multiple CREATIVE COLORS INTERNATIONAL businesses under the System and using the Marks and has applied for a franchise and such application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Area Developer understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations, and service and the necessity of operating the Franchised Business in strict conformity with Franchisor's standards and specifications; and

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement hereby agree as follows:

1. **REFERENCES AND DEFINITIONS**

A. DEVELOPMENT AREA

“Development Area” means the geographic area described in Attachment A.

B. DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD

“Development Schedule” means the schedule for Area Developer to open and operate a specific cumulative number of CREATIVE COLORS INTERNATIONAL Franchised Businesses as set forth in Attachment B to this Agreement. Each “Development Period” is the period of time for Area Developer to meet each specific development obligation on the Development Schedule.

C. FRANCHISE AGREEMENT

Except for the royalty fee and the advertising contributions, which shall remain the same in each franchise agreement executed pursuant to this Agreement and any extensions of this Agreement, the “Franchise Agreement” means the current form of agreements (including franchise agreement and any exhibits, riders, collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements) Franchisor customarily uses in the granting of a franchise for the ownership and operation of a CREATIVE COLORS INTERNATIONAL Franchised Business. Area Developer acknowledges that the Franchise Agreement (Exhibit E to the Franchise Disclosure Document furnished to Area Developer) is the current form of Franchise Agreement and shall be executed and delivered to Franchisor and shall be the form of Franchise Agreement to be executed for the first CREATIVE COLORS INTERNATIONAL Franchised Business to be developed under this Agreement. Franchisor, in its sole discretion, but subject to the express provisions contained herein, may modify or amend in any respect the standard form of Franchise Agreement it customarily uses in granting a franchise for a CREATIVE COLORS INTERNATIONAL Franchised Business. All subsequent CREATIVE COLORS INTERNATIONAL Franchised Businesses developed under this Agreement shall be established and operated under the form of Franchise Agreement then being used by Franchisor for CREATIVE COLORS INTERNATIONAL Franchised Businesses (except that the provisions regarding the initial franchise fee, royalty fees and advertising contributions shall remain as established in the first Franchise Agreement signed by Area Developer and Franchisor).

D. PRINCIPALS

The term “Principals” includes, collectively and individually, Area Developer’s spouse, if Area Developer is an individual, any officers and directors of Area Developer (including the officers and directors of any general partner of Area Developer) and any person and of any entity directly owning and/or controlling ten percent (10%) or more of Area Developer, or a managing member or manager of a limited liability company. The initial Principals shall be listed in Attachment C. The Principals must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations (Attachment D) undertaking to be bound jointly and severally to all provisions of this Agreement.

2. USE OF SYSTEM

Area Developer acknowledges, and does not contest, Franchisor’s exclusive ownership and rights to each and every aspect of the System. Area Developer’s right to use the System is specifically limited to the Development Area and the terms and conditions of this Agreement and Franchise Agreements executed pursuant thereto.

3. GRANT OF DEVELOPMENT RIGHTS

A. TERM

In reliance on the representations and warranties of Area Developer and its Principals, Franchisor grants to Area Developer, and Area Developer hereby accepts the right and obligation to develop CREATIVE COLORS INTERNATIONAL Franchised Businesses within the Development Area in full compliance with the terms of this Agreement, including the timely development obligations to open a specific cumulative number of CREATIVE COLORS INTERNATIONAL Franchised Businesses over prescribed periods of time as established in the Development Schedule; and in full compliance with all obligations and provisions under Franchise Agreements entered into for the individual CREATIVE COLORS INTERNATIONAL Franchised Businesses. Subject to the provisions contained in this Agreement, the rights granted are for a term commencing on the date of execution of this Agreement and expiring on the last day of the last Development Period on the Development Schedule. Area Developer acquires no rights under this Agreement to develop CREATIVE COLORS INTERNATIONAL Franchised Businesses outside the Development Area.

B. COMMITMENT OF AREA DEVELOPER

Franchisor has granted these rights in reliance on the business skill, financial capability, personal character and expectations of performance by the Area Developer and its Principals. This Agreement is for the purpose of developing and operating the CREATIVE COLORS INTERNATIONAL Franchised Businesses and is not for the purpose of reselling the rights granted by this Agreement or granting subfranchises.

C. DEVELOPMENT PLAN

The following conditions and approvals are conditions precedent before the right of Area Developer to develop each CREATIVE COLORS INTERNATIONAL Franchised Business becomes effective. At the time Area Developer selects a site for each CREATIVE COLORS INTERNATIONAL Franchised Business, Area Developer must satisfy the operational, financial and training requirements, set forth below:

(1) Operational: (a) Area Developer must be in substantial compliance with the material terms and conditions of this Agreement and all Franchise Agreements in effect between Area Developer and Franchisor. For each CREATIVE COLORS INTERNATIONAL Franchised Business operated by Area Developer, Area Developer must be in substantial compliance with the standards, specifications, and procedures set forth and described in the Operations Manual (defined in the Franchise Agreement).

(2) Financial: Area Developer and the Principals must satisfy Franchisor's then-current financial criteria for Area Developers and Principals with respect to Area Developer's operation of its existing CREATIVE COLORS INTERNATIONAL Franchised Businesses, if any, and the proposed CREATIVE COLORS INTERNATIONAL Franchised Business. Area Developer must be in compliance and not been in default during the twelve (12) months preceding Area Developer's request for approval, of any monetary obligations of Area Developer to Franchisor or its affiliate under any Franchise Agreement granted under this Agreement.

D. EXECUTION OF FRANCHISE AGREEMENT

This Agreement is not a Franchise Agreement and does not grant Area Developer any right or license to operate a CREATIVE COLORS INTERNATIONAL Franchised Business, or to provide services, or to distribute goods, or any right or license in the Licensed Marks. A Franchise Agreement must be signed by Area Developer and delivered to Franchisor with the initial franchise fee, within fifteen (15) days of delivery of the Franchise Agreement to Area Developer by Franchisor.

4. **DEVELOPMENT RIGHTS AND OBLIGATIONS**

A. RESERVATION OF RIGHTS

Franchisor (on behalf of itself and its affiliate and its subsidiaries) retains the rights, in its sole discretion and without granting any rights to Area Developer: (1) to itself operate, or to grant other persons the right to operate, CREATIVE COLORS INTERNATIONAL Franchised Businesses at locations and on terms Franchisor deems appropriate outside the Development Area granted Area Developer, and (2) to sell the products and services authorized for CREATIVE COLORS INTERNATIONAL Franchised Businesses under the Licensed Marks or under other trademarks, service marks and commercial symbols through dissimilar channels of distribution and under terms Franchisor deems appropriate within and outside the Development Area, including, but not limited to, by electronic means, such as the Internet, and by web sites established by Franchisor, as we determine, in our sole discretion.

In addition, Franchisor, any other Area Developer and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, in the Development Area. Area Developer acknowledges and agrees that Area Developer is only granted the right to develop and operate CREATIVE COLORS INTERNATIONAL Franchised Businesses within the Development Area. Accordingly, within and outside the Development Area, Franchisor and its affiliate and its subsidiaries may also offer and sell, and may authorize others to offer and sell products identified by the Licensed Marks at or from any location.

Franchisor or any other Area Developer or any other authorized person or entity shall have the right, at any time, to establish and operate businesses offering dissimilar products or dissimilar services within and outside the Development Area granted by the Area Development Agreement and within and outside the Area of Primary Responsibility granted by a Franchise Agreement, under the Licensed Marks and on any terms and conditions as determined by Franchisor; to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at a CREATIVE COLORS INTERNATIONAL® Franchised Business and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the Area Developers or the licensees of these businesses) are located or operating, which may include within the Development Area granted by this Area Development Agreement and within the Area of Primary Responsibility granted by a Franchise Agreement.

Franchisor may be acquired, whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction, by a business providing products and similar services to those provided at a CREATIVE COLORS INTERNATIONAL® Franchised Business, or by another business, even if such business operates, franchises and/or licenses competitive businesses within the Development Area granted by the Area Development Agreement and within the Area of Primary Responsibility granted by a Franchise Agreement.

Franchisor has no obligation and will not pay Area Developer if it exercises any of the rights specified above within the Development Area granted by the Area Development Agreement or within the Area of Primary Responsibility granted by a Franchise Agreement.

B. RIGHTS DURING DEVELOPMENT PERIODS

Except as provided below, if Area Developer: (1) is in compliance with the material terms and conditions contained in this Agreement, including the timely development obligations to open a specific cumulative number of CREATIVE COLORS INTERNATIONAL Franchised Businesses over prescribed periods of time as established in Attachment B (the "Development Schedule"); and (2) is in substantial compliance with all material obligations under Franchise Agreements granted Area Developer for individual CREATIVE COLORS INTERNATIONAL Franchised Businesses under this Agreement; then during the Development Schedule, Franchisor: (i) will grant Area Developer the right to own and operate CREATIVE COLORS INTERNATIONAL Franchised Businesses located within the Development Area; and (ii) will not operate (directly or through its affiliate), nor grant a franchise for the location of, any CREATIVE COLORS INTERNATIONAL Franchised Business within the Development Area, except for franchises granted to Area Developer under this Agreement, or other than through the uses and exceptions as described in Section 4, Paragraph A of this Agreement.

If Area Developer, for any reason within his control, fails to comply with the Development Schedule, this failure constitutes a material default of this Agreement, and Franchisor has the right to terminate this Agreement pursuant to Section 11 of this Agreement. In the event Area Developer fails to cure the noticed default within the time allowed under Section 11, Franchisor may terminate this Agreement and grant individual or area development franchises within the Development Area to third parties, or own and operate Franchised Businesses owned by Franchisor or by the affiliate of Franchisor. Franchisor and Area Developer agree that the timely development of Franchised Businesses by Area Developer in compliance with the Development Schedule will control the rights granted Area Developer by this Agreement, regardless of the time period granted Area Developer to open a Franchised Business pursuant to a Franchise Agreement for such Franchised Business. Upon termination of this Agreement, all rights granted Area Developer revert to Franchisor, who is free to franchise any other person to use the System within the Development Area or to itself own and operate CREATIVE COLORS INTERNATIONAL Franchised Businesses within the Development Area. The provisions of this paragraph do not apply to any delay or failure caused by a default or neglect on the part of Franchisor.

C. DEVELOPMENT OBLIGATIONS

Area Developer will at all times faithfully, honestly, and diligently perform his obligations under this Agreement and will continuously exert his best efforts to timely promote and enhance the development of CREATIVE COLORS INTERNATIONAL Franchised Businesses within the Development Area. Area Developer agrees to open and operate the cumulative number of CREATIVE COLORS INTERNATIONAL Franchised Businesses at the end of each Development Period set forth in the Development Schedule (see Attachment B). Area Developer agrees that compliance with the Development Schedule is the essence of this Agreement.

D. EXPIRATION OR TERMINATION

Subsequent to the expiration or termination of this Agreement, for any reason, Franchisor shall have the absolute right to operate or license other persons to operate CREATIVE COLORS INTERNATIONAL FRANCHISED BUSINESSES in the Development Area.

5. CREATIVE COLORS INTERNATIONAL FRANCHISED BUSINESSES CLOSINGS

If during the term of this Agreement, Area Developer ceases to operate any CREATIVE COLORS INTERNATIONAL Franchised Business developed under this Agreement for any reason, Area Developer must develop a replacement CREATIVE COLORS INTERNATIONAL Franchised Business to fulfill Area Developer's obligation to have open and in operation the required number of CREATIVE COLORS INTERNATIONAL Franchised Businesses upon the expiration of each Development Period. The replacement CREATIVE COLORS INTERNATIONAL Franchised Business must be open and in operation within six (6) months after Area Developer ceases to operate the CREATIVE COLORS INTERNATIONAL Franchised Business to be replaced. If, during the term of this Agreement, Area Developer, in accordance with the terms of any Franchise Agreement for a CREATIVE COLORS INTERNATIONAL Franchised Business developed under this Agreement, transfers its interests in that CREATIVE COLORS INTERNATIONAL Franchised Business, a

transferred CREATIVE COLORS INTERNATIONAL Franchised Business shall continue to be counted in determining whether the Area Developer has complied with the Development Schedule so long as it continues to be operated as a CREATIVE COLORS INTERNATIONAL Franchised Business. If the transferred CREATIVE COLORS INTERNATIONAL Franchised Business ceases to be operated as a CREATIVE COLORS INTERNATIONAL Franchised Business, it will not count toward Area Developer's compliance with the Development Schedule.

6. **PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS**

Area Developer shall enter into a separate Franchise Agreement with Franchisor for each CREATIVE COLORS INTERNATIONAL Franchised Business developed pursuant to this Agreement. The Franchise Agreement to be executed for the first CREATIVE COLORS INTERNATIONAL Franchised Business to be developed by Area Developer under this Agreement must be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement and must be in the form of the Franchise Agreement attached as Exhibit E to the Franchise Disclosure Document. All subsequent CREATIVE COLORS INTERNATIONAL Franchised Businesses developed under this Agreement must be established and operated under the then-current form of Franchise Agreement then being used by Franchisor for CREATIVE COLORS INTERNATIONAL Franchised Businesses under the System. The then-current form of Franchise Agreement may differ from the form attached as Exhibit E; however, the provisions regarding the initial franchise fee, royalty fees and advertising contributions shall remain as established in Exhibit E. Area Developer must execute the then-current form of Franchise Agreement and pay Franchisor the initial Start-Up Fees for each CREATIVE COLORS INTERNATIONAL Franchised Business to be developed under this Agreement.

Area Developer acknowledges that the projected opening date for each CREATIVE COLORS INTERNATIONAL Franchised Business set forth in the Development Schedule are reasonable requirements. Area Developer shall execute a Franchise Agreement for each Franchised Business within the time frames required on the Development Schedule on Attachment B. Area Developer will not be required to pay Franchisor an initial Franchise Fee for the Franchise Agreements executed pursuant to the Development Schedule, but Area Developer must pay the Franchisor the applicable Start-Up Fee for each Franchised Business.

The applicable Start-Up Fees are as follows: For the first Franchised Business, the Start-Up Fee is \$29,500. For the 2nd, and all future, Franchised Businesses, the Start-Up Fee will be reduced to \$24,000.

7. **DUTIES OF AREA DEVELOPER**

A. ORGANIZATION OF AREA DEVELOPER

Area Developer makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Area Developer is a corporation, limited liability company or a partnership, Area Developer represents, warrants and covenants that: (i) Area Developer is duly organized and validly existing under the state law of its formation; (ii) Area Developer is duly qualified and is authorized to

do business in each jurisdiction which requires such qualification; (iii) the execution and performance of this Agreement are within Area Developer's corporate power, if Area Developer is a corporation or if Area Developer is a partnership permitted under Area Developer's written partnership agreement, or if Area Developer is a limited liability company, permitted under the management agreement;

(2) If Area Developer is a corporation, copies of its articles of incorporation, bylaws, other governing documents, any amendments, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to Franchisor. If Area Developer is a partnership, copies of Area Developer's written partnership agreement and other governing documents shall be promptly furnished to Franchisor before the execution of this Agreement. If Area Developer is a limited liability company, copies of Area Developer's organizational documents and management agreement shall be promptly furnished to Franchisor;

(3) If Area Developer is a corporation, partnership, limited liability company, or other form of legal entity other than an individual, Area Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Area Developer or, if Area Developer is a partnership, Area Developer shall maintain at all times a current list of all owners of an interest in the partnership, or, if Area Developer is a limited liability company, it shall maintain at all times a current list of managers and members of the limited liability company;

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Area Developer's Principal's (as defined in Section 1), or if Area Developer believes in the event any individual later qualifies as one of Principals, Area Developer shall promptly notify Franchisor and that person shall execute any documents (including, as applicable, this Agreement) as Franchisor may reasonably require;

(5) If Area Developer is a corporation, Area Developer must maintain stop-transfer instructions against the transfer of its records of any equity security and each stock certificate of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 7 shall not apply to a publicly held corporation. If Area Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement. If Area Developer is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments by this Agreement;

(6) Area Developer agrees to maintain at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement; and

(7) Each Principal who has right, title, or interest of ten percent (10%) or more in the ownership of Area Developer, must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Agreement for Protection of Trade Secrets of the Creative Colors International, Inc. System attached as Exhibit N to the Franchisor's disclosure document. The Principals agree to jointly and severally guarantee the performance of all of Area

Developer's obligations, under the terms of this Agreement, except the obligation to open Franchised Businesses.

B. REQUIREMENTS OF REPRESENTATIVE

Upon the execution of this Agreement, Area Developer must designate and retain an individual throughout the term of this Agreement to act on behalf of Area Developer in all transactions with Area Developer concerning Area Developer's obligations under this Agreement ("Representative"). If Area Developer is an individual, Area Developer must perform all obligations of the Representative. The Representative must use reasonable efforts to do the following, during the entire period he serves in that capacity: (1) maintain a direct or indirect ownership interest in the Area Developer; (2) devote substantial time and reasonable efforts to the supervision and conduct of the business contemplated by this Agreement and execute this Agreement as one of the Principals; and (3) meet Franchisor's standards and criteria for a Representative as set forth in the Operations Manual or otherwise in writing by Franchisor. If the Representative or any designee is not able to continue to serve in the capacity of Representative or no longer qualifies, Area Developer must promptly notify Franchisor and designate a replacement.

C. DISCRIMINATION PROHIBITED

In seeking any individual to serve in a managerial position or in the employment of any person or in providing service to the customers and patrons of each Franchised Business, Area Developer shall not unlawfully discriminate in any manner whatsoever against any individual.

D. BEST EFFORTS

Area Developer must use his best efforts to substantially comply with all requirements of federal, state and local rules, regulations and orders.

8. OFFICE LOCATION

The selection of Area Developer's office location and the development of a Franchised Business within its Area of Primary Responsibility is the responsibility of Area Developer. The selection of an office location by Area Developer is subject to Franchisor's approval. Area Developer may locate its office within its home, provided it is within your Area of Primary Responsibility.

9. AREA DEVELOPMENT FEE

Concurrently with the execution of this Agreement, Area Developer must pay to Franchisor a nonrefundable area development fee equal to Thirty-Three Thousand Dollars (\$33,000) multiplied by the total number of Franchised Businesses to be developed by Area Developer under this Agreement pursuant to the Development Schedule attached as Attachment B. Area Developer must commit to open a minimum of three (3) Franchised Businesses. The Area Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable. The initial Franchise Fee applicable to each Franchised Business will be deemed to have been paid by the Area Development Fee, up to the number

of Franchised Businesses set forth on the Development Schedule on Attachment B. The Area Development Fee is not credited to the Start-Up Fee, and Area Developer must pay the applicable Start-Up Fee for each Franchised Business Area Developer establishes.

10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT; INCORPORATION OF CERTAIN PROVISIONS

A. Area Developer understands and agrees that any and all individual Franchise Agreements executed by Area Developer and Franchisor for CREATIVE COLORS INTERNATIONAL Franchised Businesses within the Development Area are independent of this Agreement. The continued effectiveness of any Franchise Agreement does not depend on the continued effectiveness of this Area Development Agreement. If any conflict arises with this Agreement and any Franchise Agreement, the Franchise Agreement controls, has precedence and superiority.

B. Area Developer has, contemporaneously with this agreement, executed a Franchise Agreement with Franchisor for a Franchised Business. The parties hereby agree that the following covenants contained in that Franchise Agreement are, to the extent applicable here, in full force and effect and are hereby incorporated as terms of this Area Development Agreement:

Section VI.	Proprietary Marks.
Section XVI.C	In-Term Covenants not to Compete
Section XVI.D	Post-Term Covenants not to Compete
Section XXII.	Independent Contractor and Indemnification
Section XXIII.	Non-Waiver
Section XXIV.	Notice
Section XXV.	Cost of Enforcement or Defense
Section XXVII.	Severability and Construction
Section XXVIII	Applicable Law
Section XXIX	Arbitration
Section XXXI.	Force Majeure

C. Area Developer's rights and restrictions regarding soliciting and servicing customers outside the Area of Primary Responsibility described in Area Developer's Franchise Agreements are not affected, enlarged, or diminished by the grant of a Development Area under this Agreement. Specifically, Area Developer acknowledges and agrees that Area Developer may not solicit or service any customers that are located outside the Area of Primary Responsibility described in Franchise Agreements in effect between Area Developer and Franchisor, even if said customers are located within Area Developer's Development Area.

11. TERMINATION

A. Franchisor may terminate this Agreement for a material default of this Agreement by Area Developer and all rights granted herein shall automatically terminate upon written notice to Area Developer, upon the occurrence of any of the following:

(1) If Area Developer becomes insolvent, makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy, or an involuntary petition is filed against Area Developer in bankruptcy; or Area Developer is adjudicated bankrupt; or if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer or assets is filed and consented to by Area Developer; or if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by a court of competent jurisdiction; or if a proceeding for a composition of creditors under any state or federal law should be initiated against Area Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer, (unless supersedeas bond is filed); or if Area Developer is dissolved; or if execution is levied against Area Developer; or if a suit to foreclose any lien or mortgage against the premises or Franchised Business is levied; or if the real or personal property of Franchised Business is sold after levy thereon by any sheriff, marshal or law officer;

(2) If Area Developer or any of its Principals fail to comply with Section 10.B of this Agreement;

(3) If Area Developer or a Principal discloses the contents of the Operations Manual or other confidential information contrary to this Agreement;

(4) If an immediate threat or danger to public health or safety results from the operation of a Franchised Business operated by Area Developer under a Franchise Agreement;

(5) If Area Developer or a Principal has made material misrepresentations in connection with its application for the franchise;

(6) If Area Developer fails on two (2) or more occasions within any one (1) year period to comply with one (1) or more provisions of this Agreement, whether or not such failures to comply are cured after notice thereof is delivered to Area Developer; or

(7) Failure to comply with the conditions of transfer of any interest in Area Developer as required of this Agreement.

B. Franchisor may terminate this Agreement and all rights granted herein, upon thirty (30) days written notice to Area Developer, or a shorter time as specified below, for a material default of this Agreement, which shall constitute good cause for termination and the failure of Area Developer to cure the good cause for termination within the notice period. Good cause for termination shall be the occurrence of any one of the following events of default:

(1) If Area Developer fails to meet the development requirements set forth in the Development Schedule;

(2) If Area Developer fails to develop, open and operate each Franchised Business and execute each Franchise Agreement in compliance with this Agreement;

(3) If Area Developer fails to designate a qualified replacement Representative;

(4) If Area Developer misappropriates, misuses or makes any unauthorized use of the Licensed Marks or materially impairs the goodwill associated with the Licensed Marks or with the System and does not cure such default following written notice from Franchisor;

(5) If Area Developer, fails, refuses or is unable to promptly pay when due any monetary obligation to Franchisor or its affiliate required by this Agreement, or by any Franchise Agreement or any other agreement between the parties and does not cure the monetary default within fourteen (14) days following written notice from Franchisor;

(6) If Area Developer fails to correct a deficiency of a health or safety issue after notice of such deficiency is issued by a local, state, or federal agency or regulatory authority; or

(7) If Area Developer fails to comply with any other material term or material condition imposed by this Agreement or any Franchise Agreement executed pursuant thereto.

C. Failure of Area Developer to cure the default within the specified time, or a longer period of time as applicable law may require, will result in Area Developer's rights under this Agreement to be terminated effective on the expiration of the notice period, and without further notice to Area Developer.

D. Upon termination of this Agreement, Area Developer has no right to establish or operate any Franchised Business for which an individual Franchise Agreement has not been executed by Franchisor and delivered to Area Developer at the time of termination. Franchisor, effective upon termination of this Agreement, shall have the absolute right and is entitled to establish, and to license others to establish, CREATIVE COLORS INTERNATIONAL Franchised Businesses in the Development Area, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Area Developer.

E. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, unless Area Developer's acts or omissions also violate the terms and conditions of the applicable Franchise Agreement.

F. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

12. **EFFECT OF TERMINATION AND EXPIRATION**

All obligations of Franchisor and Area Developer under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

13. **TRANSFER OF INTEREST**

A. BY FRANCHISOR

Franchisor has the absolute right to transfer or assign this Agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Area Developer. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

B. AREA DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR

Area Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Area Developer and its owners and that Franchisor has granted these rights to Area Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Area Developer and/or its owners. Unless otherwise provided with respect to an assignment to an entity controlled by Area Developer as provided in Section 13.D., none of these rights nor any ownership interest in Area Developer may be voluntarily, involuntarily, directly or indirectly, assigned, sold, conveyed, pledged, sub-franchised or otherwise transferred by Area Developer or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Area Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a partnership, by transfer of an interest in Area Developer or in this Agreement in a divorce proceeding, or if Area Developer or an owner of Area Developer dies, by will, declaration of or transfer in trust or the laws of the intestate succession) without the approval of Franchisor. Any attempted assignment or transfer without such approval will constitute a breach of this Agreement and will not transfer any rights or interests to such assignee or transferee.

C. CONDITIONS FOR APPROVAL OF ASSIGNMENT

If Area Developer is in substantial compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of an assignment or transfer contemplated by Section 13.B. so long as the proposed assignee or transferor has good and moral character, sufficient business experience and aptitude to develop and own and operate Franchised Businesses, and otherwise meets Franchisor's then-current standards for Area Developers. Franchisor may require that any one or more of the following conditions be met before, or concurrently with, the effective date of any such assignment or transfer:

- (1) All the accrued monetary obligations of Area Developer or any of its affiliates and all other outstanding obligations to Franchisor or its affiliate arising under this Agreement or any Franchise Agreement or other agreement between them and all trade accounts and any other debts to Franchisor, of whatsoever nature, prior to the transfer becoming effective shall be satisfied;
- (2) Area Developer and its affiliates are not in material default of any substantive provision of this Agreement, any amendment hereof or successor hereto, or any Franchise Agreement granted pursuant to its terms, or other agreement between Area Developer or any of its affiliates and Franchisor or its affiliate;
- (3) Area Developer and its Principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor of any and all claims against Franchisor and its affiliate and their respective past and present partners, the past and present officers, directors,

shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under or related to this Agreement and any other agreements between Area Developer and Franchisor, or under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets the criteria considered by Franchisor when reviewing a prospective Area Developer's application for development rights, including, but not limited to, Franchisor's managerial and business experience standards, that the transferee possesses good moral character, business reputation and credit rating; that the transferee has the aptitude, financial resources and capital committed for the operation of the business, and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other CREATIVE COLORS INTERNATIONAL Franchised Businesses operated by transferee, if any;

(5) The transferee shall sign a written assumption agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several liability from the date of the transfer of all obligations, covenants and agreements of Area Developer in this Agreement; and, if transferee is a corporation, limited liability company or a partnership, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement;

(6) Area Developer or transferee shall pay a transfer fee of \$10,000 to Franchisor at the time of transfer plus \$1,000 for every undeveloped franchise right for which a Franchise Agreement has not been signed;

(7) Area Developer acknowledges and agrees that each condition, which must be met by the transferee, is reasonable and necessary; and

(8) Area Developer must pay any referral fees or commissions that may be due to any franchise broker, sales agent or other third party upon the occurrence of such assignment.

Franchisor's consent to a transfer of any interest in Area Developer described herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

D. ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY

(1) Notwithstanding the provisions of this Section 13 of this Agreement, upon thirty (30) days' prior written notice to Franchisor, and without payment of a transfer fee, Area Developer may assign this Agreement to a corporation or limited liability company that conducts no business other than the development and/or operation of CREATIVE COLORS INTERNATIONAL Franchised Businesses. Area Developer shall be the owner of all the voting stock or interest of the corporation or limited liability company, or if Area Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Area Developer before the transfer. Area Developer and each of its Principals, as applicable, may transfer, sell or assign their respective interests in Area Developer, by and amongst themselves with Franchisor's prior written

consent, which consent shall not be unreasonably withheld; but may be conditioned on compliance with Section 13.B., except that such transfer, sale or assignment shall not effect a change in the controlling interest in Area Developer.

(2) Any person who is or becomes a shareholder or member of Area Developer or has or acquires beneficial ownership of any shares of stock equal to or greater than ten percent (10%) ownership interest in Area Developer must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations undertaking to be bound jointly and severally to all provisions of this Agreement. Area Developer must furnish Franchisor at any time upon request a certified copy of the articles of incorporation or articles of organization and a list, in a form Franchisor requires, of all shareholders or members of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Area Developer.

E. RIGHT OF FIRST REFUSAL

If Area Developer receives and desires to accept any bona fide offer to transfer an ownership interest from a third party, then the Area Developer shall promptly notify Franchisor in writing and send Franchisor an executed copy of the contract of transfer. Franchisor shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to Area Developer that Franchisor intends to purchase the Area Developer's interest on the same terms and conditions offered by the third party. Closing on the purchase must occur within sixty (60) days from the date of notice by Franchisor to the Area Developer of Franchisor's election to purchase. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 13 shall not constitute a waiver of any other provision of this Agreement. If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by Franchisor, and his determination shall be binding.

F. DEATH OR DISABILITY

(1) Upon the death or permanent disability of Area Developer (or the managing shareholder, managing member or partner), the executor, administrator, conservator or other personal representative of that person, or the remaining shareholders, partners or members, must appoint a competent manager within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability. The appointed manager must attend and successfully complete Franchisor's training program within one hundred twenty (120) days of the appointment. If the Franchised Business is not being managed by a Franchisor approved manager within thirty (30) days after death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Area Developer until an approved assignee is able to assume the management and operation of the Franchised Business. Franchisor's appointment of a manager of the Franchised Business does not relieve Area Developer of his obligations, and

Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Franchised Business or to any creditor of Area Developer for any products, materials, supplies or services purchased by the Franchised Business during any period in which it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services of not more than THREE HUNDRED dollars (\$300.00) per day plus all travel expenses, room and board and other expenses reasonably incurred and to cease to provide management services at any time.

(2) Upon the death or permanent disability of Area Developer (or any shareholder, partner or managing member of Area Developer, if Area Developer is a corporation, partnership or limited liability company), the executor, administrator, conservator or other personal representative of that person must transfer his interest to a person Franchisor approves within a reasonable time, not to exceed twelve (12) months from the date of death or appoint a manager approved by Franchisor in the case of permanent disability. Approval of a transfer will not be unreasonably withheld. Transfers, including transfers by devise or inheritance, are subject to all the terms and conditions for assignments and transfers contained in Paragraphs B and C of this Section 13. Failure to so dispose of this interest within that period of time constitutes grounds for termination.

G. PUBLIC OR PRIVATE OFFERINGS

(1) Area Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Area Developer agrees to submit any written information intended to be used for that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been approved by Franchisor.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

“NEITHER CREATIVE COLORS INTERNATIONAL, INC. NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER CREATIVE COLORS INTERNATIONAL, INC. NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER CREATIVE COLORS INTERNATIONAL, INC. NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

(3) Area Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor as the result of the offer or sale of securities by Area Developer. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorney's fees) asserted by a purchaser of any security or by a governmental agency.

Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

H. TRANSFER BY NON-PRINCIPAL

Provided Area Developer is not then a public company, if any person holding an interest in Area Developer (other than Area Developer or a Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Area Developer shall promptly notify Franchisor of such proposed transfer in writing and provide information as Franchisor may reasonably request before the transfer. The transferee may not be one of Franchisor's competitors. The transferee must execute a Confidentiality Agreement and Ancillary Covenants Not to Compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Exhibit N. Franchisor also reserves the right to designate the transferee as one of the Principals. If Area Developer is a public company, this provision applies only to transfers in interest by Principals or to any person or entity controlling more than ten percent (10%) of Area Developer's voting stock.

14. APPROVALS

A. Wherever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor for such approval or consent.

B. Franchisor makes no warranties or guarantees upon which Area Developer may rely and assumes no liability or obligation to Area Developer or to any third party to which it would not otherwise be subject, by providing any waiver, approval, advise, consent, or services to Area Developer in connection with this Agreement, or by any reason of neglect, delay or denial of any request therefor.

15. AREA DEVELOPER'S RECORDS AND REPORTS

A. Area Developer must keep accurate records concerning all transactions and communications between Franchisor and Area Developer relating to the development and operation of Franchised Businesses in the Development Area. Franchisor's duly authorized representative has the right, following reasonable notice, at all reasonable hours of the day to examine all Area Developer's records with respect to the subject matter of this Agreement, and has full and free access to records for that purpose and for the purpose of making extracts. All records must be kept available for at least three (3) years after preparation.

B. Area Developer must furnish to Franchisor monthly written reports regarding Area Developer's progress on the development of CREATIVE COLORS INTERNATIONAL Franchised Businesses under this Agreement.

16. **ENFORCEMENT**

A. SPECIFIC PERFORMANCE/INJUNCTIVE RELIEF

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against threatened conduct that will cause it loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Area Developer agrees that Franchisor may have injunctive relief, upon due notice, in addition to further and other relief as may be available at equity or law. Area Developer has remedies as may be available at equity or law, including the dissolution of injunction if the entry of injunction is vacated.

B. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of Franchisor and Area Developer under this Agreement are cumulative and no exercise or enforcement by Franchisor or Area Developer of any right or remedy precludes the exercise or enforcement by Franchisor or Area Developer of any other right or remedy which Franchisor or Area Developer is entitled by law to enforce.

C. VARIANCES

Area Developer acknowledges that Franchisor has and may at different times approve exceptions or changes from the uniform standards of the System in Franchisor's absolute sole discretion, which Franchisor deems desirable or necessary under particular circumstances. Area Developer understands that he has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance from Franchisor in writing. Area Developer understands existing Area Developers may operate under different forms of agreements and that the rights and obligations of existing Area Developers may differ materially from this Agreement.

D. WAIVER OF JURY TRIAL

The parties hereby waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, in any matter arising out of or in any way connected with this Agreement. All litigated disputes shall be tried to the court sitting without a jury. Area Developer waives, to the fullest extent permitted by law, any right to assert any claim against Franchisor on behalf of, or as a member of, a class.

J. BINDING EFFECT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Area Developer and Franchisor.

17. **CAVEAT**

A. The success of the business venture contemplated to be undertaken by this

Agreement is speculative and depends, to a large extent, upon the ability of the Area Developer as an independent business person, and the active participation of Area Developer in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Area Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Area Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Area Developer to accept this franchise and execute this Agreement.

C. Area Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven (7) calendar days before the date of execution of this Agreement. Area Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

18. **MISCELLANEOUS**

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

C. The "Area Developer" as used in this Agreement is applicable to one (1) or more persons, a corporation or a partnership or limited partnership or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Area Developer under this Agreement, their obligations and liabilities to Franchisor shall be joint and several. References to "Area Developer" and "Assignee" which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Area Developer or the Assignee, if Area Developer or the Assignee is a corporation, partnership, limited partnership or limited liability company.

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

{REMAINING PAGE INTENTIONALY BLANK}

IN WITNESS WHEREOF, the parties have executed, sealed and delivered this Agreement in duplicate on the date recited in the first paragraph.

FRANCHISOR:

AREA DEVELOPER:

CREATIVE COLORS INTERNATIONAL,
INC.

(If Area Developer is a corporation)

By: _____
Title: _____

Name of Corporation

By: _____
Title: _____

(If Area Developer is an individual owner, Area Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

ATTACHMENT A - DEVELOPMENT AREA

DEVELOPMENT AREA

The development rights and obligations of Area Developer, to timely develop and open CREATIVE COLORS INTERNATIONAL Franchised Businesses shall be within the following described area (“Development Area”):

Area Developer specifically acknowledges that the designation of Area Developer’s Development Area does not constitute a representation, promise, or guarantee by Franchisor that the Development Area and the Franchise Businesses to be established and operated within the Development Area will be profitable or successful. Area Developer acknowledges that factors governing the success of a CREATIVE COLORS INTERNATIONAL Franchised Business are unpredictable and beyond Franchisor’s control. Franchisor is not responsible to Area Developer or to any other person or entity if

the Development Area or Area Developer's office location approved by Franchisor fails to meet Area Developer's expectations for revenue or operational criteria.

FRANCHISOR:

DEVELOPER:

Creative Colors International, Inc.

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

By: _____
Title: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

ATTACHMENT B - DEVELOPMENT SCHEDULE

1. Development Schedule

Area Developer, agrees to timely open CREATIVE COLORS INTERNATIONAL Franchised Businesses in compliance with the following Development Schedule.

The Development Schedule is as follows:

FRANCHISED BUSINESS NUMBER	DATE OF FRANCHISE BUSINESS OPENING (DEVELOPMENT PERIOD)	CUMULATIVE NUMBER OF FRANCHISED BUSINESSES TO BE OPENED

2. Forfeiture of Rights of Exclusivity

Area Developer further agrees that failure to timely open the Franchised Businesses in compliance with the Development Schedule shall cause the rights of exclusivity granted to Area Developer regarding the geographic area defined in Attachment A to be forfeited.

FRANCHISOR:

CREATIVE COLORS INTERNATIONAL,
INC.

DEVELOPER:

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

By: _____
Title: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

ATTACHMENT C
PRINCIPALS OF AREA DEVELOPER

Effective Date: This Attachment C is current and complete as of _____, 200

You and Your Owners

1. **Form of Owner** (chose a or b):

(a) **Individual Proprietorship**. Your owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company, or Partnership**. (circle one) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners**. The following list includes the full name of each person who is one of your owners (as defined in the Area Development Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name

Percentage/Description of Interest

- (a) _____
- (b) _____
- (c) _____
- (d) _____

3. **Name and Address of Person to Receive Notice for Area Developer.**

- (a) Name: _____
- (b) Postal Address: _____

- (c) E-mail Address: _____

CREATIVE COLORS INTERNATIONAL, INC.,

ATTEST:

Witness By: _____

ATTEST:

Witness Developer

Witness Developer

Witness Developer

Witness Developer

ATTACHMENT D
GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by _____ (“Guarantor”).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement of even date (the “Area Development Agreement”) by Creative Colors International, Inc., an Illinois corporation (the “Franchisor”), and with _____ (“Area Developer”), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Area Development Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Area Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor’s undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Area Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Area Developer fails or refuses punctually to do so; (3) Guarantor’s liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; (4) Guarantor’s liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Area Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Area Developer or any assignee or successor of Area Developer or by any abandonment of the Area Development Agreement by a trustee of Area Developer; (6) neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Area Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Area Developer

jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Area Developer; and (8) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

Guarantor

Guarantor

Guarantor

CREATIVE COLORS INTERNATIONAL, INC.
REGIONAL DEVELOPMENT AGREEMENT

EXHIBIT G
TO THE FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
CREATIVE COLORS INTERNATIONAL, INC.
REGIONAL DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

1.	PARTIES AND RECITALS	181
2.	GRANT OF REGIONAL FRANCHISE.....	182
3.	TERM	184
4.	ASSISTANCE PROVIDED BY FRANCHISOR	184
5.	FEES	185
6.	LICENSED MARKS	186
7.	REGIONAL DEVELOPER 'S OBLIGATIONS.....	186
8.	REGIONAL DEVELOPER MANUAL.....	190
9.	COVENANTS.....	191
10.	TRANSFER AND ASSIGNMENT.....	192
11.	PUBLIC OR PRIVATE OFFERINGS.....	195
12.	DEFAULT AND TERMINATION.....	196
13.	POST TERM RIGHTS, OBLIGATIONS AND COVENANTS.....	198
14.	INSURANCE.....	199
15.	TAXES, PERMITS AND INDEBTEDNESS.....	199
16.	INDEMNIFICATION AND INDEPENDENT CONTRACTOR.....	199
17.	WRITTEN APPROVALS, WAIVERS, AND AMENDMENT.....	200
18.	ENFORCEMENT.....	201
19.	GOVERNING LAW AND CONSENT TO JURISDICTION.....	203
20.	SEVERABILITY AND CONSTRUCTION.....	204
21.	ACKNOWLEDGMENTS.....	205
	Attachment 1 – Regional Developer Schedule.....	208
	Attachment 2 – Regional Development Territory.....	210
	Attachment 3 – Guaranty and Assumption of Obligations.....	211

CREATIVE COLORS INTERNATIONAL, INC.
REGIONAL DEVELOPMENT AGREEMENT

1. PARTIES AND RECITALS

(a) This Regional Developer Agreement ("Agreement") is made this ____ day of _____, 20__ ("Effective Date"), by and between Creative Colors International, Inc., an Illinois corporation, with its principal place of business at 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60477 ("Franchisor"), and _____, with its principal place of business at _____ ("Regional Developer").

(b) Franchisor or its affiliate, over a period of time and as the result of the expenditure of time, skill, effort and money, has developed and owns a unique system ("System"), identified by the mark "CREATIVE COLORS INTERNATIONAL" relating to the establishment, development and operation of businesses specializing in providing services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services on a mobile basis, primarily to automobile, furniture, and commercial customers; and

(c) The distinguishing characteristics of the System include, without limitation, exclusively designed signage, equipment, solvents, chemicals and materials; specially equipped vans; procedures and techniques for providing upholstery repair, coloring, cleaning, protection and restoration and related services; the CREATIVE COLORS INTERNATIONAL Confidential Operations Manual; the CREATIVE COLORS INTERNATIONAL Proprietary Products; uniform operating methods, procedures and techniques; other confidential operations procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion, marketing and advertising; all of which may be changed, improved and further developed by Franchisor from time to time; and

(d) Franchisor's affiliate, J & J's Creative Colors, Inc., is the owner of the right, title and interest together with all the goodwill connected thereto, in and to the trade name, trademark and service mark "CREATIVE COLORS INTERNATIONAL," "CREATIVE COLORS INTERNATIONAL, plus the design," associated logos and commercial symbols, and such other trade names, trademarks and service marks as are now designated (and may be designated in writing by Franchisor) as an integral part of the System (the "Mark(s)"); and

(e) Franchisor's affiliate, J & J's Creative Colors, Inc., developed and therefore is the owner of the right, title and interest in the System; and

(f) Franchisor's affiliate has licensed Franchisor the right to use and to sublicense its franchisees to use the Marks and the System in the operation of CREATIVE COLORS INTERNATIONAL businesses; and

(g) Franchisor grants franchise owners ("Franchisees") the right to operate a single Creative Colors International Franchised Business ("Franchised Business") pursuant to its then-current agreement (the "Franchise Agreement"). Franchisor also grants to parties ("Area Developers") who wish to operate three or more Franchised Businesses pursuant to an Area Development Agreement (the "Area

Development Agreement").

(h) Regional Developer desires, upon the terms and conditions set forth herein, to obtain the right and obligation:

(i) to act as the Franchisor's authorized Regional Developer in actively promoting the sale of Creative Colors International franchises within the territory specified in Attachment 2 hereto and in providing services with respect to such franchises (the "Regional Franchised Business"), and

(ii) to own and operate at least one Franchised Business pursuant to the form of Franchise Agreement attached hereto as Exhibit E and made a part hereof by reference.

(i) Regional Developer understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations, and service and the necessity of operating the Franchised Business in strict conformity with Franchisor's standards and specifications.

2. GRANT OF REGIONAL FRANCHISE

(a) Subject to all of the terms and conditions herein, Franchisor hereby grants to Regional Developer the right and obligation to act as Franchisor's authorized Regional Developer solely within the territory described on Attachment 2 which is attached hereto and made a part hereof by reference (the "Granted Territory") to: (i) establish and operate a Creative Colors International Franchised Business in the Granted Territory pursuant to the execution of a Franchise Agreement with Franchisor; (ii) solicit prospective franchise owners for the operation of a Franchised Business within the Granted Territory pursuant to Franchise Agreements between said franchise owners and Franchisor; and (iii) render certain support and other services to franchises in the Granted Territory as described in Paragraph 7 hereof. The rights and obligations herein granted to Regional Developer are sometimes referred to as the "Regional Franchise," which under some state and federal laws make Regional Developer a "Franchise Seller." In consideration of the rights granted in this Agreement, Regional Developer shall solicit the sale of Creative Colors International Franchised Businesses and refers prospective franchise owners to Franchisor, who shall in its sole discretion determine the qualifications and suitability of each applicant, and who shall execute all Franchise Agreements or Area Development Agreement with such prospective Creative Colors International franchise owners. Regional Developer acknowledges and agrees that it shall not negotiate the terms of the Franchise Agreement or Area Development Agreement on Franchisor's behalf. In addition to its right and obligation to market and solicit the sale of Creative Colors International franchises within the Granted Territory, Regional Developer shall be responsible for discharging Franchisor's obligations to its franchise owners within the Granted Territory pursuant to each Franchise Agreement and (if applicable) Area Development Agreement between Franchisor and such franchise owner. If Regional Developer is not an individual, all owners of Regional Developer shall execute the Guaranty and Assumption of Regional Developer's Obligations attached hereto as Attachment 3 and incorporated herein by this reference. Subject to the provisions hereof, Franchisor agrees that it shall not, during the Term (as hereinafter defined) of this Agreement or any renewals thereof, grant to any other party the right to own or operate a Regional Franchised Business within the Granted Territory.

(b) Regional Developer acknowledges and agrees that Franchisor's grant of the Regional Franchise herein shall include the right and obligation that contemporaneously with the execution of this Agreement, Regional Developer execute at least one (1) Franchise Agreement for a license to own

and operate a Franchised Business within the Granted Territory; that Regional Developer develop such Franchised Business, complete training, and open such Franchised Business within the time limits set forth in the Franchise Agreement. Regional Developer agrees that it shall continuously operate such Franchised Business during the term of this Agreement and any renewals thereof and utilize such Franchised Business as provided in Paragraph 7 hereof for purposes of marketing Creative Colors International Franchised Businesses and servicing Franchised Business franchise owners in the Granted Territory.

(c) Regional Developer acknowledges that the rights granted by this Agreement are nonexclusive, and Franchisor (and its affiliates and designees) retain the right (without compensation or obligation whatsoever to Regional Developer unless specifically set forth herein):

(i) to use and license others to use, the Marks and the System for the operation of other Regional Franchises at any location outside of the Granted Territory wherever located;

(ii) to solicit prospective franchise owners for the operation of a Franchised Business at such locations within and outside the Granted Territory and on such terms and conditions as Franchisor deems appropriate; to own and operate for its own benefit a Franchised Business within the Granted Territory subject to obligation to compensate Regional Developer for its percentage of fees pursuant to Paragraphs 5(b) and 5(c) hereof; to provide pre-opening and/or ongoing support to franchise owners of Franchised Business within the Granted Territory;

(iii) to use and license the use of alternative proprietary marks or methods in connection with the operation of businesses which may provide repair services at any location (including within the Granted Territory) which businesses may be the same as, similar to, or different from Franchised Business or may be in alternative methods of distribution; and

(iv) to use the Marks and the System in connection with some or all of the products or services offered by Franchised Business, other services and products, or alternative distribution channels at any location (including within the Granted Territory).

(d) Regional Developer agrees to comply with the Development Schedule attached hereto as Attachment 1 (the "Development Schedule"). If Regional Developer fails to meet the Development Schedule, Franchisor may at its option (i) terminate this Agreement or (ii) terminate Regional Developer's Development rights and the rights to receive any compensation under Paragraph 5(b) of this Agreement, but require Regional Developer to continue to service franchises in existence as of the date Regional Developer's rights to solicit further sales is terminated as provided in paragraph 7(d) and to receive a share of the royalty fees as provided in Paragraph 5(c) hereof. The determination as to whether Regional Developer has met the Development Schedule shall be made based on the number of Franchised Businesses open and operating at the end of each quarter. Regional Developer agrees that during the term of this Agreement, in addition to meeting its Development Schedule, it will at all times faithfully, honestly and diligently perform its obligations hereunder and will continuously exert its best efforts to promote and enhance the development and operation of Franchised Businesses within the Granted Territory. Regional Developer further acknowledges and agrees that satisfaction of the Development Schedule does not automatically mean Regional Developer has complied with its obligations hereunder.

3. TERM

(a) This Agreement shall take effect upon the Effective Date and, unless previously terminated pursuant to Paragraph 12 hereof, its term shall extend for ten (10) years from the Effective Date (the "Term").

(b) Provided Regional Developer is not in default under this Agreement or any other agreement with Franchisor at any time during the last six (6) months of the Term or any successive term, as applicable, Regional Developer shall have the option to renew the Regional Franchise upon the expiration of the Term for a successive five (5) year term, without payment of any further initial or renewal fee, but in accordance with Franchisor's then current terms and conditions for granting renewal, which may include execution of a new and modified Regional Development Agreement and Development Schedule and such additional terms as Franchisor may require. Regional Developer shall exercise its option to renew by giving Franchisor written notice of Regional Developer's election to renew not less than six (6) months nor more than one (1) year prior to the expiration of the Term or any successive term.

4. TRAINING AND ASSISTANCE PROVIDED BY FRANCHISOR

(a) Prior to Regional Developer's commencement of business, Franchisor or its designee shall provide Regional Developer with the following from time to time:

(i) Initial training in the operations of the Regional Developer's business, including an introduction to state and federal franchise laws that regulate the offer and sale of franchises, subfranchising, financial performance requirements, advertising, and other topics that affect Regional Developer in operating this business;

(ii) Information with respect to standards and specifications for use in developing Franchised Businesses;

(iii) Such information as Franchisor may have concerning possible sources of equipment, supplies and other products and services available in connection with the operation of the Franchised Business;

(iv) Franchise disclosure documents ("Disclosure Documents") that Regional Developer shall use in connection with the sale of Franchised Businesses for purposes of complying with state or federal laws and regulations affecting the sale of franchises; and

(v) One (1) Regional Developer Manual (as hereinafter defined) which may be amended from time to time by Franchisor in its sole discretion.

(b) Franchisor, in conjunction with all other Regional Developers of Franchisor, shall continue its efforts to maintain standards of quality, appearance, and service prescribed by Franchisor at all Franchised Businesses, thereby protecting and enhancing the public image and reputation of the System and the demand for the products and services provided thereunder, and to that end Franchisor, may, in its sole discretion provide Regional Developer with the following:

(i) Advice in the sale of Franchised Businesses, including, without limitation, sales

techniques, procedures and disclosure requirements.

(ii) Periodic individual or group counseling in the operation and supervision of the Franchised Business, rendered in person, by seminar, by newsletters or by email, as Franchisor may deem appropriate;

(iii) Advice concerning operating problems, new techniques or operating methods disclosed by reports submitted to or inspections made by Franchisor or other Regional Developer, as Franchisor may deem appropriate; and

(iv) Assistance as Franchisor may deem reasonably required, including advice and guidance with respect to new and improved methods of operation or business procedures developed by Franchisor, uses of the Regional Developer Manual, management materials, promotional materials, advertising formats and the Marks.

5. FEES

(a) In consideration of the execution of this Agreement, Regional Developer agrees to pay Franchisor a fee in the amount of \$165,000 (the "Regional Development Fee"). See Attachment 1 for the calculation of the Development Fee. The Regional Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable.

(b) During the term of this Agreement, Franchisor agrees to pay Regional Developer seventy percent (70%) of each initial franchise fee paid to Franchisor, less any sales commissions or brokerage fees, by franchise owners who execute Franchise Agreements to operate a Franchised Business within the Granted Territory while this Agreement is in effect.

(c) During the Term of this Agreement, Franchisor agrees to pay to Regional Developer a recurring administration fee equal to forty percent (40%) of the designated "continuing monthly Royalty fees" actually paid to Franchisor during the preceding calendar month by all franchise owners who are or were licensed to operate a Franchised Business within Regional Developer's Granted Territory while this Agreement is in effect. Regional Developer is not entitled to advertising, marketing, or any other fees required to be paid by such franchise owners under their respective Franchise Agreements. For example, if the franchise owners pay continuing monthly Royalty fees equal to 7.5% of their Gross Sales, the amount Franchisor will pay Regional Developer under this Paragraph is equal to three percent (3%) of the franchise owners' Gross Sales.

(d) Regional Developer will not receive any portion of the fees described in Paragraphs 5(b) or 5(c) that are paid by a franchise owner in which Regional Developer or any of its owners own more than fifty percent (50%) of the ownership interests or voting power. Regional Developer shall not be entitled to receive any fees due under Paragraphs 5(b) or 5(c) from the sale of any Franchised Business not located in Regional Developer's Granted Territory, or on any transfer of an existing Franchise Agreement.

(e) Unless otherwise provided, all fees and other amounts due to Regional Developer hereunder shall be paid on or before the thirtieth (30th) day of the calendar month following the calendar month to which they relate, accompanied by a statement stating the fees due to Regional

Developer for each Franchised Business within the Granted Territory.

(f) Franchisor shall have the discretionary right to apply all payments from Franchised Business owners in such order as Franchisor may designate from time to time.

(g) In connection with Franchised Businesses in which Regional Developer or any of its owners own more than fifty percent (50%) of the ownership interests or voting power, Regional Developer will pay the following initial fees:

<u>Franchised Business</u>	<u>Initial Franchise Fee</u>	<u>Start-Up Fee</u>
1 st	\$0 (included in Regional Development Fee)	\$29,500
2 nd and subsequent (each)	\$33,000	\$24,000

6. MARKS

Regional Developer covenants and agrees with Franchisor that:

(a) Regional Developer shall not represent in any manner that it has acquired any ownership rights in the Marks by virtue of this Agreement or its use of the Marks.

(b) Regional Developer shall not use any of the Marks or marks which are or may be confusingly similar in its own corporate, partnership or business name.

(c) Any and all goodwill associated with the System and identified by the Marks (including all future distinguishing characteristics, improvements and additions to or associated with the System) is Franchisor's property and shall inure directly and exclusively to the benefit of Franchisor, and no monetary amount shall be assigned as attributable to any goodwill associated with Regional Developer's use of the Marks upon the expiration or termination of this Agreement.

(d) Any use of the Marks other than as expressly authorized by this Agreement, without Franchisor's prior written consent, is an infringement of Franchisor's rights therein. Regional Developer's right to use the Marks granted herein does not extend beyond the termination or expiration of this Agreement.

7. REGIONAL DEVELOPER'S OBLIGATIONS

Franchisor shall establish for all Regional Developers and franchise owners, and Franchisor and Regional Developer shall maintain in the Granted Territory for all franchise owners operating under the System, standards of quality, appearance and operation. Regional Developer acknowledges

that it is essential to the preservation of the integrity of the Marks, indicia and goodwill of Franchisor that Regional Developer maintain and adhere to the standards, procedures and policies hereinafter described, and as may be altered or amended by Franchisor from time to time in Franchisor's sole discretion. For the purpose of enhancing the public image and reputation of the businesses operating under the System and for the purpose of increasing the demand for services and products provided by franchise owners and Franchisor, Franchisor and Regional Developer agree as follows:

(a) Regional Developer agrees to comply with all Franchisor's rules, regulations, policies and standards which are by their terms mandatory, including, without limitation, those contained in the Regional Developer Manual. Regional Developer shall operate the business licensed under this Agreement solely in the manner and pursuant to the standards described herein, in the Regional Developer Manual or in other written materials provided by Franchisor to Regional Developer.

(b) Regional Developer shall have sole and direct responsibility for, and be actively and personally involved in the operation of the Franchised Business owned by Regional Developer.

(c) Regional Developer shall maintain in stock minimum order amounts of all standard advertising and marketing materials promoting the System as Franchisor may require from time to time, and shall use only business stationery, marketing materials, advertising materials, printed materials or forms which have been approved in advance in writing by Franchisor.

(d) Regional Director shall actively promote and solicit the sale of Franchised Businesses and to that end, Regional Developer shall use its best efforts to assure that the Granted Territory is fully developed as rapidly as possible with operational Franchised Businesses. Franchisor agrees that it shall obtain and keep in force at its own expense, appropriate registrations or permits as required by any applicable present or future franchise investment law or regulation, securities act, blue sky law or any similar law regulating the offer and sale of franchises in the Granted Territory. However, Regional Developer shall not offer or sell any franchise without obtaining Franchisor's current Disclosure Documents and Franchisor's verification that franchise sales laws and regulations in a geographical region have been completed. Neither Regional Developer nor any employee or representative of Regional Developer shall solicit prospective franchise owners until Franchisor has registered its current Disclosure Documents in applicable jurisdictions and has provided Regional Developer with the requisite documents or at any time when Franchisor notifies Regional Developer that its registration is not then in effect or its documents are not then in compliance with applicable law. Regional Developer shall provide such assistance and information as Franchisor may request in order to adequately disclose the relationship of Regional Developer and Franchisor in accordance with all disclosure laws and regulations relating to the sale of Franchised Business Franchise Agreements and shall obtain all licenses and/or registrations necessary to solicit the sale of franchises. Regional Developer agrees to maintain and provide to Franchisor accurate written records of any and all contacts or dealings with prospective franchise owners as may be required in the Regional Developer Manual and by the terms of any state or federal law or regulation affecting franchise sales or the franchise relationship and as Franchisor may otherwise request.

(e) Regional Developer shall, in such form and manner as may be specified in the Regional Developer Manual, notify the public that Regional Developer is operating the Regional Franchised Business licensed hereunder as an authorized Regional Developer of Franchisor and shall identify its business location in the manner specified by Franchisor in the Regional Developer Manual.

(f) At Franchisor's option, Regional Developer shall act as Franchisor's Regional Developer in the Granted Territory in discharging one or more of Franchisor's obligations to its franchise owners pursuant to any Franchised Business Franchise Agreement, including, without limitation, to provide site evaluation (but Regional Developer does not have the right to determine the Areas of Primary Responsibility for the franchise owners in the Granted Territory), initial and continuing training, supervision, advice and guidance with respect to operations, business procedures and compliance with any regulation, requirement, standard or policy of Franchisor, as may be required from time to time in the then current form of Franchised Business Franchise Agreement applicable to any franchise owner. Regional Developer shall promptly respond to inquiries or complaints of franchise owners within the Granted Territory and provide to all franchise owners within the Granted Territory any supervisory and management assistance, training and support deemed reasonably necessary by Franchisor in order to assist franchise owners within the Granted Territory in complying with any rule, regulation, requirement or policy of Franchisor including, without limitation, the following:

(i) Franchisor shall be responsible for the initial training of each Franchised Business within the Granted Territory as required by the terms of its respective Franchise Agreement to assure that each franchise owner has completed its initial training prior to commencement of operation of such franchise owners' Franchised Business. Regional Developer shall monitor, promote and be responsible for continuing training of all franchise owners in the Granted Territory which may be required by Franchisor pursuant to the terms of such Franchised Business Franchise Agreements. In addition, Regional Developer agrees to make available to franchise owners in the Granted Territory such continuing education and support in the operation of Franchised Businesses as Franchisor may require from time to time in the Regional Developer Manual. Unless otherwise permitted by Franchisor, all such training shall be conducted by Regional Developer at a Franchised Business approved by Franchisor.

(ii) Regional Developer shall supervise and assist franchise owners in connection with evaluating and selecting sites and the development of each Franchised Business in the Granted Territory to assure that each Franchised Business conforms to Franchisor's then current specifications for Franchised Businesses. Prior to the opening of each such Franchised Business, Regional Developer shall assist the franchise owner in the marketing, promotion, advertising and grand opening of each Franchised Business in the manner prescribed by Franchisor for comparable Franchised Businesses;

(iii) Regional Developer shall inspect each Franchised Business within the Granted Territory not less than once every month and report the results of such inspections on forms provided by Franchisor (which may detail each franchise owner's compliance with Franchisor's rules, regulations and policies and the presentation by the franchise owner of the Mark);

(iv) Regional Developer shall assure that all Franchised Business franchise owners within the Granted Territory provide all of those products and services as Franchisor may, from time to time, require and only those which Franchisor may approve and not thereafter disapprove as meeting its uniform quality standards and specifications and which are in conformity with each franchise owner's Franchised Business Franchise Agreement and the corresponding Operations Manual;

(v) Regional Developer shall market, promote and monitor the Franchised Businesses

within the Granted Territory and shall attend, at its own expense, up to four (4) times per year, at a location to be designated by Franchisor, such periodic meetings as Franchisor may require of comparable Regional Developers of Franchisor;

(vi) Regional Developer shall monitor and cooperate in the enforcement by Franchisor of all Franchised Business Franchise Agreement obligations for franchise owners located in the Granted Territory;

(vii) Franchisor may institute various programs in the Granted Territory for verifying customer satisfaction and/or Regional Developer's compliance with all enforcement of the System, including (but not limited to) marketing research surveys, a toll-free number, customer comment cards, secret shoppers, "phone phantom" or otherwise. Franchisor will share the results of such programs as they pertain to the Granted Territory with Regional Developer.

(viii) Franchisor may designate Regional Developer as Franchisor's designee in the formation of a regional franchise owner council (the "Council") in the Granted Territory should Franchisor, in its sole discretion, determine to establish such a council, and, in such event, shall actively participate in its affairs. At Franchisor's request, Regional Developer shall be responsible for planning, organizing, conducting and chairing meetings of the Council to be attended by franchise owners within the Granted Territory as required from time to time. Regional Director shall bear all expenses incurred in connection with such regional meetings; provided that the franchise owners shall bear their own expenses in connection with the sending of their designees to such meetings. Regional Developer shall keep Franchisor advised of all activities of the Council.

(ix) Franchisor shall have the sole right to determine the Area of Primary Responsibility for each franchise owner in the Granted Territory.

(g) In order to assist Regional Developer in promoting the System, Franchisor may, from time to time, prepare and make available to franchise owners within the Granted Territory, directly or through Regional Developer, advertising, marketing or promotional materials relating to the sale and operation of Franchised Business franchises. Regional Developer shall use its best efforts to promote and encourage the display of such materials by all franchise owners within the Granted Territory.

(h) Regional Developer shall use only advertising and promotional materials and programs promoting the sale and operation of CCI franchises that are provided by Franchisor or approved in advance, in writing, by Franchisor, and registered with appropriate regulatory agencies. Regional Developer agrees to cooperate with and assist Franchisor in the implementation of such advertising programs as Franchisor may, in its sole discretion, from time to time deem necessary or desirable. Franchisor's approval of any advertising or promotional materials or programs may be withdrawn at any time, and Regional Developer shall immediately thereafter cease the use and/or display of any materials or programs for which approval has been withdrawn, and will, at its own expense, cause the cessation of use and removal of any such items or programs from the Franchised Businesses in the Granted Territory.

8. REGIONAL DEVELOPER MANUAL

(a) In order to protect the reputation and goodwill of the System and to maintain high standards of operation under the Marks, Regional Developer shall conduct its business in accordance with various written instructions and operating manuals (hereinafter and previously referred to as the "Regional Developer Manual"), including such amendments thereto, as Franchisor may publish from time to time, all of which Regional Developer acknowledges belongs solely to Franchisor and is on loan from Franchisor during the term of this Agreement. When any provision in this Agreement requires that Regional Developer comply with any standard, specification or requirement of Franchisor, unless otherwise indicated, such standard, specification or requirement shall be such as is set forth in this Agreement or as may, from time to time, be set forth by Franchisor in the Regional Developer Manual.

(b) Regional Developer shall at all times use its best efforts to keep the Regional Developer Manual and any other manuals, materials, goods and information created or used by Franchisor and designated for confidential use within the System and the information contained therein as confidential and shall limit access to employees of Regional Developer on a need to know basis. Regional Developer acknowledges that the unauthorized use or disclosure of Franchisor's confidential information or trade secrets may constitute a violation of state and/or federal laws and will cause irreparable injury to Franchisor and that damages are not an adequate remedy. Regional Developer accordingly covenants that it shall not at any time, without Franchisor's prior written consent, disclose, use, permit the use thereof (except as may be required by applicable law or as authorized by this Agreement), copy, duplicate, record, transmit or otherwise reproduce such information, by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about the System and Franchisor's products, services, standards, procedures, techniques and such other information or material as Franchisor may designate as confidential shall be deemed confidential for purposes of this Agreement.

(c) Regional Developer understands and acknowledges that Franchisor may, from time to time, revise the contents of the Regional Developer Manual to implement new or different requirements for the operation of the Regional Developer's business and that of franchise owners operating under the System. Regional Developer expressly agrees to comply with all such changed requirements which are by their terms mandatory. The implementation of such requirements by Regional Developers and franchise owners may require the expenditure of reasonable sums of money by Regional Developer or by franchise owners.

(d) Regional Developer understands and acknowledges that Franchisor may from time to time, in an effort to further develop the System, implement new ideas, methods or strategies in Franchised Businesses, which may be located in territories other than the Granted Territory, for the purpose of evaluation or otherwise, and that such implementation shall not be deemed discriminatory.

(e) Regional Developer shall at all times insure that its copy of the Regional Developer Manual is kept current and up to date and, in the event of any dispute as to the contents thereof, the terms and dates of the master copy thereof maintained by Franchisor at its principal place of business shall be controlling.

(f) Regional Developer will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to CREATIVE COLORS INTERNATIONAL Business personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. Franchisor has the right to prescribe and regulate the form of agreements that Regional Developer uses.

Franchisor must be a named third party beneficiary of those agreements with independent enforcement rights. Attached to Franchisor's disclosure document as Exhibit N is "Agreement for Protection of Trade Secrets of The Creative Colors International, Inc. System," which is Franchisor's prescribed form non-disclosure and non-competition agreement.

9. COVENANTS

(a) During the term of this Agreement, Regional Director, its shareholder(s) and any guarantor(s) hereof covenant, individually:

(i) To use its (full time and) best efforts in recommending and promoting the sale of Franchised Businesses, in operating any Franchised Business owned by Regional Developer and in promoting the System, products and services;

(ii) Not to own, operate, manage, maintain, engage in, consult with, provide supplies to, be employed by, advise, lease or sublease to, invest in, franchise, lend money to, or have any interest whatsoever in any Competitive Business (including any business operated by Franchisee prior to entry into this Agreement) except that contemplated by this Agreement and such Franchised Business Franchise Agreements as Regional Developer may have executed with Franchisor. For purposes of this Agreement, "Competitive Business" means any business that sells and/or provides goods or services for the repair, coloring, cleaning, protection and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces.

(iii) To comply with all laws and regulations affecting the offer or sale of franchises and persons engaged in the sale of Creative Colors International Franchised Business franchises as franchise sales agents and/or brokers;

(iv) Not to make any representations or financial performance representations not authorized by Franchisor;

(v) Not to accept any funds from any Franchised Business franchise owner;

(vi) To conduct sales solicitation activities strictly in accordance with standards established by Franchisor;

(vii) Not to sell any other franchises or business opportunities; and

(viii) Not to employ or seek to employ any person(s) who is at the time employed by Franchisor or directly or indirectly induce any such person(s) to leave their employment with Franchisor.

(ix) Not to divert or attempt to divert any business of or any customers of any Franchised Businesses to any other competitive establishment, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act prejudicial or injurious to the goodwill associated with the Marks or the System.

(b) In the event this Agreement is terminated, expires or is not renewed, or if Regional Developer assigns or transfer its interest herein to any person or business organization, Regional

Developer, its shareholder(s) and guarantor(s) covenant, individually, for a period of two (2) years after such expiration or Termination, not to own, operate, manage, maintain, engage in, consult with, provide supplies to, be employed by, advise, lease or sublease to, invest in, franchise, lend money to, or have any interest whatsoever in any Competitive Business (as that term is defined in Paragraph 9(a)(ii) within the Granted Territory or within a distance of one hundred (100) miles from the boundaries of the Granted Territory, other than pursuant to any Franchised Business Franchise Agreement to which Regional Developer, such guarantor or shareholder is a party.

(c) During the term of this Agreement and thereafter, Regional Developer covenants not to communicate or transmit directly or indirectly, divulge to or use for its benefit or the benefit of any other person or legal entity, any confidential information which are proprietary to Franchisor, including information, knowledge or know-how deemed confidential under Paragraph 8 hereof and trade secrets. The protection granted hereunder shall be in addition to and not in lieu of all other protections for such trade secrets and confidential information as may otherwise be afforded at law or equity.

(d) To the extent permitted by law, Regional Developer agrees to execute agreements with all employees and independent contractors of Regional Developer which shall prohibit competition in a Competitive Business as that term is defined in Paragraph 9(a)(ii) during their employment or contractual relationship with Regional Developer and for a period of two (2) years thereafter within the Granted Territory. Regional Developer shall be responsible for ensuring the enforceability of such agreements in conformity with the respective jurisdiction(s) in the Granted Territory; provided that any deviation from the terms enumerated herein to insure such enforceability shall be subject to the prior written approval of Franchisor.

(e) The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. Franchisor may unilaterally, at any time, in its sole discretion, revise any of the covenants in this Paragraph 9 so as to reduce the obligations of Regional Developer thereunder. Should any part of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Regional Developer and Franchisor agree that the same shall be enforced to the fullest extent permissible under the law. Regional Developer further expressly agrees that the existence of any claim it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Paragraph 9.

10. TRANSFER AND ASSIGNMENT

(a) Franchisor shall have the right to transfer all or any part of its rights or obligations herein to any person or legal entity (including to any competitor of Franchisor) which agrees to assume Franchisor's obligations hereunder.

(b) Regional Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Regional Developer, and that Franchisor has granted this Regional Franchise in reliance on many factors, including, without limitation, the individual or collective character, skill, aptitude and business and financial capacity of Regional Developer and Regional Developer's principals. Accordingly, neither Regional Developer nor any person owning any direct or indirect equity interest therein, shall, without Franchisor's prior written consent, directly or indirectly

sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or any portion or aspect thereof, or any equity or voting interest in Regional Developer. Any such purported assignment occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without Franchisor's prior written consent shall be a material default of this Agreement.

(c) In the event Regional Developer is a corporation, the stock of such corporation shall not be publicly sold or traded on any securities exchange or in the over-the-counter market without the express prior written consent of Franchisor, which consent may be given or denied in Franchisor's sole discretion.

(d) Regional Developer represents that as of the execution of this Agreement its equity and voting control is owned by owners disclosed to Franchisor. If Regional Developer, or any approved successor thereof, is a partnership or privately-held corporation, Regional Developer shall submit to Franchisor prior to any proposed transfer of an equity or voting interest, and at any other time upon request, a list of all holders of direct or indirect equity or voting interests of record reflecting their respective present and/or proposed direct or indirect interests in Regional Developer, in such form as Franchisor may require.

(e) Regional Developer understands and acknowledges the vital importance of the performance of Regional Developer to the market position and overall image of Franchisor. Regional Developer also recognizes the many subjective factors that comprise the process by which Franchisor selects a suitable Regional Developer, including an assessment of whether the proposed transferee is a person or entity that meets the Franchisor's standards of qualification then applicable with respect to all new Regional Developer applicants for similar franchises and has the ability to discharge Regional Developer's obligations to franchise owners within the Granted Territory. On condition that the proposed transferee and its direct and indirect owners (if the transferee is an entity) are of good character and meet Franchisor's then applicable standards for new Regional Developers (including no ownership interest in or performance of services for a similar business), Franchisor will consent to: (1) a transfer of twenty-five percent (25%) or fewer of the voting shares or other voting rights in Regional Developer, (2) a transfer to Regional Developer's (or its owners') immediate family members or (3) a transfer to Regional Developer's existing owners (each, a "Limited Transfer"). With respect to all other transfers, Franchisor's approval is subject to the requirements in the preceding sentence and the following conditions:

(i) The proposed transfer is at a price and upon such terms and conditions as Franchisor, in its sole judgment, shall deem reasonable;

(ii) As of the effective date of the proposed transfer, all obligations of Regional Developer hereunder and under any other agreements between Regional Developer and Franchisor (including payment obligations) are fully satisfied;

(iii) As of the effective date of the proposed transfer, all obligations of the proposed transferee to the Franchisor (if any) must be fully satisfied;

(iv) There shall have been paid to Franchisor, together with the application for consent to the transfer, a transfer fee in the amount of five percent (5%) of the then current initial franchise fee(s) being charged by Franchisor to Franchised Business franchise owners multiplied by the number of Franchised

Businesses which are in operation in the Granted Territory as of the date of such transfer (but not including Franchised Businesses operated by Regional Developer; for the transfer of those Franchised Businesses, the transfer fee is \$10,000 each, as provided under the Franchise Agreement);

(v) The transferor and its owners shall have executed a general release (under seal where required), in a form satisfactory to Franchisor, of any and all claims against Franchisor, its parent, subsidiaries, affiliates and their officers, directors, attorneys, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances arising out of, or connected with, the performance of this Agreement;

(vi) The transferee shall enter into Franchisor's then current Regional Developer Agreement, which shall supersede this Agreement in all respects. Such agreement may contain terms that differ materially from the terms of this Agreement; provided however, the transferee will not be required to pay any additional initial Development Fee;

(vii) If the transfer does not include the transfer of transferee's Franchised Business, transferee must acquire or establish at least one Franchised Business in the Granted Territory for the purpose of marketing Creative Colors International Franchised Businesses and servicing Franchised Business franchise owners. Transferee may be required to make such alteration or modifications to such Franchised Business as Franchisor may reasonably require, in order to assure that such Franchised Business adequately represents the Creative Colors International Franchise System. Any such Franchised Business shall be operated pursuant to Franchisor's current form of Franchise Agreement;

(viii) The transferee shall demonstrate to Franchisor's satisfaction that it meets all of Franchisor's requirements for becoming a Regional Developer, including without limitation, that it meets Franchisor's managerial and business standards then in effect for similarly situated Regional Developers, possesses a good moral character, business reputation, and satisfactory credit rating; will comply with all instruction and training requirements of Franchisor and has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise);

(ix) The transferee and/or its designated managerial personnel shall have completed, to Franchisor's satisfaction, the training then required of similarly situated Regional Developers and Franchised Business franchise owners;

(x) The transferor agrees to comply with the post-termination obligations set forth in Section 13(a); and

(xi) The transferee shall obtain all licenses and/or registrations necessary to sell Franchised Business franchises.

(f) Upon the death or mental incompetency (as reasonably determined by an independent third party such as a licensed doctor) of any person with any direct or indirect interest in Regional Developer, the executor, administrator, or personal representative of Regional Developer shall transfer the interest of said person to a third party approved by Franchisor within six (6) months after the death or incompetency. Such transfers shall be subject to the same conditions as an inter vivos transfer. If the executor, administrator, or personal representative of Regional Developer is unable to meet the conditions in Paragraph 10(f) hereof, Franchisor may terminate this Agreement.

(g) If Regional Developer or any person or entity holding any direct or indirect interest in Regional Developer or this Agreement desires to sell or transfer for value, either an interest in this Agreement or Regional Developer (other than a Limited Transfer), Regional Developer shall first notify Franchisor in writing of such intention and offer to sell or transfer such interest to Franchisor upon the terms and conditions set forth in such notice, net of any applicable real estate and/or business brokerage commissions, or the cash equivalent thereof, at Franchisor's option. If Franchisor and Regional Developer cannot agree within 30 days of such notice on the terms and conditions of such sale or transfer, or if Franchisor notifies Regional Developer that it does not want to acquire such interest, Regional Developer may sell or transfer such interest to a bona fide third party; provided that such sale or transfer is made within 120 days after the expiration of any offer to Franchisor, that such sale or transfer is made at a net price and on terms no more favorable than those offered in writing to Franchisor, that all applicable requirements of Paragraph 10 hereof are met. Failure of Franchisor to exercise the option afforded by this Paragraph 10(g) shall not constitute a waiver of any other provision of this Agreement, including all requirements of this Paragraph 10, with respect to a proposed transfer.

(h) Notwithstanding the foregoing, it is understood that Regional Developer (if an individual) may assign and delegate this Agreement and Regional Developer's rights and obligations hereunder on one occasion to a corporation organized by Regional Developer for that purpose only and at least fifty-one percent (51%) of all the issued and outstanding shares of voting stock of which shall be owned and voted continuously by Regional Developer. Franchisor shall be given prior written notice of such assignments and delegation, and thereupon such corporation shall have all of said rights and obligations, and the term "Regional Developer" as used herein shall refer to said corporation; provided, however, that such assignment shall in no way affect the obligations hereunder of the individual above designated "Regional Developer," who shall remain fully bound by and responsible for the performance of all of said obligations, jointly and severally with said corporation. Said corporation shall at no time engage in any business or activities other than the exercise of the rights herein granted to the Regional Developer and the performance of its obligations as Regional Developer hereunder.

(i) With respect to any proposed transfer under this Section 10, Franchisor shall not unreasonably withhold its consent. Franchisor's consent to a transfer of any interest in Regional Developer shall not constitute a waiver of any claims it may have against the transferring party.

11. PUBLIC OR PRIVATE OFFERINGS

(1) Regional Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Regional Developer agrees to submit any written information intended to be used for that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been approved in writing by Franchisor.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

"NEITHER CREATIVE COLORS INTERNATIONAL, INC. NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE'S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE

SECURITIES OFFERED. NEITHER CREATIVE COLORS INTERNATIONAL, INC. NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE'S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER CREATIVE COLORS INTERNATIONAL, INC. NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE'S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."

(3) Regional Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor as the result of the offer or sale of securities by Regional Developer. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorney's fees) asserted by a purchaser of any security or by a governmental agency. Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

12. DEFAULT AND TERMINATION

(a) Regional Developer may be deemed in default and Franchisor may, at its option, and without waiving its rights hereunder or any other rights available at law or in equity, including its rights to damages, terminate this Agreement and all of Regional Developer's rights hereunder effective immediately upon the date Franchisor gives written notice of termination, upon such other date as may be set forth in such notice of termination, or in those instances enumerated below, automatically upon the occurrence of, or the lapse of the specified period following, an event of default. The occurrence of any one or more of the following events shall constitute an event of default and grounds for termination of this Agreement by Franchisor which termination shall be immediately effective:

(i) Automatically, if Regional Developer becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Regional Developer, or such a petition is filed against and consented to by Regional Developer, or if a bill in equity or other proceeding for the appointment of a receiver of Regional Developer or other custodian for Regional Developer's business or assets is filed and consented to by Regional Developer, or if a receiver or other custodian (permanent or temporary) of Regional Developer's assets or property, or any part thereof, is appointed, or if a final judgment in excess of \$10,000 remains unsatisfied or of record for 60 days or longer unless a bond is filed other steps are taken to effectively stay entitlement of such judgment in the relevant jurisdiction.

(ii) If Regional Developer makes, or has made, any materially false statement or report to Franchisor in connection with this Agreement or application therefore.

(iii) If there is any violation of any transfer and assignment provision contained in Paragraph 10 of this Agreement.

(iv) If Regional Developer fails to meet the Development Schedule.

(v) If Regional Developer receives from Franchisor two (2) or more notices to cure the same or similar defaults or violations of this Agreement during any twelve (12) month period regardless of whether Regional Developer has cured such defaults.

(vi) If Regional Developer fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority to comply with any law or regulation applicable to the operation of the Franchised Business.

(vii) If Regional Developer violates any covenant of confidentiality or non-disclosure contained in Paragraph 9 of this Agreement or otherwise discloses, uses, permits the use of, copies, duplicates, records, transmits or otherwise reproduces any manuals, materials, goods or information created or used by Franchisor and designated for confidential use without Franchisor's prior approval.

(viii) If Regional Developer or any person owning an interest in Regional Developer is convicted of a felony, a crime of moral turpitude, or any other crime or offense relating to the operation of the Franchised Business.

(ix) If Regional Developer fails to perform or breaches any covenant, obligation, term, condition, warranty or certification herein or fails to operate the Franchised Business as specified by Franchisor in the Regional Developer Manual and fails to cure such non-compliance or deficiency within thirty (30) days after Franchisor's written notice thereof.

(x) If Regional Developer or any of its affiliates defaults on any other agreement with Franchisor and such default is not cured in accordance with the terms of such other agreement.

(xi) If Regional Developer fails to obtain or has revoked any license or registration necessary to sell franchises.

(xii) If Regional Developer violates any applicable federal or state franchise law, either in connection with the conduct and representations (or omissions) of Regional Developer, or in connection with the information Regional Developer is required to furnish Franchisor to be included in Franchisor's Disclosure Document.

(b) Regional Developer may not terminate this Agreement prior to the expiration of its term except through legal process resulting from Franchisor's breach of this Agreement or otherwise with Franchisor's consent. In the event that Regional Developer shall claim that Franchisor has failed to meet any obligation under this Agreement, Regional Developer shall provide Franchisor with written notice of such claim, within one (1) year of its occurrence, specifically enumerating all alleged deficiencies and providing Franchisor with an opportunity to cure, which shall in no event be less than thirty (30) days from the date of receipt of such notice by Franchisor from Regional Developer.

(c) Notwithstanding any other provision of this Paragraph 12, termination of this Agreement as a result of Regional Developer's default or otherwise shall not terminate any Franchised Business Franchise Agreement to which Regional Developer is a party, if Regional Developer is in full compliance with the terms and provisions of such agreement(s).

13. POST-TERM RIGHTS, OBLIGATIONS AND COVENANTS

(a) Upon the expiration or termination of this Agreement for any reason, Regional Developer shall immediately:

(i) Cease to be the authorized Regional Developer of Franchisor in the Granted Territory;

(ii) Pay all sums owing to Franchisor. Upon termination for any default by Regional Developer, such sums shall include actual damages, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor as a result of the default;

(iii) Return to Franchisor the Regional Developer Manual and all trade secrets, confidential materials and other property owned by Franchisor. Regional Developer shall retain no copy or record of any of the foregoing, provided, however, that Regional Developer may retain its copy of this Agreement, any materials necessary to operate a Franchised Business under an existing Franchised Business Franchise Agreement, any correspondence between the parties and any other document which Regional Developer reasonably needs for compliance with any applicable provision of law;

(iv) Upon Franchisor's request, provide Franchisor a complete list of Regional Developer 's employees, clients, customers, franchisee prospects and contacts and their respective addresses and any outstanding obligations Regional Developer may have to any third parties;

(v) Take such action as may be required to transfer all trade name and similar registrations and business licenses to Franchisor or its new Regional Developer in the Granted Territory and to cancel any interest which Regional Developer may have in the same;

(vi) Cease to use, in advertising or in any manner whatsoever, any methods, procedures or techniques associated with the CCI Franchise Business System in which Franchisor has a proprietary right, title or interest; the Licensed Marks; and any other marks, names and indicia of operation associated with the CCI Franchise Business system, to the extent not required to operate a Franchised Business under an existing Franchised Business Franchise Agreement; and

(vii) Remove all Marks, trade dress and other indications of operation under the System from its place of business, to the extent that such items are not required to operate a Franchised Business under an existing Franchised Business Franchise Agreement.

(b) All right to any compensation due Regional Developer hereunder shall immediately terminate upon the effective date of any termination or nonrenewal of this Agreement, and Regional Developer shall have no further interest or rights in this Agreement nor any right to receive "monthly continuing fees" unpaid at the time of termination or nonrenewal, even though such fees or royalties may have accrued under any Franchised Business Franchise Agreements prior to the effective date of termination or nonrenewal.

(c) Regional Developer shall not, in any communication to any other Regional Developer or franchise owner, disparage Franchisor or interfere with any contract to which Franchisor is a party.

14. INSURANCE

(a) Regional Developer shall, at its expense and no later than upon commencement of the business contemplated by this Agreement, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Regional Developer Manual which shall be in such amounts as may from time to time be required by Franchisor and which shall designate Franchisor as an additional named insured, including the following:

(i) Employer's liability and workers' compensation insurance as prescribed by law in the state(s) which include the Granted Territory;

(ii) Comprehensive automobile liability insurance covering physical damage, personal injury and uninsured motorists; and

(iii) Comprehensive general liability insurance covering the operation of the business contemplated by this Agreement;

(b) Regional Developer shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor.

(c) The procurement and maintenance of such insurance shall not relieve Regional Director of any liability to Franchisor under any indemnity requirement of this Agreement .

15. TAXES, PERMITS AND INDEBTEDNESS

(a) Regional Developer shall promptly pay when due any and all federal, state and total taxes including, without limitation, unemployment and sales taxes, levied or assessed with respect to any services or products furnished, used or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Regional Developer in the operation of the business licensed hereunder.

(b) Regional Developer shall comply with all federal, state and local laws, rules and regulations and timely obtain any and all permits, certificates and licenses for the full and proper conduct of the business licensed hereunder.

(c) Regional Developer hereby expressly covenants and agrees to accept full responsibility for any and all debts and obligations incurred in the operation of the Regional Franchised Business.

(d) Regional Developer acknowledges that Franchisor will furnish Regional Developer a 1099 for all payments made by Franchisor to Regional Developer during each fiscal year of Franchisor.

16. INDEMNIFICATION AND INDEPENDENT CONTRACTOR

(a) Regional Developer agrees to protect, defend, indemnify and hold Franchisor, its directors, officers and shareholders harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, consequently, directly or indirectly incurred (including, without limitation, attorneys' and accountants' fees) as a result of, arising out of, or connected

with the operation of the Regional Franchise Business licensed hereunder, unless (and then only to the extent that) any such claims, actions, proceedings, damages, costs, expenses and other losses and liabilities are determined to be caused solely by Franchisor's gross negligence or willful misconduct in a final unappealable ruling issued by a court or arbitrator of competent jurisdiction.

(b) In all dealings with third parties including, without limitation, franchise owners, employees, suppliers, clients and customers, Regional Developer shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them nor to constitute Regional Developer as a subsidiary, joint venturer, partner, or employee of Franchisor for any purpose whatsoever. It is understood and agreed that Regional Developer is an independent contractor and is in no way authorized to make any warranty or representation on behalf of Franchisor other than those contained in any Disclosure Document prepared by Franchisor for use by Regional Developer, nor is Regional Developer authorized to create any obligation or enter into any contract binding on Franchisor.

17. NOTICES, WRITTEN APPROVALS, WAIVERS, AND AMENDMENT

(a) All written notices and reports to be delivered by the provisions of this Agreement will be deemed so delivered when delivered by hand, immediately on transmission by facsimile transmission or other electronic system, including e-mail or any similar means, the same date as the date of electronic or facsimile transmission, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to Franchisor at Creative Colors International, 19015 S. Jodi Road, Suite E, Mokena, Illinois, 60448 (or Franchisor's then-current principal place of business), to the attention of the President, and to Regional Developer at its most recent principal business address provided to Franchisor by Regional Developer. Any notice to Regional Developer for its owners shall be deemed effective as to Regional Director and all of its affiliates. Any party may change its address for receipt of notices by providing prior written notice of such change to other party.

(b) No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. A waiver or approval by Franchisor of any particular default by Regional Developer shall not be considered a waiver or approval by Franchisor of any preceding or subsequent breach by Regional Developer of any term, covenant or condition of this Agreement.

(c) No amendment, change or variance from this Agreement shall be binding upon Franchisor or Regional Developer except by mutual written agreement. If an amendment of this Agreement is executed at Regional Developer's request, any legal fees or preparation cost in connection therewith shall be paid by Regional Developer.

(d) No warranty or representation is made by Franchisor that any or all other agreements with Regional Developers heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Regional Developer recognizes and agrees that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other Regional Developer Agreements heretofore

or hereafter granted to other Regional Developers in a non-uniform manner, subject, however to those provisions of this Agreement which require Franchisor to act toward its Regional Developers and franchise owners on a reasonably non-discriminatory basis. NOTHING IN THIS AGREEMENT OR ANY RELATED AGREEMENTS HAS THE EFFECT OF DISCLAIMING ANY INFORMATION PROVIDED IN THE DISCLOSURE DOCUMENT.

18. ENFORCEMENT

(a) REGIONAL DEVELOPER AND FRANCHISOR AGREE THAT ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN FRANCHISOR (AND THE FRANCHISOR-RELATED PERSONS/ENTITIES) AND REGIONAL DEVELOPER (AND ITS AFFILIATES) ARISING OUT OF OR RELATED TO:

(1) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN REGIONAL DEVELOPER (OR ITS AFFILIATES) AND FRANCHISOR (OR A FRANCHISOR-RELATED PERSON/ENTITY);

(2) FRANCHISOR'S RELATIONSHIP WITH REGIONAL DEVELOPER;

(3) THE SCOPE OR VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN REGIONAL DEVELOPER (OR ITS AFFILIATES) AND FRANCHISOR (OR A FRANCHISOR-RELATED PERSON/ENTITY) OR ANY PROVISION OF ANY OF SUCH AGREEMENTS (INCLUDING THE VALIDITY AND SCOPE OF THE ARBITRATION OBLIGATION UNDER THIS PARAGRAPH 18; WHICH FRANCHISOR AND REGIONAL DEVELOPER ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR, NOT A COURT); OR

(4) ANY SYSTEM STANDARD;

MUST BE SUBMITTED FOR BINDING ARBITRATION, ON DEMAND OF EITHER PARTY, TO THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION PROCEEDINGS WILL BE CONDUCTED BY ONE ARBITRATOR AND, EXCEPT AS THIS PARAGRAPH OTHERWISE PROVIDES, ACCORDING TO THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. ALL PROCEEDINGS WILL BE CONDUCTED AT A SUITABLE LOCATION CHOSEN BY THE ARBITRATOR IN CHICAGO, ILLINOIS; PROVIDED THAT IF FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS CEASES TO BE IN ILLINOIS, THE PROCEEDINGS WILL BE CONDUCTED WITHIN FIFTY (50) MILES OF FRANCHISOR'S THEN-CURRENT PRINCIPAL PLACE OF BUSINESS. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9U.S.C. §§ 1ET SEQ). JUDGMENT UPON THE ARBITRATOR'S AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION.

(b) THE ARBITRATOR HAS THE RIGHT TO AWARD OR INCLUDE IN HIS OR HER AWARD ANY RELIEF WHICH HE OR SHE DEEMS PROPER, INCLUDING, WITHOUT LIMITATION, MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, AND ATTORNEYS' FEES AND COSTS, PROVIDED THAT THE ARBITRATOR MAY NOT DECLARE ANY MARK GENERIC OR OTHERWISE INVALID OR, EXCEPT AS EXPRESSLY PROVIDED IN

PARAGRAPH 18(C) BELOW, AWARD ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST EITHER PARTY (FRANCHISOR AND REGIONAL DEVELOPER HEREBY WAIVING TO THE FULLEST EXTENT PERMITTED BY LAW, EXCEPT AS EXPRESSLY PROVIDED IN PARAGRAPH 18(C) BELOW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER).

(c) FRANCHISOR AND REGIONAL DEVELOPER AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR WITHIN THE TIME LIMITS SET FORTH IN THIS AGREEMENT (including but not limited to Paragraph 18(e)), WHICHEVER EXPIRES EARLIER. FRANCHISOR AND REGIONAL DEVELOPER FURTHER AGREE THAT, IN ANY ARBITRATION PROCEEDING, EACH MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY CLAIM WHICH IS NOT SUBMITTED OR FILED AS REQUIRED IS FOREVER BARRED. THE ARBITRATOR MAY NOT CONSIDER ANY SETTLEMENT DISCUSSIONS OR OFFERS THAT MIGHT HAVE BEEN MADE BY EITHER FRANCHISOR OR REGIONAL DEVELOPER. FRANCHISOR RESERVES THE RIGHT, BUT HAS NO OBLIGATION, TO ADVANCE REGIONAL DEVELOPER'S SHARE OF THE COSTS OF ANY ARBITRATION PROCEEDING IN ORDER FOR SUCH ARBITRATION PROCEEDING TO TAKE PLACE AND BY DOING SO SHALL NOT BE DEEMED TO HAVE WAIVED OR RELINQUISHED FRANCHISOR'S RIGHT TO SEEK THE RECOVERY OF THOSE COSTS IN ACCORDANCE WITH PARAGRAPH 18(G) BELOW.

(d) FRANCHISOR AND REGIONAL DEVELOPER AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN FRANCHISOR (AND THE FRANCHISOR-RELATED PERSONS/ENTITIES) AND REGIONAL DEVELOPER (AND ITS AFFILIATES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS PARAGRAPH 18, IF ANY COURT OR ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS PARAGRAPH 18, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH PARAGRAPH 19.

(e) DESPITE FRANCHISOR'S AND REGIONAL DEVELOPER'S AGREEMENT TO ARBITRATE, FRANCHISOR AND REGIONAL DEVELOPER EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION; PROVIDED, HOWEVER, THAT FRANCHISOR AND REGIONAL DEVELOPER MUST CONTEMPORANEOUSLY SUBMIT ANY DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED IN THIS PARAGRAPH.

(f) THE PROVISIONS OF THIS PARAGRAPH ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE

AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION.

(g) THE PREVAILING PARTY IN ANY ARBITRATION OR LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ALL DAMAGES, COSTS AND EXPENSES, INCLUDING COURT COSTS AND REASONABLE ATTORNEY'S FEES, INCURRED BY THE PREVAILING PARTY IN SUCCESSFULLY ENFORCING ANY PROVISION OF THIS AGREEMENT.

19. GOVERNING LAW AND CONSENT TO JURISDICTION

(a) ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN FRANCHISOR AND REGIONAL DEVELOPER WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS REGIONAL DEVELOPER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH. IF THE COVENANTS AGAINST COMPETITION ARE NOT ENFORCEABLE UNDER ILLINOIS LAW, THEN THE LAWS OF THE STATE IN WHICH REGIONAL DEVELOPER 'S BUSINESS IS LOCATED WILL APPLY TO THE ENFORCEABILITY OF SUCH COVENANTS.

(b) SUBJECT TO PARAGRAPH 18 ABOVE AND THE PROVISIONS BELOW, FRANCHISOR AND REGIONAL DEVELOPER (AND ITS AFFILIATES) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISOR AND REGIONAL DEVELOPER MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION IN CHICAGO, ILLINOIS; PROVIDED THAT IF FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS CEASES TO BE IN ILLINOIS, ANY ACTION MUST BE COMMENCED WITHIN FIFTY (50) MILES OF FRANCHISOR'S THEN CURRENT PRINCIPAL PLACE OF BUSINESS. FRANCHISOR AND REGIONAL DEVELOPER (AND EACH AFFILIATE THEREOF) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, FRANCHISOR AND REGIONAL DEVELOPER (AND THEIR OWNERS) AGREE THAT EITHER PARTY MAY ENFORCE ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH REGIONAL DEVELOPER IS DOMICILED OR WHERE ANY OF REGIONAL DEVELOPER'S FRANCHISED BUSINESSES ARE LOCATED.

(c) EXCEPT FOR REGIONAL DEVELOPER 'S OBLIGATION TO FRANCHISOR FOR THIRD PARTY CLAIMS UNDER PARAGRAPH 16, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, FRANCHISOR AND REGIONAL DEVELOPER (AND ITS AFFILIATES) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE

DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND REGIONAL DEVELOPER, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

(d) FRANCHISOR AND REGIONAL DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF FRANCHISOR OR REGIONAL DEVELOPER.

(e) EXCEPT FOR CLAIMS ARISING FROM REGIONAL DEVELOPER'S NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS OWED TO FRANCHISOR, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH REGIONAL DEVELOPER WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. HOWEVER, THE PARTIES AGREE THAT, IN ORDER TO COMPLY WITH THIS PROVISION, EITHER PARTY MAY COMMENCE A JUDICIAL OR ARBITRATION PROCEEDING BEFORE A RELATED MEDIATION PROCEEDING IS DECLARED COMPLETED.

20. SEVERABILITY AND CONSTRUCTION

(a) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, Franchisor and Regional Developer agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

(b) If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or action required by the law or rule will be substituted for the comparable provisions of this Agreement, and Franchisor may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Regional Developer agrees to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

(c) All references in this Agreement to "Regional Developer" shall be deemed to include, personally and individually, the Regional Developer, if Regional Developer is an individual, all signatories hereto on behalf of Regional Developer, and their successors, assigns, and legal representatives; and all acknowledgments, promises, covenants, agreements and obligations herein made

or undertaken by Regional Developer shall be deemed jointly and severally undertaken by them.

(d) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

(e) The headings and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each paragraph of this Agreement shall be construed independently of any other paragraph or provision of this Agreement.

21. ACKNOWLEDGMENTS

Regional Developer hereby acknowledges the following:

(a) REGIONAL DEVELOPER HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND UNDERSTANDS AND ACKNOWLEDGES THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON THE BUSINESS ABILITIES AND PARTICIPATION OF REGIONAL DEVELOPER AND ITS EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND REGIONAL DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

(b) REGIONAL DEVELOPER HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY FRANCHISOR OR ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, AGENTS OR SERVANTS, ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE DOCUMENTS INCORPORATED HEREIN. REGIONAL DEVELOPER REPRESENTS, AS AN INDUCEMENT TO FRANCHISOR'S ENTRY INTO THIS AGREEMENT, THAT IT HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

(c) REGIONAL DEVELOPER ACKNOWLEDGES THAT FRANCHISOR OR ITS AGENT HAS PROVIDED REGIONAL DEVELOPER WITH A DISCLOSURE DOCUMENT NOT LATER THAN THE FOURTEEN (14) CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT, OR ANY PAYMENT OF ANY CONSIDERATION. REGIONAL DEVELOPER FURTHER ACKNOWLEDGES THAT REGIONAL DEVELOPER HAS READ SUCH DISCLOSURE DOCUMENT AND UNDERSTANDS ITS CONTENTS.

(d) REGIONAL DEVELOPER ACKNOWLEDGES THAT IT HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH ITS OWN ATTORNEYS, ACCOUNTANTS AND OTHER ADVISORS AND THAT THE ATTORNEYS FOR FRANCHISOR HAVE NOT ADVISED OR REPRESENTED REGIONAL DEVELOPER WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP THEREBY CREATED.

(e) REGIONAL DEVELOPER, TOGETHER WITH ITS ADVISERS, HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE FRANCHISE.

(f) REGIONAL DEVELOPER IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE REGIONAL DEVELOPERS OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT(S), AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS REGIONAL DEVELOPERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

(g) REGIONAL DEVELOPER ACKNOWLEDGES THAT THIS INSTRUMENT CONSTITUTES THE ENTIRE AGREEMENT OF THE PARTIES. THIS AGREEMENT TERMINATES AND SUPERSEDES ANY PRIOR AGREEMENT BETWEEN THE PARTIES CONCERNING THE SAME SUBJECT MATTER. NOTHING IN THIS AGREEMENT OR ANY RELATED AGREEMENTS HAS THE EFFECT OF DISCLAIMING ANY INFORMATION PROVIDED IN THE DISCLOSURE DOCUMENT.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.

FRANCHISOR:

Creative Colors International, Inc.

By: _____
Its: _____

REGIONAL DEVELOPER:

By: _____
Its: _____

ATTACHMENT 1 TO THE
CREATIVE COLORS INTERNATIONAL, INC.
REGIONAL DEVELOPMENT AGREEMENT

REGIONAL DEVELOPMENT SCHEDULE

1. DEVELOPMENT SCHEDULE AND QUOTA

Regional Developer shall meet the following Development Quota by the last day of each sales quarter during the term of the Regional Development Agreement:

Year	Quarter	Quota (opened & operat	Cumulative
2012	4 th Quarter		
2013	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2014	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2015	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2016	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2017	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2018	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2019	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2020	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		

2021	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2022	1 st Quarter		
	2 nd Quarter		
	3 rd Quarter		
	4 th Quarter		
2023	1 st Quarter		

Calculation of Regional Development Fee:

The Regional Development Fee is calculated at five and one-half cents (5 ½¢) per people population in the Granted Territory.

ATTACHMENT 2 TO THE
CREATIVE COLORS INTERNATIONAL, INC.
REGIONAL DEVELOPMENT AGREEMENT

GRANTED TERRITORY

The Granted Territory of Regional Developer is described as follows:

The parties agree that the people population of the Granted Territory described above is _____.

Based on the formula of five and one-half cents (5 ½¢) per people population in the Granted Territory, the Regional Development Fee is \$_____.

ATTACHMENT 3 TO THE
CREATIVE COLORS INTERNATIONAL, INC.
REGIONAL DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF
REGIONAL DEVELOPER'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("GUARANTY") IS GIVEN
THIS ____ day of _____, 20____, by _____

(the "Guarantors").

In consideration of, and as an inducement to, the execution of that certain Regional Development Agreement of even date (the "Agreement") by CREATIVE COLORS INTERNATIONAL, INC. (the "Franchisor"), and _____ ("Regional Developer"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Regional Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he or she may have to require that an action be brought against Regional Developer or any other person as a condition of liability. Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Regional Developer fails or refuses to punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Regional Developer or any other person; (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Regional Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement; and (5) Guarantor is bound by the restrictive covenants, confidentiality provisions, indemnification provisions contained in the Agreement.

Each of the undersigned Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Guarantor hereby consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Regional Developer and the other owners of Regional Developer;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Regional Developer fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Regional Developer or any assignee or successor of Regional Developer or by any abandonment of the Agreement by a trustee of Regional Developer. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Regional Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Regional Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Regional Developer. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under Paragraph 18 of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Paragraph 18 of the Agreement in accordance with its terms.

[Signature page follows]

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

GUARANTOR(S):

Signature

Printed Name: _____

Signature

Printed Name: _____

Signature

Printed Name: _____

Signature

Printed Name: _____

Signature

Printed Name: _____

Signature

Printed Name: _____

EXHIBIT H
FINANCIAL STATEMENTS

**Creative Colors International, Inc.
and Affiliate**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2013, 2012 and 2011

Prepared By:

HEARNE & ASSOCIATES, P.C.

Certified Public Accountants &
Business Consultants

Creative Colors International, Inc. and Affiliate

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements	
Consolidated Balance Sheets for December 31, 2013, 2012 and 2011	3-4
Consolidated Statements of Operations and Retained Earnings (Accumulated Deficit) for the Years Ended December 31, 2013, 2012 and 2011	5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011	6
Notes to the Consolidated Financial Statements	7 - 16
Supplementary Information	
Consolidating Balance Sheet - December 31, 2013	17 - 18
Consolidating Balance Sheet - December 31, 2012	19 - 20
Consolidating Balance Sheet - December 31, 2011	21 - 22
Consolidating Schedule of Operations and Retained Earnings (Accumulated Deficit) for the Year Ended December 31, 2013	23
Consolidating Schedule of Operations and Retained Earnings (Accumulated Deficit) for the Year Ended December 31, 2012	24
Consolidating Schedule of Operations and Retained Earnings (Accumulated Deficit) for the Year Ended December 31, 2011	25

David J. Hearne, Jr., CPA (Ret.)
Phillip M. Hearne, CPA
Tamar L. Doerter, CPA, J/V A

Anthony M. Scott, CPA
John C. Williams, CPA, MST
Matthew B. Truseklo
Errika R. Wysocki

Independent Auditors' Report

To the Board of Directors
Creative Colors International, Inc. and Affiliate
Mokena, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Creative Colors International, Inc. and Affiliate which comprise the consolidated balance sheets as of December 31, 2013, 2012 and 2011, and the related consolidated statements of operations and retained earnings (accumulated deficit) and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Creative Colors International, Inc. and Affiliate as of December 31, 2013, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accepted accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole for the years ending December 31, 2013, 2012 and 2011. The supplementary information listed in the table of contents for the years ending December 31, 2013, 2012 and 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



Hearne & Associates, P.C.

Mokena, Illinois

March 21, 2014

Creative Colors International, Inc. and Affiliate

Consolidated Balance Sheets
December 31, 2013, 2012 and 2011

	<u>ASSETS</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash	\$ 81,564	\$ 92,339	\$ 47,905
Accounts Receivable			
Franchisees (net of allowance) (Note 3)	97,610	99,627	112,268
Company Stores	49,046	56,159	49,025
Affiliates	-	2,245	8,699
Other	8,530	10,205	2,519
Restricted Cash - Marketing Fund (Note 17)	116,492	107,424	78,318
Notes Receivable - Franchises	1,334	13,985	6,102
Inventory	126,792	124,417	109,094
Prepaid Expenses	52,042	14,652	15,030
Total Current Assets	<u>\$ 533,410</u>	<u>\$ 521,053</u>	<u>\$ 428,960</u>
 PROPERTY AND EQUIPMENT AT NET BOOK VALUE			
Land	\$ 38,920	\$ 38,920	\$ 38,920
Building	420,761	433,172	447,072
Office Furniture & Equipment	23,310	35,238	46,243
Vehicles	128,899	111,100	106,488
Furniture & Fixtures	-	-	608
Leasehold Improvements	22,529	24,051	25,578
Net Property & Equipment (Note 4)	<u>\$ 634,419</u>	<u>\$ 642,481</u>	<u>\$ 664,909</u>
 OTHER ASSETS			
Other Assets	<u>\$ 17,829</u>	<u>\$ 5,909</u>	<u>\$ 448</u>
 TOTAL ASSETS	 <u>\$ 1,185,658</u>	 <u>\$ 1,169,443</u>	 <u>\$ 1,094,317</u>

Creative Colors International, Inc. and Affiliate

Consolidated Balance Sheets
December 31, 2013, 2012 and 2011

	<u>LIABILITIES AND EQUITY</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES			
Accounts Payable			
Trade	\$ 64,739	\$ 79,689	\$ 73,520
Franchisees Marketing Fund (Note 17)	140,243	126,939	103,453
Accrued Liabilities	47,550	38,127	36,067
Current Obligations Under Capital Leases (Note 11)	26,259	13,051	11,973
Current Portion of Unearned Franchise Fee Revenue (Note 8)	31,261	27,053	33,464
Current Portion of Notes Payable (Note 6)	68,379	68,053	18,663
Current Portion of Mortgage Payable (Note 7)	12,483	9,202	9,202
Total Current Liabilities	<u>\$ 390,914</u>	<u>\$ 362,114</u>	<u>\$ 286,342</u>
LONG-TERM LIABILITIES			
Line of Credit (Note 5)	\$ 25,527	\$ 11,147	\$ 218,311
Due to Related Party (Note 15)	24,150	24,150	24,150
Due to Stockholders	12,282	18,151	32,303
Obligations Under Capital Leases, Less Current Portion (Note 11)	37,280	22,685	28,448
Unearned Franchise Fee Revenue Less Current Portion (Note 8)	148,543	100,366	120,005
Notes Payable Less Current Portion (Note 6)	114,436	181,855	55,740
Mortgage Payable Less Current Portion (Note 7)	380,209	377,856	387,037
Total Long-Term Liabilities	<u>\$ 742,427</u>	<u>\$ 736,210</u>	<u>\$ 865,994</u>
TOTAL LIABILITIES	<u>\$ 1,133,341</u>	<u>\$ 1,098,324</u>	<u>\$ 1,152,336</u>
STOCKHOLDER'S EQUITY			
Common stock, no par value, 1,000 shares authorized, 100 shares issued and outstanding	\$ 5,000	\$ 5,000	\$ 5,000
Retained Earnings (Accumulated Deficit)	47,317	66,119	(63,019)
Total Stockholder's Equity	<u>\$ 52,317</u>	<u>\$ 71,119</u>	<u>\$ (58,019)</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,185,658</u>	<u>\$ 1,169,443</u>	<u>\$ 1,094,317</u>

Creative Colors International, Inc. and Affiliate

Consolidated Statements of Operations and Retained Earnings (Accumulated Deficit)
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
INCOME			
Franchise Fees	\$ 44,500	\$ 51,550	\$ 37,631
Royalties from Franchisees	474,494	473,552	397,749
Sales of Supplies	375,724	341,712	288,961
Company Stores	805,580	726,540	628,106
Other Sales	27,708	18,750	4,875
Rental Income	15,645	13,809	16,090
Total Income	\$ 1,743,651	\$ 1,625,913	\$ 1,373,412
OPERATING COSTS AND EXPENSES			
Stores	\$ 532,639	\$ 464,388	\$ 415,722
Non-Stores	248,847	227,864	171,999
General and Administrative Expenses	868,872	777,917	772,619
Total Operating Costs and Expenses	\$ 1,650,358	\$ 1,470,169	\$ 1,360,340
OPERATING INCOME (LOSS)	\$ 93,293	\$ 155,744	\$ 13,072
OTHER INCOME AND (EXPENSES)			
Interest Income	\$ 3,237	\$ 7,818	\$ 12,317
Interest Expense	(43,473)	(42,336)	(43,360)
Other Income	(2,335)	16,774	20,555
Gain/(Loss) on Sale of Asset	(3,251)	(3,220)	5,500
Vehicle Lease Income	60,706	61,985	63,287
Vehicle Lease Expense	(55,953)	(57,606)	(62,821)
Total Other Income (Expense)	\$ (41,069)	\$ (16,585)	\$ (4,522)
NET INCOME (LOSS) BEFORE TAXES	\$ 52,224	\$ 139,159	\$ 8,550
PROVISION FOR INCOME TAX			
Current	(744)	-	-
NET INCOME (LOSS)	\$ 51,480	\$ 139,159	\$ 8,550
Retained Earnings (Accumulated Deficit), Beginning	66,119	(63,019)	(61,559)
Distributions to Shareholders / Members	(70,282)	(10,021)	(10,010)
Retained Earnings (Accumulated Deficit), Ending	\$ 47,317	\$ 66,119	\$ (63,019)

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	\$ 51,480	\$ 139,159	\$ 8,550
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	63,078	57,339	67,664
Loss (Gain) On Disposition of Property and Equipment	3,251	3,220	(5,500)
Changes in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	13,050	726	8,822
Decrease (Increase) in Notes Receivable	12,651	(7,883)	9,120
Decrease (Increase) in Inventory	(2,375)	(15,323)	(6,666)
Decrease (Increase) in Prepaid Expenses	(37,390)	378	(2,412)
Decrease (Increase) in Other Assets	(11,920)	(5,461)	-
Increase (Decrease) in Accounts Payable	(1,646)	33,204	33,826
Increase (Decrease) in Accrued Liabilities	9,423	2,060	7,608
Increase (Decrease) in Unearned Franchise Fee Revenue	4,208	(6,411)	(3,667)
Net Cash Provided (Used) in Operating Activities	<u>\$ 103,810</u>	<u>\$ 201,008</u>	<u>\$ 117,345</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds From Disposition of Property and Equipment	\$ 1,250	\$ 34,039	\$ 9,050
Purchases of Property and Equipment	(59,517)	(72,170)	(94,768)
Increase (Decrease) in Long-Term Unearned Franchise Fee Revenue	48,177	(19,639)	(18,965)
Net Cash Provided (Used) in Investing Activities	<u>\$ (10,090)</u>	<u>\$ (57,770)</u>	<u>\$ (104,683)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances From (Payments to) Stockholders	\$ (5,869)	\$ (14,152)	\$ (3,867)
Distributions to Stockholders - Dividends	(70,282)	(10,021)	(10,010)
Proceeds From Line of Credit	22,335	4,239	49,452
Payments on Line of Credit	(7,955)	(211,403)	(54,730)
Proceeds from Refinanced Mortgage Payable	405,000	-	-
Payoff of Prior Mortgage Payable	(387,058)	-	-
Payments on Mortgage Payable	(12,308)	(9,181)	(8,647)
Proceeds From Long-Term Debt	48,510	222,908	91,375
Payments on Long-Term Debt	(87,800)	(52,088)	(49,169)
Net Cash Provided (Used) in Financing Activities	<u>\$ (95,427)</u>	<u>\$ (69,698)</u>	<u>\$ 14,404</u>
NET INCREASE (DECREASE) IN CASH	\$ (1,707)	\$ 73,540	\$ 27,066
CASH, BEGINNING OF YEAR	199,763	126,223	99,157
CASH, END OF YEAR	<u>\$ 198,056</u>	<u>\$ 199,763</u>	<u>\$ 126,223</u>
SUPPLEMENTAL DISCLOSURES:			
Interest Paid	\$ 43,011	\$ 41,447	\$ 43,603
Income Taxes Paid	\$ -	\$ -	\$ -
Noncash Investing and Financing Transactions:			

During the years ended December 31, 2013, 2012 and 2011, the Company acquired equipment and vehicles through capital leases with a total cost of \$ 49,422, \$ 7,835, and \$ 43,743, respectively.

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

1. Summary of Significant Accounting Policies

Nature of Operations

Creative Colors International, Inc. (the Company), an Illinois corporation, offers franchises throughout North America for the establishment, development, and operation of a mobile operated business specializing in repairing, coloring, cleaning, and restoration of leather, cloth, vinyl, velour, and plastics, primarily to commercial customers. The Company began company-operated stores in 1999. At December 31, 2013, the Company had a total of 43 stores consisting of 40 franchisee locations, 2 company-operated stores, and 1 affiliate owned location.

Consolidation of Variable Interest Entities

In December 2003, the FASB revised the standard for consolidation of variable interest entities, which requires that a company that holds variable interests in an entity, consolidate the entity if the company's interest in the variable interest entity is such that the company will absorb a majority of the variable interest entity's losses and/or receive a majority of the variable interest entity's expected residual returns, if they occur. In such cases, the company is the primary beneficiary of the variable interest entity. Additional disclosures by primary beneficiaries and other significant variable interest holders are also required.

The Company is the primary beneficiary of Creative Properties of Illinois, LLC (CPI) and as such, has consolidated their activity for purposes of generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and CPI. CPI leases land and a building to the Company and an affiliated franchise that they use to conduct business. CPI is a variable interest entity and the Company has no direct ownership interest in it. The Company is the primary beneficiary of CPI under generally accepted accounting principles; therefore, the Company consolidates the results of CPI's operations and eliminates all material intercompany transactions. Consolidated assets with a carrying value of \$ 470,064, consisting of land and a building, are collateral for CPI's obligations. The Company, along with CPI's stockholders and a related entity, are guarantors for CPI's mortgage payable.

Variable Interest Entity

CPI is a partnership owned by the Company's former majority stockholder, all current stockholders and additional investors. CPI leases land and a building to the Company and an affiliated franchise.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

1. Summary of Significant Accounting Policies (con't)

Accounts Receivable

During 2011, due to possible losses from accounts receivable, the Company has established an allowance for doubtful accounts. Prior to 2011, Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method in prior years was not materially different from the results that would have been obtained had the allowance method been followed.

Inventory

Inventory consists of supplies used by franchises and is stated at the lower of cost or market using procedures which approximate the first-in, first-out method of inventory valuation.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over 3-10 years for office fixtures and equipment, 5 years for vehicles, 3-4 years for capitalized leases and 5-39 years for the building. Depreciation is computed using the straight-line and 150% declining balance methods over 15-40 years for leasehold improvements. Depreciation is computed using the 200% declining balance method over 7 years for furniture and fixtures. The accelerated depreciation methods are also used for tax purposes. Management believes this method best reflects the useful lives of these assets.

Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to operations.

Revenue Recognition

Revenue from the sales of franchises is recognized ratably over the term of the initial franchise agreement. When a franchise is sold, the Company agrees to provide certain services to the franchise. The Company expects to provide significant services approximately equal to the deferred franchise fees at December 31, 2013. The number of franchises sold during the years ended December 31, 2013, 2012 and 2011 was 1, 1 and 1, respectively. Initial franchise and transfer fees received during the years ended December 31, 2013, 2012 and 2011 were \$ 39,500, \$ 29,500, and \$ 10,000, respectively. The number of franchises terminated during the years ended December 31, 2013, 2012 and 2011 were 0, 1, and 0, respectively. Income from franchises terminated during the years ended December 31, 2013, 2012 and 2011 was \$ 0, \$ 16,608, and \$ 0, respectively. There were no franchises acquired during the years ended December 31, 2013, 2012 or 2011.

Revenue from company stores is recognized in the period during which the services are provided. Royalties are recognized in the same period that related franchise store revenue is generated. Revenue from sales or supplies sold to franchisees is recognized upon the date of shipment.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income nor is it allowed a net operating loss carryover or carryback as a deduction. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income or include their respective shares of the Company's net operating loss in their individual income tax returns.

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

1. Summary of Significant Accounting Policies (con't)

Income Taxes (con't)

No provision has been made for federal or state income taxes for CPI since these taxes are the personal responsibility of its partners. Provision has been made for state replacement taxes payable in the amounts of \$ 744, \$2,035 and \$265 for the years ended December 31, 2013, 2012 and 2011, respectively.

Cash

Cash includes amounts available for operations. For purposes of the statement of cash flows, cash includes amounts on hand and on deposit at financial institutions. Restricted cash is for amounts received for the CCI Marketing Fund. See Note 17 for further information regarding the CCI Marketing Fund.

Reclassifications

Certain amounts from prior-year financial statements have been reclassified for comparative purposes to conform with presentation in the current-year financial statements.

2. Concentration of Credit Risk

The Company maintains the majority of its cash at a single financial institution. Non-interest bearing transaction accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC). All other deposit accounts at FDIC-insured institutions are insured up to \$ 250,000. As of December 31, 2013, 2012 and 2011, the Company has no uninsured cash balances.

3. Allowance for Doubtful Accounts

The Company has established an allowance for doubtful accounts to offset possible future losses of its accounts receivable. The balance of this account as of December, 31, 2013, 2012 and 2011 is \$ 11,500, \$4,775 and \$18,500, respectively.

4. Property and Equipment

Property, plant and equipment of the Company's and CPI's property and equipment as of December 31 were as follows:

	2013	2012	2011
Land	\$ 38,920	\$ 38,920	\$ 38,920
Building	549,906	549,906	531,683
Office Furniture and Equipment	182,012	210,460	212,840
Vehicles	286,310	252,018	243,119
Furniture and Fixtures	12,126	12,126	12,126
Leasehold Improvements	17,473	16,344	36,595
	<u>\$ 1,086,747</u>	<u>\$ 1,079,774</u>	<u>\$ 1,075,283</u>
Less Accumulated Depreciation	452,328	437,293	410,374
Net Book Value	<u>\$ 634,419</u>	<u>\$ 642,481</u>	<u>\$ 664,909</u>

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was \$ 63,078, \$ 57,339, and \$ 67,664, respectively.

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

5. Line of Credit

Since the lines of credit are not expected to be paid in the next year, they have been classified as long-term. The lines of credit at December 31 consisted of the following:

	2013	2012	2011
Unsecured line-of-credit with Bank of America was entered into on June 25, 2003 bearing interest at the bank's prime commercial rate and due on demand. The maximum amount available under this agreement is \$ 50,000. The line-of-credit is guaranteed by stockholders. This line of credit was terminated by the bank during 2010 and replaced with a variable rate unsecured credit card debt with a \$ 25,000 maximum available credit.	\$ 10,023	\$ 11,147	\$ 12,416
Unsecured credit card debt with Advanta Bank, variable rate with a \$41,500 maximum available credit.	15,504		
Secured line-of-credit with Charter One Bank was entered into on March 10, 2006 bearing interest at 3.25% for December 31, 2011. Interest was due monthly. The line-of-credit was secured by all business assets and due on demand. The maximum amount available under this agreement has been modified on December 31, 2012 and is \$125,000. Prior to this modification, the maximum available was \$ 250,000. The line-of-credit is guaranteed by stockholders.	-	-	205,895
Total	\$ 25,527	\$ 11,147	\$ 218,311

6. Notes Payable

Notes payable at December 31 consisted of the following:

	2013	2012	2011
0 % Note Payable for vehicle expiring in March 2015, payable in monthly installments of \$ 747.	\$ -	\$ -	\$ 29,117
0 % Note Payable for vehicle expiring in July 2016, payable in monthly installments of \$ 809.	25,069	35,582	-
0 % Note Payable for vehicle expiring in December 2018, payable in monthly installments of \$ 709	41,467	50,326	-
5 % Note Payable for secured by personal property expiring March 2016 payable in monthly installments of \$ 4,570	116,279	164,000	-
Total	\$ 182,815	\$ 249,908	\$ 29,117

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

6. Notes Payable (con't)

Maturities of notes payable are as follows:

Year Ended December 31,	
2014	\$ 68,379
2015	70,945
2016	27,560
2017	8,512
2018	7,419
Total	\$ 182,815

7. Mortgage Payable

Mortgage payable at December 31 consisted of the following:

	2013	2012	2011
<p>On January 8, 2013, CPI refinanced a mortgage payable to Harris Bank with a loan from Charter One Bank in the amount of \$ 405,000 maturity date of January 8, 2023, interest at 4.0%, monthly payments of \$2,466 and collateralized by the building at 19015 South Jodi Road, Suite E, Mokena, IL. The note is guaranteed by the Company and other related parties.</p>	\$ 392,692	\$ -	\$ -
<p>On May 25, 2007, CPI obtained a mortgage loan payable to Harris Bank with a maturity date of May 25, 2017, interest at 6.75% and collateralized by the building at 19015 South Jodi Road, Suite E, Mokena, IL. The note is guaranteed by the Company and other related parties.</p>	\$ -	\$ 387,058	\$ 396,239

Maturities of the Mortgage Payable is as follows:

Year Ended December 31,	
2014	\$ 12,483
2015	14,725
2016	15,325
2017	15,949
2018	16,599
2019 and thereafter	317,611
Total	\$ 392,692

8. Unearned Franchise Fee Revenue

Revenue from the sales of franchises is recognized over the ten year term of the initial franchise agreement.

The estimated future franchise fees earned from initial franchise agreements in effect as of December 31, 2013 are as follows:

<u>Year Ended December 31,</u>	
2014	\$ 31,261
2015	28,484
2016	24,584
2017	22,434
2018	21,117
2019 and thereafter	51,924
Total	<u>\$ 179,804</u>

9. Advertising Costs

The Company expenses non-direct response advertising costs as they are incurred. Non-direct costs amounted to \$26,101, \$ 29,186 and \$ 48,455 for the years ended December 31, 2013, 2012 and 2011, respectively. No direct response advertising costs were incurred.

10. Bad Debt Expense

The Company recognized bad debt expense of \$ 15,366, \$ 19,532 and \$ 20,949 for the years ended December 31, 2013, 2012 and 2011, respectively. During 2011, the Company recovered \$ 3,500 in previously written off bad debts.

11. Capital Leases

Capital leases at December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
8.625% capitalized vehicle lease (unit BL28K7) expiring in June 2015, payable in monthly installments of \$ 529, including interest	\$ 8,931	\$ 14,298	\$ 19,238
9.12% capitalized vehicle lease (unit BL28K8) expiring in June 2015, payable in monthly installments of \$ 526, including interest	8,851	14,151	19,015
13.4375% capitalized equipment expiring January 2015, payable in monthly installments of \$ 268 and a final balloon payment of \$ 2,202, including interest	4,903	7,287	-
4.5625% capitalized vehicle lease (unit BL68Y1) expiring March, 2017, payable in monthly installments of \$ 565, including interest	20,427	-	-
4.5625% capitalized vehicle lease (unit BL68Y2) expiring March, 2017, payable in monthly installments of \$ 565, including interest	20,427	-	-
Present value of net minimum lease payments	<u>\$ 63,539</u>	<u>\$ 35,736</u>	<u>\$ 38,253</u>
Less Current Portion	<u>(26,259)</u>	<u>(13,051)</u>	<u>(11,973)</u>
Obligations under capital lease, net of current portion	<u>\$ 37,280</u>	<u>\$ 22,685</u>	<u>\$ 26,280</u>

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

11. Capital Leases (con't)

The Company leases vehicles and computer equipment under capital leases. The economic substance of these leases is that the Company is financing the acquisition of the vehicles and computer equipment through the leases and accordingly, the vehicles and computer equipment are recorded as assets and the leases are recorded as liabilities.

The Company subleases vehicles to certain franchisees and affiliates. The vehicle lease income and related expenses for the subleased vehicles are included as part of other income (expense) on the statements of income and retained earnings.

The following is an analysis of the leased assets included in property and equipment:

	2013	2012	2011
Vehicles under capital leases	\$ 93,166	\$ 162,300	\$ 159,210
Computer equipment under capital leases	-	6,927	6,927
Subtotal	\$ 93,166	\$ 169,227	\$ 166,137
Less Accumulated Depreciation	29,285	131,989	119,546
Net Book Value	<u>\$ 63,881</u>	<u>\$ 37,238</u>	<u>\$ 46,591</u>

Long-term obligations under capital leases as of December 31, 2013 mature as follows:

Year Ended December 31,	
2014	\$ 29,434
2015	22,084
2016	13,552
2017	3,388
Total minimum lease payments	\$ 68,458
Less amount representing interest	(5,099)
Present value of net minimum lease payments	<u>\$ 63,359</u>

12. Vehicle Subleases

The Company subleases vehicles to certain franchisees and affiliates. The vehicle lease income and related expenses for the subleased vehicles are included as part of other income (expense) on the statements of income and retained earnings. Income from subleases totaled \$ 60,706, \$ 61,985 and \$ 63,287 for the years ended December 31, 2013, 2012 and 2011, respectively. Expenses related to subleases totaled \$ 55,953, \$ 57,606 and \$ 62,821 for the years ended December 31, 2013, 2012 and 2011, respectively.

13. Lease Obligation and Rental Expense

The Company leases its corporate office and warehouse under a lease agreement commencing October 2, 2005 from CPI. The Company renewed the lease in January 2009 with an initial monthly rental of \$ 4,038 and termination date of November 1, 2019. The lease calls for 3% increases on October 1st of each year. Rental expenses on the lease for the years ended December 31, 2013, 2012 and 2011 were \$ 54,811, \$ 53,215, and \$ 51,793, respectively.

The estimated future minimum rental and lease obligation for the succeeding year under non-cancelable operating leases in effect as of December 31, 2013 are as follows:

<u>Year Ended December 31,</u>	
2014	\$ 56,456
2015	58,149
2016	59,894
2017	61,690
2018	63,541
2019	65,447
Total	<u>\$ 365,177</u>

14. Retirement Plan

As of January 1, 2011, the Company has adopted a 401(k) Plan for the exclusive benefit of its employees who qualify under the Plan's terms and conditions. The sources of the contributions to the plan are discretionary company contributions, discretionary matching contributions and salary deferral contributions. Participants in the Plan are vested over a 6 year period. The Company made total contributions to the plan for the years ended December 31, 2013, 2012 and 2011 of \$9,502, \$ 8,750 and \$8,372, respectively.

15. Related Party Transactions

In addition to CPI, the Company is affiliated with two franchises through common ownership (three of the four stockholders in the Company). These franchises (Affiliates) conduct business in a manner similar to that of noncompany-operated franchises, with the exception that they are not required to pay royalties or franchise fees.

Following is a summary of balances and transactions with Affiliates as of and for the years ended December 31:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Sale of Supplies	\$ 96,117	\$ 80,635	\$ 82,959
Vehicle Lease Income	48,923	37,122	30,219
Receivables (included in accounts receivable: affiliates in the accompanying balance sheets)	8,745	4,462	-

The Company purchased supplies from a related party in prior years. The amounts due at December 31, 2013, 2012 and 2011 were \$ 24,150 for each year.

The Company has amounts due to stockholders for the years ended December 31, 2013, 2012 and 2011 of \$ 12,282, \$ 18,151 and \$32,303, respectively.

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

16. CCI Marketing Fund

In April 2001, the Company created the CCI Marketing Fund which provides for the establishment of a marketing plan. Contributions to the plan are made by the franchisees, the Company and the affiliate. Consistent with generally accepted accounting principles, the activity for the CCI Marketing funds is accounted for separately and is not included in the financial statements of the Company because the Company acts as an agent for paying the expenses incurred in connection with the CCI Marketing Plan. Contributions exceeded expenditures to the fund for the years ended December 31, 2013, 2012, and 2011 by \$ 20,736, \$ 51,971 and \$ 40,530, respectively.

The company administers the CCI Marketing Fund. In this capacity, it receives the funds and processes the payouts for the fund. The company considers the cash received from the fund as a restricted asset which is offset by a related liability - Franchisees Marketing Fund. Amounts paid out by the Company for the fund are considered accounts receivable from the marketing fund. As of December 31st the following balances related to the Marketing Fund have been included on the financial statements of the Company.

	2013	2012	2011
Restricted Cash	\$ 116,492	\$ 107,424	\$ 78,318
Accounts Receivable Marketing Fund	23,751	19,455	24,453
Franchisees Marketing Fund Liability	(140,243)	(126,879)	(102,771)
Net Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

17. Accounting for Uncertain Tax Positions

In its 2010 financial statements, the Company adopted the accounting standard regarding "Accounting for Uncertain Tax Positions". This accounting standard provides detailed guidance for financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Company files income tax returns in the U.S. Federal and State of Illinois jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for years before 2010. The adoption of this standard had no material effect on the Company's financial positions, results of operations or cash flows.

The Company includes penalties and interest assessed by income tax authorities in operating expenses. The Company did not have penalties and interest expenses for the years ended December 31, 2013, 2012 and 2011.

Creative Colors International, Inc. and Affiliate

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2013, 2012 and 2011

18. Revenue Reporting by Source

The Company operates as a Franchisor and operates several stores. Following is a breakdown of the revenue by source and the related percentages of total revenue.

	<u>December 31, 2013</u>	<u>Amount</u>	<u>Percentage</u>
INCOME			
Franchise Fees		\$ 44,500	2.6%
Royalties		474,494	27.2%
Sales of Supplies		375,724	21.5%
Company Stores		805,580	46.2%
Other Sales		27,708	1.6%
Rental Income		15,645	0.9%
Total Income		<u>\$ 1,743,651</u>	<u>100.0%</u>

	<u>December 31, 2012</u>	<u>Amount</u>	<u>Percentage</u>
INCOME			
Franchise Fees		\$ 51,550	3.2%
Royalties		473,552	29.1%
Sales of Supplies		341,712	21.0%
Company Stores		726,540	44.7%
Other Sales		18,750	1.2%
Rental Income		13,809	0.8%
Total Income		<u>\$ 1,625,913</u>	<u>100.0%</u>

	<u>December 31, 2011</u>	<u>Amount</u>	<u>Percentage</u>
INCOME			
Franchise Fees		\$ 37,631	2.7%
Royalties		397,749	29.0%
Sales of Supplies		288,961	21.0%
Company Stores		628,106	45.7%
Other Sales		4,875	0.4%
Rental Income		16,090	1.2%
Total Income		<u>\$ 1,373,412</u>	<u>100.0%</u>

19. Subsequent Events

Subsequent events were evaluated through March 21, 2014, which is the date the financial statements were available to be issued.

Supplementary Information

Creative Colors International, Inc. and Affiliate

Consolidating Balance Sheet

December 31, 2013

<u>ASSETS</u>	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
CURRENT ASSETS				
Cash	\$ 61,582	\$ 19,982	\$ -	\$ 81,564
Accounts Receivable				
Franchisees (net of allowance)	97,610	-	-	97,610
Company Stores	49,046	-	-	49,046
Affiliates	-	14,850	(14,850)	-
Other	8,530	-	-	8,530
Restricted Cash - Marketing Fund	116,492	-	-	116,492
Notes Receivable - Franchises	1,334	-	-	1,334
Inventory	126,792	-	-	126,792
Prepaid Expenses	52,042	-	-	52,042
Total Current Assets	<u>\$ 513,428</u>	<u>\$ 34,832</u>	<u>\$ (14,850)</u>	<u>\$ 533,410</u>
PROPERTY AND EQUIPMENT (at net book value)				
Land	\$ -	\$ 38,920	\$ -	\$ 38,920
Building	-	420,761	-	420,761
Office Furniture & Equipment	23,310	-	-	23,310
Vehicles	128,899	-	-	128,899
Leasehold Improvements	11,746	10,783	-	22,529
Net Property & Equipment	<u>\$ 163,955</u>	<u>\$ 470,464</u>	<u>\$ -</u>	<u>\$ 634,419</u>
OTHER ASSETS				
Other Assets	\$ 17,381	\$ 448	\$ -	\$ 17,829
TOTAL ASSETS	<u>\$ 694,764</u>	<u>\$ 505,744</u>	<u>\$ (14,850)</u>	<u>\$ 1,185,658</u>

Creative Colors International, Inc. and Affiliate

Consolidating Balance Sheet

December 31, 2013

<u>LIABILITIES AND EQUITY</u>	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts Payable				
Trade	\$ 79,589	\$ -	\$ (14,850)	\$ 64,739
Franchisees Marketing Fund	140,243	-	-	140,243
Accrued Liabilities	32,017	15,533	-	47,550
Current Obligations Under Capital Leases	26,259	-	-	26,259
Current Portion of Unearned Franchise Fee Revenue	31,261	-	-	31,261
Current Portion of Notes Payable	68,379	-	-	68,379
Current Portion of Mortgage Payable	-	12,483	-	12,483
Total Current Liabilities	<u>\$ 377,748</u>	<u>\$ 28,016</u>	<u>\$ (14,850)</u>	<u>\$ 390,914</u>
LONG-TERM LIABILITIES				
Line of Credit	\$ 25,527	\$ -	\$ -	\$ 25,527
Due to Related Party	24,150	-	-	24,150
Due to Stockholders	12,282	-	-	12,282
Obligations Under Capital Leases, Less Current Portion	37,280	-	-	37,280
Unearned Franchise Fee Revenue Less Current Portion	148,543	-	-	148,543
Notes Payable Less Current Portion	114,436	-	-	114,436
Mortgage Payable Less Current Portion	-	380,209	-	380,209
Total Other Liabilities	<u>\$ 362,218</u>	<u>\$ 380,209</u>	<u>\$ -</u>	<u>\$ 742,427</u>
OWNER'S EQUITY				
Common stock, no par value, 1,000 shares authorized, 100 shares issued and outstanding	\$ 5,000	\$ -	\$ -	\$ 5,000
Retained Earnings (Accumulated Deficit)	(50,202)	97,519	-	47,317
Total Owner's Equity	<u>\$ (45,202)</u>	<u>\$ 97,519</u>	<u>\$ -</u>	<u>\$ 52,317</u>
TOTAL LIABILITIES AND OWNER'S EQUITY	<u>\$ 694,764</u>	<u>\$ 505,744</u>	<u>\$ (14,850)</u>	<u>\$ 1,185,658</u>

Creative Colors International, Inc. and Affiliate

Consolidating Balance Sheet

December 31, 2012

<u>ASSETS</u>	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
CURRENT ASSETS				
Cash	\$ 76,637	\$ 15,702	\$ -	\$ 92,339
Accounts Receivable				
Franchisees (net of allowance)	99,627	-	-	99,627
Company Stores	56,159	-	-	56,159
Affiliates	2,245	3,549	(3,549)	2,245
Other	10,205	-	-	10,205
Restricted Cash - Marketing Fund	107,424	-	-	107,424
Notes Receivable - Franchises	13,985	-	-	13,985
Inventory	124,417	-	-	124,417
Prepaid Expenses	14,652	-	-	14,652
Total Current Assets	<u>\$ 505,351</u>	<u>\$ 19,251</u>	<u>\$ (3,549)</u>	<u>\$ 521,053</u>
PROPERTY AND EQUIPMENT (at net book value)				
Land	\$ -	\$ 38,920	\$ -	\$ 38,920
Building	-	433,172	-	433,172
Office Furniture & Equipment	35,238	-	-	35,238
Vehicles	111,100	-	-	111,100
Leasehold Improvements	12,122	11,929	-	24,051
Net Property & Equipment	<u>\$ 158,460</u>	<u>\$ 484,021</u>	<u>\$ -</u>	<u>\$ 642,481</u>
OTHER ASSETS				
Other Assets	\$ 2,962	\$ 2,947	\$ -	\$ 5,909
TOTAL ASSETS	<u><u>\$ 666,773</u></u>	<u><u>\$ 506,219</u></u>	<u><u>\$ (3,549)</u></u>	<u><u>\$ 1,169,443</u></u>

Creative Colors International, Inc. and Affiliate

Consolidating Balance Sheet

December 31, 2012

<u>LIABILITIES AND EQUITY</u>	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts Payable				
Trade	\$ 83,238	\$ -	\$ (3,549)	\$ 79,689
Franchisees Marketing Fund	126,939	-	-	126,939
Accrued Liabilities	23,971	14,156	-	38,127
Current Obligations Under Capital Leases	13,051	-	-	13,051
Current Portion of Unearned Franchise Fee Revenue	27,053	-	-	27,053
Current Portion of Notes Payable	68,053	-	-	68,053
Current Portion of Mortgage Payable	-	9,202	-	9,202
Total Current Liabilities	<u>\$ 342,305</u>	<u>\$ 23,358</u>	<u>\$ (3,549)</u>	<u>\$ 362,114</u>
LONG-TERM LIABILITIES				
Line of Credit	\$ 11,147	\$ -	\$ -	\$ 11,147
Due to Related Party	24,150	-	-	24,150
Due to Stockholders	18,151	-	-	18,151
Obligations Under Capital Leases, Less Current Portion	22,685	-	-	22,685
Unearned Franchise Fee Revenue Less Current Portion	100,366	-	-	100,366
Notes Payable Less Current Portion	181,855	-	-	181,855
Mortgage Payable Less Current Portion	-	377,856	-	377,856
Total Other Liabilities	<u>\$ 358,354</u>	<u>\$ 377,856</u>	<u>\$ -</u>	<u>\$ 736,210</u>
OWNER'S EQUITY				
Common stock, no par value, 1,000 shares authorized, 100 shares issued and outstanding	\$ 5,000	\$ -	\$ -	\$ 5,000
Retained Earnings (Accumulated Deficit)	(38,886)	105,005	-	66,119
Total Owner's Equity	<u>\$ (33,886)</u>	<u>\$ 105,005</u>	<u>\$ -</u>	<u>\$ 71,119</u>
TOTAL LIABILITIES AND OWNER'S EQUITY	<u><u>\$ 666,773</u></u>	<u><u>\$ 506,219</u></u>	<u><u>\$ (3,549)</u></u>	<u><u>\$ 1,169,443</u></u>

Creative Colors International, Inc. and Affiliate

Consolidating Balance Sheet

December 31, 2011

<u>ASSETS</u>	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
CURRENT ASSETS				
Cash	\$ 40,448	\$ 7,457	\$ -	\$ 47,905
Accounts Receivable				
Franchisees (net of allowance)	112,268	-	-	112,268
Company Stores	49,025	-	-	49,025
Affiliates	8,699	14,367	(14,367)	8,699
Other	2,519	-	-	2,519
Restricted Cash - Marketing Fund	78,318	-	-	78,318
Notes Receivable - Franchises	6,102	-	-	6,102
Inventory	109,094	-	-	109,094
Prepaid Expenses	15,030	-	-	15,030
Total Current Assets	<u>\$ 421,503</u>	<u>\$ 21,824</u>	<u>\$ (14,367)</u>	<u>\$ 428,960</u>
PROPERTY AND EQUIPMENT (at net book value)				
Land	\$ -	\$ 38,920	\$ -	\$ 38,920
Building	-	447,072	-	447,072
Office Furniture & Equipment	46,243	-	-	46,243
Vehicles	106,488	-	-	106,488
Furniture & Fixtures	-	608	-	608
Leasehold Improvements	12,498	13,080	-	25,578
Net Property & Equipment	<u>\$ 165,229</u>	<u>\$ 499,680</u>	<u>\$ -</u>	<u>\$ 664,909</u>
OTHER ASSETS				
Other Assets	\$ -	\$ 448	\$ -	\$ 448
Prepaid Expenses Less Current Portion	-	-	-	-
Total Other Assets	<u>\$ -</u>	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 448</u>
TOTAL ASSETS	<u>\$ 586,732</u>	<u>\$ 521,952</u>	<u>\$ (14,367)</u>	<u>\$ 1,094,317</u>

Creative Colors International, Inc. and Affiliate

Consolidating Balance Sheet

December 31, 2011

<u>LIABILITIES AND EQUITY</u>	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts Payable				
Trade	\$ 87,887	\$ -	\$ (14,367)	\$ 73,520
Franchisees Marketing Fund	103,453	-	-	103,453
Accrued Liabilities	22,480	13,587	-	36,067
Current Obligations Under Capital Leases	11,973	-	-	11,973
Current Portion of Unearned Franchise Fee Revenue	33,464	-	-	33,464
Current Portion of Notes Payable	18,663	-	-	18,663
Current Portion of Mortgage Payable	-	9,202	-	9,202
Total Current Liabilities	<u>\$ 277,920</u>	<u>\$ 22,789</u>	<u>\$ (14,367)</u>	<u>\$ 286,342</u>
LONG-TERM LIABILITIES				
Line of Credit	\$ 218,311	\$ -	\$ -	\$ 218,311
Due to Related Party	24,150	-	-	24,150
Due to Stockholders	32,303	-	-	32,303
Obligations Under Capital Leases, Less Current Portion	28,448	-	-	28,448
Unearned Franchise Fee Revenue Less Current Portion	120,005	-	-	120,005
Notes Payable Less Current Portion	55,740	-	-	55,740
Mortgage Payable Less Current Portion	-	387,037	-	387,037
Total Other Liabilities	<u>\$ 478,957</u>	<u>\$ 387,037</u>	<u>\$ -</u>	<u>\$ 865,994</u>
OWNER'S EQUITY				
Common stock, no par value, 1,000 shares authorized, 100 shares issued and outstanding	\$ 5,000	\$ -	\$ -	\$ 5,000
Retained Earnings (Accumulated Deficit)	(175,145)	112,126	-	(63,019)
Total Owner's Equity	<u>\$ (170,145)</u>	<u>\$ 112,126</u>	<u>\$ -</u>	<u>\$ (58,019)</u>
TOTAL LIABILITIES AND OWNER'S EQUITY	<u>\$ 586,732</u>	<u>\$ 521,952</u>	<u>\$ (14,367)</u>	<u>\$ 1,094,317</u>

Creative Colors International, Inc. and Affiliate
 Consolidating Schedule of Operations and Retained Earnings (Accumulated Deficit)
 For the Year Ended December 31, 2013

	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
INCOME				
Franchise Fees	\$ 44,500	\$ -	\$ -	\$ 44,500
Royalties from Franchisees	474,494	-	-	474,494
Sales of Supplies	375,724	-	-	375,724
Company Stores	805,580	-	-	805,580
Other Sales	27,708	-	-	27,708
Rental Income	-	70,456	(54,811)	15,645
Total Income	<u>\$ 1,728,006</u>	<u>\$ 70,456</u>	<u>\$ (54,811)</u>	<u>\$ 1,743,651</u>
OPERATING COSTS AND EXPENSES				
Stores	\$ 532,639	\$ -	\$ -	\$ 532,639
Non-Stores	248,847	-	-	248,847
General and Administrative Expenses	883,821	39,862	(54,811)	868,872
Total Operating Costs and Expenses	<u>\$ 1,665,307</u>	<u>\$ 39,862</u>	<u>\$ (54,811)</u>	<u>\$ 1,650,358</u>
OPERATING INCOME (LOSS)	<u>\$ 62,699</u>	<u>\$ 30,594</u>	<u>\$ -</u>	<u>\$ 93,293</u>
OTHER INCOME AND (EXPENSES)				
Interest Income	\$ 3,237	\$ -	\$ -	\$ 3,237
Interest Expense	(15,411)	(28,062)	-	(43,473)
Other Expenses	(2,335)	-	-	(2,335)
Gain/(Loss) on Sale of Asset	(3,251)	-	-	(3,251)
Vehicle Lease Income	60,706	-	-	60,706
Vehicle Lease Expense	(55,953)	-	-	(55,953)
Total Other Income (Expense)	<u>\$ (13,007)</u>	<u>\$ (28,062)</u>	<u>\$ -</u>	<u>\$ (41,069)</u>
NET INCOME (LOSS) BEFORE TAXES	<u>\$ 49,692</u>	<u>\$ 2,532</u>	<u>\$ -</u>	<u>\$ 52,224</u>
PROVISION FOR INCOME TAX				
Current	(744)	-	-	(744)
NET INCOME (LOSS)	<u>\$ 48,948</u>	<u>\$ 2,532</u>	<u>\$ -</u>	<u>\$ 51,480</u>
Retained Earnings (Accumulated Deficit), Beginning	(38,886)	105,005	-	66,119
Capital Contributions	-	-	-	-
Distributions to Members	(60,264)	(10,018)	-	(70,282)
Retained Earnings (Accumulated Deficit), Ending	<u>\$ (50,202)</u>	<u>\$ 97,519</u>	<u>\$ -</u>	<u>\$ 47,317</u>

Creative Colors International, Inc. and Affiliate
 Consolidating Schedule of Operations and Retained Earnings (Accumulated Deficit)
 For the Year Ended December 31, 2012

	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
INCOME				
Franchise Fees	\$ 51,550	\$ -	\$ -	\$ 51,550
Royalties from Franchisees	473,552	-	-	473,552
Sales of Supplies	341,712	-	-	341,712
Company Stores	726,540	-	-	726,540
Other Sales	18,750	-	-	18,750
Rental Income	-	67,144	(53,335)	13,809
Total Income	<u>\$ 1,612,104</u>	<u>\$ 67,144</u>	<u>\$ (53,335)</u>	<u>\$ 1,625,913</u>
OPERATING COSTS AND EXPENSES				
Stores	\$ 464,388	\$ -	\$ -	\$ 464,388
Non-Stores	227,864	-	-	227,864
General and Administrative Expenses	793,915	37,337	(53,335)	777,917
Total Operating Costs and Expenses	<u>\$ 1,486,167</u>	<u>\$ 37,337</u>	<u>\$ (53,335)</u>	<u>\$ 1,470,169</u>
OPERATING INCOME (LOSS)	<u>\$ 125,937</u>	<u>\$ 29,807</u>	<u>\$ -</u>	<u>\$ 155,744</u>
OTHER INCOME AND (EXPENSES)				
Interest Income	\$ 7,818	\$ -	\$ -	\$ 7,818
Interest Expense	(15,429)	(26,907)	-	(42,336)
Other Income	16,774	-	-	16,774
Gain/(Loss) on Sale of Asset	(3,220)	-	-	(3,220)
Vehicle Lease Income	61,985	-	-	61,985
Vehicle Lease Expense	(57,606)	-	-	(57,606)
Total Other Income (Expense)	<u>\$ 10,322</u>	<u>\$ (26,907)</u>	<u>\$ -</u>	<u>\$ (16,585)</u>
NET INCOME (LOSS) BEFORE TAXES	<u>\$ 136,259</u>	<u>\$ 2,900</u>	<u>\$ -</u>	<u>\$ 139,159</u>
PROVISION FOR INCOME TAX				
Current	-	-	-	-
NET INCOME (LOSS)	<u>\$ 136,259</u>	<u>\$ 2,900</u>	<u>\$ -</u>	<u>\$ 139,159</u>
Retained Earnings (Accumulated Deficit), Beginning	(175,145)	112,126	-	(63,019)
Capital Contributions	-	-	-	-
Distributions to Members	-	(10,021)	-	(10,021)
Retained Earnings (Accumulated Deficit), Ending	<u>\$ (38,886)</u>	<u>\$ 105,005</u>	<u>\$ -</u>	<u>\$ 66,119</u>

Creative Colors International, Inc. and Affiliate
 Consolidating Schedule of Operations and Retained Earnings (Accumulated Deficit)
 For the Year Ended December 31, 2011

	Creative Colors International, Inc.	Creative Properties of Illinois, LLC	Consolidating Eliminations	Consolidated
INCOME				
Franchise Fees	\$ 37,631	\$ -	\$ -	\$ 37,631
Royalties from Franchisees	397,749	-	-	397,749
Sales of Supplies	288,961	-	-	288,961
Company Stores	628,106	-	-	628,106
Other Sales	4,875	-	-	4,875
Rental Income	-	67,883	(51,793)	16,090
Total Income	<u>\$ 1,357,322</u>	<u>\$ 67,883</u>	<u>\$ (51,793)</u>	<u>\$ 1,373,412</u>
OPERATING COSTS AND EXPENSES				
Stores	\$ 415,722	\$ -	\$ -	\$ 415,722
Non-Stores	171,999	-	-	171,999
General and Administrative Expenses	785,753	38,659	(51,793)	772,619
Total Operating Costs and Expenses	<u>\$ 1,373,474</u>	<u>\$ 38,659</u>	<u>\$ (51,793)</u>	<u>\$ 1,360,340</u>
OPERATING INCOME (LOSS)	<u>\$ (16,152)</u>	<u>\$ 29,224</u>	<u>\$ -</u>	<u>\$ 13,072</u>
OTHER INCOME AND (EXPENSES)				
Interest Income	\$ 12,317	\$ -	\$ -	\$ 12,317
Interest Expense	(15,919)	(27,441)	-	(43,360)
Other Income	20,555	-	-	20,555
Gain/(Loss) on Sale of Asset	5,500	-	-	5,500
Vehicle Lease Income	63,287	-	-	63,287
Vehicle Lease Expense	(62,821)	-	-	(62,821)
Total Other Income (Expense)	<u>\$ 22,919</u>	<u>\$ (27,441)</u>	<u>\$ -</u>	<u>\$ (4,522)</u>
NET INCOME (LOSS) BEFORE TAXES	<u>\$ 6,767</u>	<u>\$ 1,783</u>	<u>\$ -</u>	<u>\$ 8,550</u>
PROVISION FOR INCOME TAX				
Current	-	-	-	-
NET INCOME (LOSS)	<u>\$ 6,767</u>	<u>\$ 1,783</u>	<u>\$ -</u>	<u>\$ 8,550</u>
Retained Earnings (Accumulated Deficit), Beginning	(181,912)	120,353	-	(61,559)
Capital Contributions	-	-	-	-
Distributions to Members	-	(10,010)	-	(10,010)
Retained Earnings (Accumulated Deficit), Ending	<u>\$ (175,145)</u>	<u>\$ 112,126</u>	<u>\$ -</u>	<u>\$ (63,019)</u>

EXHIBIT I
TO THE FRANCHISE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, CREATIVE COLORS INTERNATIONAL, INC. ("CCI") and you are preparing to enter into a Franchise Agreement for the operation of a CREATIVE COLORS INTERNATIONAL ("CREATIVE COLORS INTERNATIONAL") business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, that CCI has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each Attachment attached to it? Yes ___ No ___
2. Do you understand all of the information contained in the Franchise Agreement and each Attachment attached to it? Yes ___ No ___

If no, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

3. On what date did you receive the complete Franchise Agreement? _____
4. Have you received and personally reviewed the Franchise Disclosure Document we provided to you? Yes ___ No ___

On what date did you receive the Franchise Disclosure Document? _____

5. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? Yes ___ No ___
6. Do you understand all of the information contained in the Franchise Disclosure Document? Yes ___ No ___

If no, what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary.)

7. Have you discussed the benefits and risks of operating a Franchise with an attorney, accountant or other professional advisor and do you understand those risks? Yes ___ No ___

If not, did you have the opportunity to do so? Yes ___ No ___

8. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors? Yes ___ No ___

NOTE: Questions 9 through 17 do not relate to information you may have been given directly by any existing franchisees of CCI.

9. Has any employee or other person speaking on behalf of CCI made any written or oral statement or promise concerning the actual revenues, profits or operating costs of Creative Colors franchised business (other than what is included in the Franchise Disclosure Document)?
Yes ___ No ___
10. Has any employee or other person speaking on behalf of CCI made any written or oral statement or promise regarding the amount of money you may earn in operating the franchised business?
Yes ___ No ___
11. Has any employee or other person speaking on behalf of CCI made any written or oral statement or promise concerning the total amount of revenue your franchised business will generate?
Yes ___ No ___
12. Has any employee or other person speaking on behalf of CCI made any written or oral statement or promise regarding the costs you may incur in operating the franchised business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
Yes ___ No ___
13. Has any employee or other person speaking on behalf of CCI made any written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operating the Creative Colors franchise? Yes ___ No ___
14. Has any employee or other person speaking on behalf of CCI made any written or oral statement, promise or agreement concerning the advertising, marketing, training, support services or assistance that CCI will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes ___ No ___
15. Has any employee or other person speaking on behalf of CCI made any other written or oral statement, promise or agreement relating to the Creative Color Franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
Yes ___ No ___
16. If you have answered "Yes" to any of questions nine (9) through sixteen (16), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Signature

Print Name

Date

EXHIBIT J
START-UP SUPPLIES

Item	Description	Qty.
5050-1001	50/50 Cleaner Mix--Kool--Aid & PC Mix Quart	1
A-1000	Airhose Retractor with Hose	1
A-1011	All Purpose Primer/Adhesion Promoter Mix Quart	1
A-1001	Air Hose(4ft) with Coupling	1
A-1002	Airhose 50'	1
A-1006	All Purpose Primer Quart	1
A-1013	CCI Air Freshener Gallon	1
AD-1000	Black Aniline Stain - 4oz	1
AD-1001	Blue -Aniline Stain - 4oz	1
AD-1002	Brown - Aniline Stain - 4oz	1
AD-1003	Burgundy - Aniline Stain - 4oz	1
AD-1004	Green - Aniline Stain - 4oz	1
AD-1005	Lemon - Aniline Stain - 4oz	1
AD-1006	Orange - Aniline Stain - 4oz	1
AD-1007	Red - Aniline Stain - 4oz	1
AD-1008	Red Brown -Aniline Stain - 4oz	1
AD-1009	Violet -Aniline Stain - 4oz	1
AD-1010	Yellow - Aniline Stain - 4oz	1
AP-1000	CCI Apron - 3 pocket	1
AT-1000	Atomizer Black	2
AT-1001	Atomizer Silver	2
B-1000A	Butane 3.75oz	1
BP-295	CCI Plastic Coater - High Gloss Clear	1
BP-294	CCI Plastic Coater - Satin Gloss Clear	1
BP-20	CCI Plastic Coater - Low Luster Clear	1
BP-623	CCI Plastic Coater-Gloss Black	1
BP-622	CCI Plastic Coater - Trim Black	1
BP-1649	CCI Plastic Coater - Med Titanium	1
BP-1650	CCI Plastic Coater - Dk. Titanium	1
BP-1651	CCI Plastic Coater - Med Platinum	1
BP-3902	Bumper Paint Medium Driftwood	1
BP-3907	Bumper Paint Gloss Silver	1
BP-3915	Bumper Paint Ford Charcoal	1
BP-3916	Bumper Paint Ford Med. Smoke	1
BP-3917	Bumper Paint For Dk. Smoke	1
BP-3918	Bumper Paint Chrysler Med. Grey	1
BP-3919	Bumper Paint Chrysler Dark Grey	1
BP-3927	Bumper Paint GM Charcoal	1
BP-3928	Bumper Paint Ford Lt. Titanium	1
BP-3941	SEMS Med Platinum	1
BP-3980	Bumper Chip Guard-Clear	1
BP-3985	Bumper Paint Texture Coating - Black	1
CCI70-01	CCI 70 Flock Applicator	1

CH-1000	Chill Bar	1
CL-1000	Crosslinker 4oz	2
CO-1000	Color Wheel	1
CO-1001	Compressor Large	1
CO-1002	Compressor Small	1
CON-1003	2oz Jar	4
CON-1004	2oz Lid	4
CON-1005	4oz High Density Bottle	4
CON-1006	4oz Low Density Bottle	4
CON-1007	4oz Spout Cap (fits LD and HD Bottle)	16
CON-1008	4oz Jar	4
CON-1009	4oz Lid	4
CON-1013	8oz High Density Bottle	12
CON-1014	8oz Lid for Bottle and Gallon	12
CON-1015T	8oz Twist Top Cap	24
CON-1021	Gallon Jug	2
CON-1022	Gallon Jug Safety Cap	2
CP-1000	Carpet Plastic Roll - 4 Mil. Printed w/Perforations	1
D-1000A	HD Black Dye Quart	1
D-1001A	HD Blue Dye 8oz	1
D-1004A	HD Bright Red Dye 8oz	1
D-1006A	HD Bright Yellow Dye 8oz	1
D-1008A	HD Carbon Black Dye 8oz	1
D-1010A	HD Dark Brown Dye Quart	1
D-1011A	HD Dark Green Dye 8oz	1
D-1013A	HD Dark Red Dye 8oz	1
D-1015A	HD Dark Yellow Dye 8oz	1
D-1017A	HD Jet Black Dye 8oz. - FSW	1
D-1019A	HD Light Brown Dye Quart	1
D-1020A	HD Magenta Dye 8oz	1
D-1022A	HD Medium Brown Dye Quart	1
D-1023A	HD Orange Dye 8oz	1
D-1025A	hD Orange Yellow Dye 8oz	1
D-1027A	HD Pearl Dye 8oz	1
D-1029A	HD Purple Dye 8oz	1
D-1031A	HD Rust Dye 8oz	1
D-1033 A	HD White Dye Quart	1
D-1034	Debonder	1
	Epoxy- 2 part	1
E-1002	Extreme Odor Elimination - Gallon	1
F-1000	F Compound - 2 oz	2
F-1002	Fabric Pencils	1
F-1003	Fabritac 4oz	1

F-1004	Fastac with Sprayer	2
F-1006	Fiber Glue 4oz	2
F-1008	Fabric Protector - Quart	1
FIB-2300	Green Fiber - 8 oz bag	1
FIB-2350	Kelly Green Fiber - 8 oz bag	1
FIB-2720	Bright Yellow Fiber - 8 oz bag	1
FIB-4124	Charcoal Fiber- 8 oz bag	1
FIB-4167	Dark Blue Fiber - 8 oz bag	1
FIB-4347	Med Dark Grey Fiber - 8 oz bag	1
FIB-4349	Cherry Fiber - 8 oz bag	1
FIB-4409	Charcoal Fiber - 8 oz bag	1
FIB-4473	Grey Fiber - 8 oz bag	1
FIB-4520	Regatta Blue Fiber - 8 oz bag	1
FIB-4563	Cordovan Fiber - 8 oz bag	1
FIB-4567	Lt. Driftwood Fiber - 8 oz bag	1
FIB-4568	Garnet Fiber - 8 oz bag	1
FIB-4591	Light Emerald - 8 oz bag	1
FIB-4606	Sand Beige Fiber - 8 oz bag	1
FIB-4610	Midnight Blue Fiber - 8 oz bag	1
FIB-4612	Smoke Fiber 8 oz bag	1
FIB-4627	Blue Cierra - 8 oz bag	1
FIB-4630	Taupe Fiber - 8 oz bag	1
FIB-4651	Amethyst Fiber 8 oz bag	1
FIB-4665	Rosewood Fiber - 8 oz bag	1
FIB-4672	Blue Fiber - 8 oz bag	1
FIB-4694	Dark Sapphire Fiber - 8 oz bag	1
FIB-4701	GM Light Linen Fiber - 8 oz bag	1
FIB-4707	Chestnut Fiber - 8 oz bag	1
FIB-4709	Shadow Blue Fiber- 8 oz bag	1
FIB-4711	Scarlet Fiber- 8 oz bag	1
FIB-4713	Grey Fiber- 8 oz bag	1
FIB-4714	Med Antelope Fiber- 8 oz bag	1
FIB-4717	Beachwood Fiber- 8 oz bag	1
FIB-4729	Ebony Fiber- 8 oz bag	1
FIB-4739	GM Light Titanium Fiber- 8 oz bag	1
FIB-4746	Charcoal Fiber- 8 oz bag	1
FIB-4769	Med. Beige Fiber- 8 oz bag	1
FIB-4771	Rusty Brown Fiber- 8 oz bag	1
FIB-4772	Deep Brown Fiber- 8 oz bag	1
FIB-48E2	Dull Grey Fiber- 8 oz bag	1
FIB-48E3	Fawn Fiber- 8 oz bag	1
FIB-48E4	Stone Fiber- 8 oz bag	1
FIB-48E5	Dk. Graphite Fiber- 8 oz bag	1

FIB-48F6	Dull Saddle Fiber- 8 oz bag	1
FIB-48F7	Dull Graphite Fiber- 8 oz bag	1
FIB-48F8	Dull Moonlake Fiber- 8 oz bag	1
FIB-48G3	GM Shale Fiber- 8 oz bag	1
FIB-4802	Taupe Fiber- 8 oz bag	1
FIB-4812	Titanium Fiber- 8 oz bag	1
FIB-4813	Light Quartz Fiber- 8 oz bag	1
FIB-4815	Med. Quartz Fiber- 8 oz bag	1
FIB-4816	Light Buckskin Fiber- 8 oz bag	1
FIB-4822	Med Grey Slate Fiber- 8 oz bag	1
FIB-4830	Light Titanium Fiber- 8 oz bag	1
FIB-4831	Bisque Fiber- 8 oz bag	1
FIB-4832	White Fiber- 8 oz bag	1
FIB-4837	Willow Dull Fiber- 8 oz bag	1
FIB-4839	Light Mocha Fiber- 8 oz bag	1
FIB-4840	Charcoal Fiber- 8 oz bag	1
FIB-4841	Slate Blue Fiber- 8 oz bag	1
FIB-4843	Light Camel Fiber- 8 oz bag	1
FIB-4848	Dark Agate Fiber- 8 oz bag	1
FIB-4852	Lt. Grey Fiber- 8 oz bag	1
FIB-4853	Crimson Fiber- 8 oz bag	1
FIB-4871	Lt. Graphite Fiber- 8 oz bag	1
FIB-4875	Honda Graphite Fiber- 8 oz bag	1
FIB-4882	Opal Fiber- 8 oz bag	1
FIB-4887	Evergreen Fiber- 8 oz bag	1
FIB-4897	Dull Ebony Fiber- 8 oz bag	1
FIB-4901	GM Grey Fiber- 8 oz bag	1
FIB-4913	Black Fiber- 8 oz bag	1
FIB-6237	Bali Fiber- 8 oz bag	1
FIB-6428	Bright Red Fiber- 8 oz bag	1
FIB-6478	GM Light Cashmere Fiber- 8 oz bag	1
FIB-6699	Cardinal Fiber- 8 oz bag	1
FIB-6797	Carmine Fiber- 8 oz bag	1
FIB-7000	White Fiber- 8 oz bag	1
FIB-7022	Arctic White Fiber- 8 oz bag	1
FIB-7201	Baby Blue Fiber- 8 oz bag	1
FIB-7233	Dull Blue Fiber- 8 oz bag	1
FIB-7268	Navy Blue Fiber- 8 oz bag	1
FIB-7461	Rust Fiber- 8 oz bag	1
FIB-7464	Dark Brown Fiber- 8 oz bag	1
FIB-7481	Camel Dull- 8 oz bag	1
FIB-7520	Graphite Fiber- 8 oz bag	1
FIB-7549	Lt. Grey Dull- 8 oz bag	1

FIB-7550	Med Grey Dull Fiber- 8 oz bag	1
FIB-7559	Med Quartz Fiber- 8 oz bag	1
FIB-7576	Charcoal Fiber- 8 oz bag	1
FIB-8024	Dark Currant Fiber- 8 oz bag	1
FIB-8424	Sand Beige Fiber- 8 oz bag	1
FIB-8426	Lt. Sandalwood Fiber- 8 oz bag	1
FIB-8430	Med Buckskin Fiber- 8 oz bag	1
FIB-8560	Lt. Cypress- 8 oz bag	1
F-9000	Flock Adhesive Quart	1
G-1000	Gel Tac	2
G-1003	Graining Papers Fine	1
G-1004	Graining Papers Heavy	1
G-1005	Graining Compound 2oz	2
H-1000	Handy Mask	1
H-1001	Handymask Refill	1
H-1007	Heat Gun	2
H-1004	Hot Cure 2oz	2
H-1008	Heel Pad - Small--Black--6.25" x 13"	2
H-1008A	Heel Pad Small Slate Grey--6.25" x 13"	2
H-1008B	Heel Pad Small Dark Grey--6.25" x 13"	2
H-1008C	Heel Pad Small Tan--6.25" x 13"	2
H-1009	Heel Pad - Medium--Black-- 9.25" x 17.5"	2
H-1010	Heel Pad - Large--Black-- 13" x 17.5"	2
H-1011	Heel Pad Ultra Rubber 12"X16" - Black	2
H-1012	Heel Pad Ultra Rubber 12"X16" - Gray	2
H-1013	Heel Pad Ultra Rubber 12"X16" - Beige	2
I-1000	Ink Lifter - 8 grams	1
I-1000A	Instant Shine- Aerosol Can - Pro Finish	1
I-1001	Iron Base	1
I-1002	Iron Shoe	1
I-1003A	Iroda Torch - MJ-950	1
I-1003B	Iroda Torch MJ-950 Tip Normal	1
I-1003DA	Iroda MJ-950 Custom Tip Small	1
I-1003EA	Iroda MJ-950 Custom Tip Medium	1
I-1004	Inverter Sensata 2000W	1
I-1004B	Inverter Remote Switch	1
I-1004A	Inverter Cable Assembly	1
K-1001	KoolAid Remover -Gallon	1
KO-1000	Knock-Out Odor Elimination - Gallon	1
LCK-1000	Leather Care Kit -Single Kit	6
L-1000	Leather Conditioner Quart	1
L-1003A	Leather Degreaser-75ml	1
L-1004EP	Leather Fill EP - 2oz.	2

L-1006	Leather Graining Prep - Quart	1
L-1008A	Leather Protection Cream-8oz	1
L-1009A	Leather Vital 8 oz	1
L-1010	Liquid Duller Quart	1
L-1012	Liquitac - Thin	1
L-1012A	Liquitac Thick	1
L-1013	Lot Inspection Books	10
L-1017	Leather Vital-8oz	1
L-1018	Leather Protector-Quart	1
M-1000	MSDS Manual	1
M-1001	Magnet	1
M-1003	Mesh 12"x 36"	1
M-1004	Metallic Antique Gold 4oz	1
M-1006	Metallic Antique Silver 4oz	1
M-1008	Metallic Brilliant Gold 4oz	1
M-1010	Metallic Supersilk 4oz	2
M-1011A	Metallic Antique Bronze 4oz	1
M-1011C	Metallic Antique Copper 4oz	1
M-1011E	Metallic Black Olive 4oz	1
M-1011I	Metallic Super Russet 4oz	1
M-1014	Mold Killer-4oz	1
M-1015F	Mold Kit - Full Kit	1
M-1017	Mold Kit Premade-Auto	1
M-1018	Mold Kit Premade-Furniture	1
M-1019	Multi-Cleaner Quart	1
MEDS-B1001	CCI Max No Odor System 6 Pack	1
MEDS-F1001	CCI Carpet Fresh 2 Pack	1
MEDS-M1001	CCI Odor Control Preventative System 6 Pack	1
MEDS-R1001	CCI Lens Clear Headlight Restorer/Protector 12 Pack	1
MEDS-S1001	CCI Back to Black Restorer 6 Pack	1
N-1000	Needle 12"	1
N-1001	Needles Curve (12)	1
N-1002	Nubuck Cleaning Cloths	1
N-1011	Nubuck Eco Protector H2O Based-8oz	1
N-1013	Nitrile Blue Gloves Size TBD- Qty 100	1
O-1000A	Oleosa 8 oz	1
P-1000	Paasche Airbrush Set-HS	1
P-1002	Paint Strainers Med Mesh 250ct	1
P-1005	Powder Duller Quart	1
P-1006	Power Cleaner Quart	1
P-1008	Preval Aerosol Refill	2
P-1009	Preval Bottle with Lid	2
PI-1023A	Vehicle Graphics--Half Wrap Kit	1

PI-1016A	Installation of Vehicle Graphics--Half Wrap Kit	1
R-1000	Razor Blades 100ct	1
RBT-01	Radio Buttons--#1 GM Master Sheet	1
RBT-1000A	Radio Button Installation Kit	1
RN-1000	CCI Renew That - 4 oz	2
S-1003	Scratch Away-16gram	1
S-1004	Sheepskin	2
S-1006A	Soft Cleaner-8oz.	1
S-1007	Soft Cloths-2pk	2
S-1024	Slyp Additive 4oz	1
S-1009	Spatula Furniture	1
S-1010	Spatula Regular	1
S-1011	Spatula Economy	1
S-1012A	Spew Remover-8oz	1
S-1013	Sponges	6
S-1014	Spray Grain Quart	1
S-1016	Spray Gun w/ Metal Cup	2
S-1024C	Spray Gun Adhesive with Cup	1
S-1018	Spray Gun Cup plastic w/ Stem	2
S-1019	Spray Gun Cup Plastic	2
S-1022A	Strong Cleaner-8oz.	1
S-1023A	Super Remover-8oz	1
S-1027C	Mini HVLP Gravity Feed Spray Gun	2
S-1035	Mask-A-Tak - Spray Adhesive 14oz Can	2
SP-1000	Sandpaper 220 Grit 25 sheets	1
SP-1001	Sandpaper 400 Grit 25 sheets	1
SP-1001A	Sandpaper 600 Grit 25 sheets	1
SP-1002	Sandpaper 800 Grit 25 sheets	1
SP-1003	Sandpaper 1000 Grit 25 sheets	1
SP-1004	Sandpaper 1500 Grit 25 sheets	1
SP-1005	Sandpaper 2000 Grit 25 sheets	1
T-1000	Teflon	1
T-1001	Thread Black	1
T-1002	Thread White	1
T-1002B	Thread Dark Brown	1
T-1002D	Thread Steel Gray	1
T-1002E	Thread Natural	1
T-1002F	Thread Khaki	1
T-1013	Tongue Depressors Box 500	1
T-1004EP	Top Coat Dull EP - Quart	1
T-1006EP	Top Coat Medium EP - Quart	1
T-1008EP	Top Coat Shiny EP - Quart	1
T-1009S	Top Coat Super Shiny Quart	1

T-1010	Topper Quart	1
AN-1000A	Aniline Vehicle EP - Gallon	1
V-1000	High Performance Vehicle-Gallon	2
V-1004	Vinyl Seal 15" x 15" Sheet	1
W1000	Waxon - 8 oz	1
W-1003	Welding Rods - FiberFlex Flat Sticks--R10 5003R10-1/2 bag	1
W-1005	Welding Rods - Polypropylene--R2 5003R2-1/2 bag	1
SU-1034	6 Volt Battery	2
SU-1000	Air Hose Kit Attachments	1
SU-1002	Box Rags	1
SU-1023	Box Rings 1' 100Ct	1
SU-1024	Box Rings 3" 10 Count	1
SU-1003	Brass Brush	1
SU-1033	Tote Carrying	2
SU-1005	Cosmetic Brush	1
SU-1007	D Batteries Pack	1
SU-1021	Plug 3 Prong	1
SU-1008	Extension Cord 100'	1
SU-1010	Fiber Fill	1
SU-1004	Bucket 5 Gallon	2
SU-1013	Nail Brush	1
SU-1015	Needle Pack Assorted	1
SU-1014	Needle Pack 6,8,10 (50 pack)	1
SU-1035	Paint Pen	1
SU-1012	Permanent Marker	1
SU-1020	Pipe Cleaners	1
SU-1016	Plastic Grid 10Ct	1
SU-1017	Plastic Grid 14 Ct	1
SU-1018	Plastic Grid 7 Ct	1
SU-1022	Q Tips	1
SU-1026	Scissors	1
SU-1027	Screwdriver Set	1
SU-1028	Scrub Brush	3
SU-1029	Silver Pilot Pen	1
SU-1006	Cups Sleeve 50 Count	2
SU-1030	Spray Bottle	3
SU-1032	Tool Box	1
SU-1036	Ziploc Bags (54 Count)	2
Miscellaneous	Stanley Fatmax 22 in. Rolling Workshop	1
SO-PR-1018	Invoice B&W 1000 ct.	1
SO-PR-1036	Letterhead 500 ct., 24# Classic Creat, Solar White	1
SO-PR-1041	Second Sheet 250 ct.-24#, Classic Crest, Solar White	1

SO-PR-1014	Envelopes 500 ct.- 24# Classic Laid, Solar White	1
SO-PR-1052	Business Cards 1000 ct. 1 name	1
Miscellaneous	Trifold Brochures--Auto	200
Miscellaneous	Trifold Brochures-Certified Programs Automotive	100
Miscellaneous	Trifold Brochures--Aviation	100
Miscellaneous	Trifold Brochures-Furniture	100
Miscellaneous	Trifold Brochures-Leather Care	100
Miscellaneous	Trifold Brochures--Marine	100
Miscellaneous	Trifold Brochures--Restaurant	100
Miscellaneous	Trifold Brochures--Vinyl Flooring	100
Miscellaneous	Trifold Brochures--Medical	100
Miscellaneous	Trifold Brochures-RV	100
Miscellaneous	Flyer--Certified Programs Automotive	100
Miscellaneous	Before/After Leave Behind Presentation Booklet	50
Miscellaneous	Rack Card--Leather Care	100
Miscellaneous	Sales Presentation Booklets -Automotive	50
Miscellaneous	Sales Presentation Booklets -Commercial/Furniture	50
Miscellaneous	Glove Box Hangars-CCI Certified	200
Miscellaneous	Static Cling Stickers--CCI Certified	200
Miscellaneous	Rack Card Jumbo--Marine	25
Miscellaneous	Rack Card-Mats-Carpet Protection	50
Miscellaneous	Rack Card--Plastic Restoration	50
Miscellaneous	Postcard--Headlight Restoration	50
Miscellaneous	Postcard--Hotel	25
Miscellaneous	Postcard-Rental Car-(mustang)	25
Miscellaneous	Postcard--School Bus	25
Miscellaneous	Flyer--Customer Service	25
Miscellaneous	Flyer--Used Car Inside	25
Miscellaneous	Flyer--Customized Floor Mats	25
Miscellaneous	Sample Logo Mats - 2 pc Mini Ringset	1
Miscellaneous	Sample Logo Mats - 4 pc Mid Level	1
Miscellaneous	Sample Dealer Logo Mats-4 PC Premium	1
Miscellaneous	Sample Logo Mats - HD Rubber 2 PC Set	1
Miscellaneous	Sample Logo Mats - Color Swatch Book	1

EXHIBIT K
MASTER VAN LEASE AGREEMENT

This Master Equity Lease Agreement is entered into this _____, by and between CREATIVE COLORS INTERNATIONAL, INC., an Illinois corporation doing business as "CREATIVE COLORS INTERNATIONAL" ("Lessor"), and the lessee whose name and address is set forth on the signature page below ("Lessee")-

1. **LEASE OF VEHICLES:** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the vehicles ("Vehicle(s)") described in the schedules from time to time delivered by Lessor to Lessee as set forth below ("Schedule(s)") for the rentals and on the terms set forth in this Agreement and in the applicable Schedule. References to this "Agreement" shall include this Master Equity Lease Agreement, the various Schedules and addenda to this Master Equity Lease Agreement and all other related agreements, documents and instruments. Lessor will, on or about the date of delivery of each Vehicle to Lessee, send Lessee a Schedule covering the Vehicle which will include, among other things, a description of the Vehicle, the lease term and the monthly rental and other payments due with respect to the Vehicle. The terms contained in each Schedule will be binding on Lessee unless Lessee objects in writing to such Schedule within ten (10) days from the date of delivery of the Vehicle covered by such Schedule. This Agreement is a lease only and Lessor will at all times remain the owner of the Vehicles and Lessee will have no right, title or interest in or to the Vehicles except for the use of the Vehicles as described in this Agreement. This Agreement shall be treated as a true lease for federal and applicable state income tax purposes with Lessor having all benefits of ownership.

2. **TERM:** The term of this Agreement ("Term") for each Vehicle begins on the date such Vehicle is delivered to Lessee (the "Delivery Date") and, unless terminated earlier in accordance with the terms this Agreement, continues for the "Lease Term" as described in the applicable Schedule.

3. **RENT AND OTHER CHARGES:**

(a) Lessee agrees to pay Lessor monthly rental according to the Schedules and this Agreement. The monthly rental payments will be in the amount listed as the "Total Monthly Rental Including Additional Services" on the applicable Schedule and will be due and payable in advance on the first day of each month. If a Vehicle is delivered to Lessee on any day other than the first day of a month, monthly rental payments will begin on the first day of the next month. In addition to the monthly rental payments, Lessee agrees to pay Lessor a pro-rated rental charge for the number of days that the Delivery Date precedes the first rental payment date. A portion of each monthly rental payment, being the amount designated as "Depreciation Reserve" on the applicable Schedule, will be considered as a reserve for depreciation and will be credited against the Delivered Price of the Vehicle for purposes of computing the Book Value of the Vehicle under Section 3(c). Lessee agrees to pay Lessor the "Total Initial Charges" set forth in each Schedule on the due date of the first monthly rental payment under such Schedule.

(b) In the event the Term for any Vehicle ends prior to the last day of the scheduled Term, whether as a result of a default by Lessee, a Casualty Occurrence or any other reason, the rentals and management fees paid by Lessee will be recalculated in accordance with the rule of 78's and the adjusted amount will be payable by Lessee to Lessor on the termination date.

(c) Lessee agrees to pay Lessor within thirty (30) days after the end of the Term for each Vehicle, additional rent equal to the excess, if any, of (i) the Book Value of such Vehicle over (ii) the greater of (A) the wholesale value of such Vehicle as determined by Lessor in good faith or (B) except as provided below, twenty percent (20%) of the Delivered Price of such Vehicle as set forth in the applicable schedule. If the Book Value of such Vehicle is less than the greater of (A) the wholesale value of such Vehicle as determined by Lessor in good faith or (B) except as provided below, twenty percent (20%) of the Delivered Price of such Vehicle as set forth in the applicable schedule, Lessor agrees to pay such deficiency to Lessee as a terminal rental adjustment within thirty (30) days after the end of the applicable Term. Notwithstanding the foregoing, if (i) the term for such Vehicle is greater than forty-eight (48) months, (ii) the mileage on such Vehicle at the end of the Term is greater than 15,000 miles per year on average (i.e., if the mileage on a Vehicle with a Term of thirty-six (36) months is greater than 45,000 miles) or (iii) in the sole judgment of Lessor, such Vehicle has been subject to damage or any abnormal or excessive wear and tear, the calculations described in the two immediately preceding sentences shall be made without giving effect to clause (B) in each such sentence. The "Book Value" of a Vehicle means the sum of (i) the "Delivered Price" of the Vehicle as set forth in the applicable Schedule minus (ii) the total Depreciation Reserve paid by Lessee to Lessor with respect to such Vehicle plus (iii) all accrued and unpaid rent and/or other amounts owed by Lessee with respect to such Vehicle.

(d) Any rental payment or other amount owed by Lessee to Lessor which is not paid within twenty (20) days after its due date will accrue interest, payable on demand of Lessor, from the date due until paid in full at a rate per annum equal to the lesser of (i) Eighteen Percent (18%) per annum or (ii) the highest rate permitted by applicable law.

(e) If Lessee fails to pay any amount due under this Agreement or to comply with any of the covenants contained in this Agreement, Lessor may, at its option, pay such amounts or perform such covenants and all sums paid or incurred by Lessor in connection therewith will be repayable by Lessee to Lessor upon demand.

4. USE AND SURRENDER OF VEHICLES: Lessee agrees to allow only duly authorized, licensed and insured drivers to use and operate the Vehicles. Lessee agrees to comply with, and cause its drivers to comply with, all laws, statutes, rules, regulations and ordinances and the provisions of all insurance policies affecting or covering the Vehicles or their use or operation. Lessee agrees to keep the Vehicles free of all liens, charges and encumbrances. Lessee agrees that in no event will any Vehicle be used or operated for transporting hazardous substances or persons for hire, for any illegal purpose or to pull trailers that exceed the manufacturer's trailer towing recommendations. Lessee agrees not to remove any Vehicle from the continental United States without first obtaining Lessor's written consent. At the expiration or earlier termination of this Agreement with respect to each Vehicle, or upon demand by Lessor made pursuant to Section 14, Lessee at its risk and expense agrees to return such Vehicle to Lessor at such place and by such reasonable means as may be designated by Lessor. If for any reason Lessee fails to return any Vehicle to Lessor as and when required in accordance with this section, Lessee agrees to pay Lessor additional rent for such Vehicle at twice the normal pro-rated daily rent. Acceptance of such additional rent by Lessor will in no way limit Lessor's remedies with respect to Lessee's failure to return any Vehicle as required hereunder

5. COSTS, EXPENSES, FEES AND CHARGES: Lessee agrees to pay all costs, expenses, fees, charges, fines, tickets, penalties and taxes (other than federal and state income taxes on the income of Lessor) incurred in connection with the titling, registration, delivery, purchase, sale, rental, use or operation of the Vehicles during the Term. If Lessor incurs any such costs or expenses, Lessee agrees to promptly reimburse Lessor for the same.

6. **LICENSE AND CHARGES:** Each Vehicle will be licensed in Lessor's name at Lessee's expense. Certain other charges relating to the acquisition of each Vehicle and paid or satisfied by Lessor have been capitalized in determining the monthly rental, treated as an initial charge or otherwise charged to Lessee. Such charges have been determined without reduction for trade-in, exchange allowance or other credit attributable to any Lessor-owned vehicle.

7. **REGISTRATION PLATES, ETC.:** Lessee agrees, at its expense, to obtain in the name of Lessor all registration plates and other plates, permits, inspections and/or licenses required in connection with the Vehicles, except for the initial registration plates which Lessor will obtain at Lessee's expense. The parties agree to cooperate and to furnish any and all information or documentation which may be reasonably necessary for compliance with the provisions of this section or any federal, state or local law, rule, regulation or ordinance. Lessee agrees that it will not permit any Vehicle to be located in a state other than the state in which such Vehicle is then titled for any continuous period of time that would require such Vehicle to become subject to the titling and/or registration laws of such other state.

8. **IMPROVEMENTS & MAINTENANCE OF VEHICLES:** Lessee agrees, at its expense, to (a) maintain the Vehicles in good condition, repair, maintenance and running order and in accordance with all manufacturer's instructions and warranty requirements and all legal requirements and (b) furnish all labor, materials, parts, and other essentials required for the proper operation and maintenance of the Vehicles. Any alterations, additions, replacement parts or improvements to the Vehicles will become and remain the property of Lessor and will be returned with the Vehicles pursuant to Section 4. Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Lessee shall have the right to remove any additional equipment installed by Lessee on a Vehicle prior to returning such Vehicle to Lessor under Section 4. The value of such alterations, additions, replacement parts and improvements will in no instance be regarded as rent. Without the prior written consent of Lessor, Lessee will not make any alterations, additions, replacement parts or improvements to the Vehicles which detract from its economic value or functional utility. Lessor will not be required to make any repairs or replacements of any nature or description with respect to the Vehicles, to maintain or repair the Vehicles or to make any expenditure whatsoever in connection with the Vehicles or this Agreement.

9. **SELECTION OF VEHICLES AND DISCLAIMER OF WARRANTIES:**

(a) LESSEE ACCEPTANCE OF DELIVERY AND USE OF EACH VEHICLE WILL CONCLUSIVELY ESTABLISH THAT SUCH VEHICLE IS OF A SIZE, DESIGN, CAPACITY, TYPE AND MANUFACTURE SELECTED BY LESSEE AND THAT SUCH VEHICLE IS IN GOOD CONDITION AND REPAIR AND IS SATISFACTORY IN ALL RESPECTS AND IS SUITABLE FOR LESSEE'S PURPOSE. LESSEE ACKNOWLEDGES THAT LESSOR IS NOT A MANUFACTURER OF OR A DEALER IN ANY VEHICLE OR AN AGENT OF A MANUFACTURER OF OR A DEALER IN ANY VEHICLE.

(b) LESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO ANY VEHICLE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, OR WITH RESPECT TO INFRINGEMENT, TITLE OR THE LIKE, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. THE VEHICLES ARE LEASED "AS IS," "WITH ALL FAULTS." All warranties made by any supplier, vendor and/or manufacturer are hereby assigned by Lessor to Lessee for the applicable Term and Lessee's only remedy, if any, is against the supplier, vendor or manufacturer of the Vehicles. No defect, unfitness or lack of

governmental approval regardless of the cause or consequence will relieve Lessee from the performance of its obligations under this Agreement, including the payment of rent.

(c) Lessor will not be liable to Lessee for any liability, claim, loss, damage (direct, incidental or consequential) or expense of any kind or nature, caused directly or indirectly, by any Vehicle or any inadequacy of any Vehicle for any purpose or any defect (latent or patent) in any Vehicle or the use or maintenance of any Vehicle or any repair, servicing or adjustment of or to any Vehicle, or any delay in providing or failure to provide any Vehicle, or any interruption or loss of service or use of any Vehicle, or any loss of business or any damage whatsoever and however caused. In addition, Lessor will have no liability to Lessee under this Agreement or under order authorization form executed by Lessee if Lessor is unable to locate or purchase a Vehicle ordered by Lessee or for any delay in delivery of any Vehicle ordered by Lessee.

10. **RISK OF LOSS:** Lessee assumes and agrees to bear the risk of loss of, theft of, damage to or destruction of any Vehicle from any cause whatsoever ("Casualty Occurrence"). No Casualty Occurrence to any Vehicle will relieve Lessee from its obligation to pay rent or to perform any of its other obligations under this Agreement. In the event of a Casualty Occurrence, Lessee shall give Lessor prompt notice of the Casualty Occurrence and thereafter will place the applicable Vehicle in good repair, condition and working order; provided, however, that if the applicable Vehicle is determined by Lessor to be lost, stolen, destroyed or damaged beyond repair (a "Totaled Vehicle"), Lessee agrees to pay Lessor no later than the date thirty (30) days after the date of the Casualty Occurrence the amounts owed under Sections 3(b) and 3(c) with respect to such Totaled Vehicle. Upon such payment, this Agreement will terminate with respect to such Totaled Vehicle.

11. **INSURANCE:** Lessee agrees to purchase and maintain in force during the Term, insurance policies in at least the amounts listed below covering each Vehicle, to be written by an insurance company satisfactory to Lessor, insuring Lessee and Lessor against any damage, claim, suit, action or liability:

- (a) Commercial Automobile Liability, including Uninsured/Underinsured Motorist Coverage and No-Fault Protection (\$5,000,000 for Vehicles capable of transporting more than 8 passengers):

<u>State of Vehicle Registration</u>	<u>Coverage</u>
Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont	\$1,000,000 Combined Single Limit Bodily Injury and Property Damage - No Deductible
Florida	\$500,000 Combined Single Limit Bodily Injury and Property Damage or \$100,000 Bodily Injury Per Person, \$300,000 Per Occurrence and \$50,000 Property Damage (100/300/50) - No Deductible
All Other States	\$300,000 Combined Single Limit Bodily Injury and Property

**Damage or \$100,000 Bodily Injury
Per Person, \$300,000 Per
Occurrence and \$50,000 Property
Damage (100/300/50) - No
Deductible**

(b) Physical Damage (Collision & Comprehensive: Actual cash value of the applicable Vehicle. Maximum deductible of \$500 per occurrence - Collision and \$250 per occurrence - Comprehensive).

If the requirements of any governmental or regulatory agency exceed the minimums stated in this Agreement, Lessee must obtain and maintain the higher limits. Lessee agrees that each required policy of insurance will by appropriate endorsement or otherwise name Lessor as an additional insured and as a loss payee, as its interests may appear. Further, each such insurance policy must provide the following: (i) that the same may not be cancelled, changed or modified until after the insurer has given to Lessor or its assigns at least a thirty (30) day prior written notice of such proposed cancellation, change or modification, (ii) that no act or default of Lessee or any other person shall affect the right of Lessor to recover under such policy or policies of insurance in the event of any loss of or damage to any Vehicle and (iii) that the coverage is "primary coverage" for the protection of Lessee and Lessor notwithstanding any other coverage carried by Lessee or Lessor protecting against similar risks. Original certificates evidencing such coverage and naming Lessor as an additional insured and loss payee, shall be furnished to Lessor prior to the Delivery Date, and annually thereafter and/or as reasonably requested by Lessor from time to time. In the event of default, Lessee hereby appoints Lessor as Lessee's attorney-in-fact to receive payment of, to endorse all checks and other documents and to take any other actions necessary to pursue insurance claims and recover payments if Lessee fails to do so. Any expense of Lessor in adjusting or collecting insurance shall be borne by Lessee.

Lessee, its drivers, servants and agents agree to cooperate fully with Lessor and any insurance carriers in the investigation, defense and prosecution of all claims or suits arising from the use or operation of any Vehicle. If any claim is made or action commenced for death, personal injury or property damage resulting from the ownership, maintenance, use or operation of any Vehicle, Lessee will promptly notify Lessor of such action or claim and forward to Lessor a copy of every demand, notice, summons or other process received in connection with such claim or action.

12. **INDEMNITY:** Lessee agrees to indemnify Lessor from and against any and all losses, damages, liabilities, suits, claims, demands, expenses and costs (including, without limitation, reasonable attorneys' fees and expenses) which Lessor may incur by reason of Lessee's breach or violation of, or failure to observe or perform, any term, provision or covenant of this Agreement, or as a result of any loss, damage, theft or destruction of any Vehicle or related to or arising out of or in connection with the use, operation or condition of any Vehicle.

13. **INSPECTION OF VEHICLES; ODOMETER DISCLOSURE:** Lessee agrees to accomplish, at its expense, all inspections of the Vehicles required by any governmental authority during the Term. Lessor will have the right to inspect any Vehicle at any reasonable time(s) during the Term and for this purpose to enter into or upon any building or place where any Vehicle is located. Lessee agrees to comply with all odometer disclosure laws, rules and regulations and to provide such written and signed disclosure information on such forms and in such manner as directed by Lessor. Providing false information or failure to complete the odometer disclosure form as required by law may result in fines and/or imprisonment.

14. **DEFAULT; REMEDIES:** The following shall constitute events of default ("Events of Default") by Lessee under this Agreement: (a) if Lessee fails to pay when due any rent or other amount due under this Agreement; (b) if Lessee fails to perform, keep or observe any other term, provision or covenant contained in this Agreement; (c) any seizure or confiscation of any Vehicle or any other act (other than a Casualty Occurrence) otherwise rendering any Vehicle unsuitable for use (as determined by Lessor); (d) the occurrence of a material adverse change in the financial condition or business of Lessee; or (e) if Lessee is in default under or fails to comply with any other present or future agreement with or in favor of Lessor.

Upon the occurrence of any Event of Default, Lessor, without notice to Lessee, will have the right to exercise concurrently or separately (and without any election of remedies being deemed made), the following remedies: (a) Lessor may demand and receive immediate possession of any or all of the Vehicles from Lessee, without releasing Lessee from its obligations under this Agreement; if Lessee fails to surrender possession of the Vehicles to Lessor on default (or termination or expiration of the Term), Lessor and its agents and independent contractors shall have the right to enter upon any premises where the Vehicles may be located and to remove and repossess the Vehicles; (b) Lessor may enforce performance by Lessee under this Agreement; (c) Lessor may recover damages and expenses sustained by Lessor by reason of Lessee's default including, to the extent permitted by applicable law, all costs and expenses, including court costs and attorneys' fees and expenses, incurred by Lessor in attempting or effecting enforcement of its rights under this Agreement (whether or not litigation is commenced) and/or in connection with bankruptcy or insolvency proceedings; (d) upon written notice to Lessee, Lessor may terminate Lessee's rights under this Agreement; (e) with respect to each Vehicle, Lessor may recover from Lessee all amounts owed by Lessee under Sections 3(b) and 3(c) of this Agreement (and, if Lessor does not recover possession of a Vehicle, (i) the estimated wholesale value of such Vehicle for purposes of Section 3(c) shall be deemed to be \$0.00 and (ii) the calculations described in the first two sentences of Section 3(c) shall be made without giving effect to clause (B) in each such sentence); and/or (f) Lessor may exercise any other right or remedy which may be available to Lessor under the Uniform Commercial Code, any other applicable law or in equity. A termination of this Agreement shall occur only upon written notice by Lessor to Lessee. Any termination shall not affect Lessee's obligation to pay all amounts due for periods prior to the effective date of such termination or Lessee's obligation to pay any indemnities under this Agreement. All remedies of Lessor under this Agreement or at law or equity are cumulative.

15. **ASSIGNMENTS:** Lessor may from time to time (a) assign, pledge or transfer this Agreement and/or any or all of its rights or interests under this Agreement and/or (b) grant a security interest in or lien on any or all of the Vehicles to secure indebtedness of Lessor. Lessee agrees, upon notice of any such assignment, security interest or lien, to acknowledge receipt thereof in writing and, as instructed in such notice, pay all amounts due or to become due under this Agreement to such assignee or secured party. Each such assignee or secured party will have all of the rights of Lessor under this Agreement but none of Lessor's obligations or duties under this Agreement other than Lessor's obligations under Section 3(c) of this Agreement. Lessee agrees that it will not assert against any such assignee or secured party any defense, offset, claim or counterclaim which Lessee may be entitled to assert against Lessor under this Agreement or otherwise, but any such claim may be separately asserted against Lessor. Lessee's rights and interest in and to the Vehicles are and will continue at all times to be subject and subordinate in all respects to any assignment or security agreement now or hereafter executed by Lessor with or in favor of any such assignee or secured party, provided that Lessee shall have the right of quiet enjoyment of the Vehicles so long as no Event of Default under this Agreement has occurred and is continuing.

Without the prior written consent of Lessor, Lessee may not assign, sublease, transfer or pledge this Agreement, any Vehicle, or any interest in this Agreement or in and to any Vehicle, or permit its rights under this Agreement or any Vehicle to be subject to any lien, charge or encumbrance. Lessee's interest in this Agreement is not assignable and cannot be assigned or transferred by operation of law. Lessee will not transfer or relinquish possession of any Vehicle (except for the sole purpose of repair or service of such Vehicle) without the prior written consent of Lessor.

16. MISCELLANEOUS: This Agreement contains the entire understanding of the parties. Any modification, change or amendment may be made only by an instrument in writing executed by the parties. If any term or provision of this Agreement or any application of any such term or provision is invalid or unenforceable, the remainder of this Agreement and any other application of such term or provision will not be affected thereby. Giving of all notices under this Agreement will be sufficient if mailed by certified mail to a party at its address set forth below or at such other address as such party may provide in writing from time to time. Any such notice mailed to such address will be effective one (1) day after deposit in the United States mail, duly addressed, with certified mail, postage prepaid. Lessee will promptly notify Lessor of any change in Lessee's address. This agreement may be executed in multiple counterparts (including telecopy counterparts), but the counterpart marked "ORIGINAL" by Lessor will be the original lease for purposes of applicable law. All of the representations, warranties, covenants, agreements and obligations of each Lessee under this Agreement (if more than one) are joint and several.

17. SUCCESSORS AND ASSIGNS; GOVERNING LAW: Subject to the provisions of Section 15, this Agreement will be binding upon Lessee and its heirs, executors, personal representatives, successors and assigns, and will inure to the benefit of Lessor and its successors and assigns. This Agreement will be governed by and construed in accordance with the substantive laws of the state where Lessor's office is located (as set forth below), which law will apply in the event of any conflict of law.

Unit being leased over the _____ month lease term

Year: _____ Make: _____ Model: _____

Color: _____ Unit #: _____


VIN#: _____

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this Master Equity Lease Agreement as of the day and year first above written.

LESSEE: Creative Colors International LESSOR: Creative Colors International, Inc.,
Dba-- *an Illinois Corporation*

Individually:

 _____
Print Name: By: Mark J. Bollman
Title: President

 _____ Address: 19015 S. Jodi Road, Suite E
Sign Name Mokena, IL 60448

 _____
Print Name:

 _____
Sign Name

Address: _____

Company:

 _____
Print Name:

 _____
Title

 _____
Sign Name

Address: _____

Exhibit L
State Addenda to the Franchise Disclosure Document

CALIFORNIA

The cover page of the Offering Circular shall be amended to include the following language:

"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 Agreements contain a liquidated damage clause, under California Civil Code, Section 1671 certain liquidated damage clauses are unenforceable.

Neither Creative Colors International, Inc., any person or franchise broker in Item 2 of the UFDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in this association or exchange.

Item 17 shall be amended to include the following language:

"Section XXIX requires binding arbitration. The arbitration will occur in Chicago, Illinois with the cost being borne by us and you. This provision may not be enforceable under California law.

Section 31125 of the franchise investment law requires us to give you a disclosure document, approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control."

Relative to the covenant not to compete: "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.

Relative to the provision for termination upon bankruptcy: "This provision may not be enforceable under federal bankruptcy law". (11 USCA Sec.101 et seq.)

The franchise agreement requires application of the laws and the use of the forum of another state: "The franchise agreement requires the use of the forum and the application of the law of Illinois. This provision may not be enforceable under California law."

THE FRANCHISE AGREEMENT REQUIRES YOU TO SIGN A GENERAL RELEASE OF CLAIMS UPON RENEWAL OR TRANSFER OF THE FRANCHISE AGREEMENT. CALIFORNIA CORPORATIONS CODE SECTION 31512 PROVIDES THAT ANY CONDITION, STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THAT LAW OR ANY RULE OR ORDER IS VOID. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a

waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

OUR WEBSITE IS [HTTP://WWW.CREATIVECOLORSINTL.COM](http://www.creativecolorsintl.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 [HTTP://WWW.CORP.CALIFORNIA.GOV](http://www.corp.california.gov).

ILLINOIS

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchisees. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute (815 ILCS 705/19 and 705/20).

Item 5 shall state “The Initial Franchise Fee, Initial Area Development Fee and Initial Regional Development Fee is deferred until all initial obligations owed the Franchisee have been fulfilled and the Franchisee has commenced doing business. This deferral of fees is imposed by the Illinois Attorney General based on the Franchisor financial statements.”

The fourth paragraph of the receipts attached at the end of the FDD is amended to read as follows:

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE ILLINOIS ATTORNEY GENERAL OFFICE, 500 SOUTH SECOND STREET, SPRINGFIELD, ILLINOIS 62706.

Parts 2 and 3 of the second paragraph of the receipts attached at the end of the FDD are amended to read as follows:

- (2) 14 DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (3) 14 DAYS BEFORE PAYMENT TO US.

The franchise agreement provides for termination upon bankruptcy. A provision in a franchise agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, U.S. Code Section 101.

The franchise agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the franchise agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the franchise agreement. This provision will not prevent the franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute.

INDIANA

The Risk Factors on the cover page of the offering circular shall be amended by the addition of the following language:

THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE

AGREEMENT (EXCEPT THAT THE FRANCHISE AND RELATED AGREEMENTS SHALL BE INTERPRETED AND CONSTRUED UNDER THE INDIANA FRANCHISE LAWS) AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

Item 5 and Item 17(c) is amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability under Indiana Code 23-2-2.7-1(5)."

Item 6, under Attorney Fees and Costs, shall be amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits the limitation of litigation brought for breach of the agreement in any manner whatsoever under Indiana Code 23-2-2.7-1(10)."

Item 8 is amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits Franchisor from obtaining money, goods, services or any other benefit from any other person with whom the Franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the Franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee under Indiana Code 23-2-2.7-1(4) and Indiana Code 23-2-2.7-2(6)."

Item 17(r) is amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits covenants not to compete in an area greater than the exclusive area granted by the franchise agreement under Indiana Code 23-2-2.7-1(9)."

Item 17(v) and Item 17(w) is amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits the limitation of litigation brought for breach of the Agreement in any manner whatsoever under Indiana Code 23-2-2.7-1(10)."

Item 17 shall be amended to include the following language at the end of the table:

"The conditions under which a franchise can be terminated and your rights upon non-renewal may be affected by Indiana Code 23-2-2.5 and Indiana Code 23-2-2.7. If the franchise agreement contains a provision that is inconsistent with Indiana law, Indiana law will control."

Exhibit D.10 of the Installment Collateral Note is amended by the addition of the following language:

"Indiana law prohibits the limitation of litigation brought for breach of the Agreement in any

manner whatsoever. Any provision which designates jurisdiction or venue in a forum outside of Indiana is void with respect to any cause of action which is otherwise enforceable in Indiana. The Franchise Agreement and all related agreements shall be interpreted and construed under the Indiana Franchise Laws, except to the extent governed by the United States Trademark Act of 1946."

MARYLAND

All state specific changes for this state apply to residents of this state, without respect to their franchise location, and to non-residents who will operate their franchise in this state.

Item 5 is amended by the addition of the following language to the original language:

"All initial fees and payment shall be deferred until such time as the franchisor completes its initial obligations and the first outlet opens."

Item 17.c. is amended by the addition of the following language to the original language:

"The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Distribution and Disclosure Law."

Item 17.m. is amended by the addition of the following language to the original language:

"The general release required as a condition of transfer not apply to any liability under the Maryland Franchise Distribution and Disclosure Law."

Item 17.v. is amended by the addition of the following language to the original language:

"A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

Item 17. is amended by the addition of the following language to the original language:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et. seq.)"

MINNESOTA

The Franchise Disclosure Document shall be amended for Franchisees in Minnesota as follows:

1. Item 5 is amended by the addition of the following language to the original language:

"All initial fees and payment shall be deferred until such time as the franchisor completes its initial obligations and the first outlet opens."

2. Item 6 is revised to provide that the NSF Fee is \$30 per occurrence (and not \$50 per occurrence).

3. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the

franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
 - a. that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and
 - b. that consent to the transfer of the franchise will not be unreasonably withheld.
5. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
6. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release
7. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
8. Any Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

NEW YORK

1. The following paragraphs are added to the state cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK, 10271.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE, AREA DEVELOPER OR REGIONAL DEVELOPER TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. Item 3 of the disclosure document is amended by adding the following language at the end of that item:

Neither we nor any person identified in Item 2 of the disclosure document: (a) have an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, anti-trust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations; (b) has any other action pending against that person, other than routine litigation incidental to the business, which is significant in the context of the number of franchisees or franchisees and the size, nature or financial condition of the franchise or franchise system or its business operations; (c) 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, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; (d) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or 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; (e) is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such a person from membership in such association or exchange; or (f) is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as to a real estate broker or sales agent.

3. Item 4 of the disclosure document is amended by substitution of the following for that item:

Neither we, our affiliates, nor our officers, during the 10 year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) 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 any of our officers held this position in the company or partnership.

4. The Summary column of Item 17(c) and 17(m) is amended by adding the following language:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

5. The Summary column of Item 17(j) is amended to read: “Creative Colors International may assign only to financially responsible assignee that Creative Colors International reasonably believes capable of performing its obligations under the franchise agreement and which expressly assumes these obligations in writing.”

6. The Summary column of Item 17(s) is amended to add the following: “Revisions to the Manual will not unreasonably affect your obligations, including your economic obligations, under the Franchise

Agreement.”

7. The Summary column of Item 17(w) is amended to add the following: “The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.”

RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the disclosure document, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor. To the extent required by Section 19-28.1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island.

SOUTH DAKOTA

The Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law.

The franchise Agreement provides for arbitration in Illinois. Under South Dakota law, arbitration must be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Franchise Agreement designates Illinois law as the governing law, except that the arbitration clause is to be construed under the Federal Arbitration Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but contractual and all other matters, will be subject to application, construction, enforcement, and interpretation under the governing law of Illinois.

Any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make payments contained in the disclosure document and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination.

Pursuant to SDL 37-5A86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void. Any acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

VIRGINIA

Item 5 is amended by the addition of the following language to the original language that appears therein:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee, Initial Area Development Fee and Initial Regional Development Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement, Area Development Agreement and Regional Development Agreement”.

The following statements are added to Item 5 and 17.e.

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement, Area Development Agreement or Regional Development Agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement, Area Development Agreement or Regional Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.”

WASHINGTON

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

In any arbitration involving a franchise purchased in Washington, the arbitration site will 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 Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act. This will not prevent a franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute after the agreement is in effect and when you are represented by independent counsel.

Under Washington law, resale fees may be collected only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in connection with the resale.

EXHIBIT M
STATE ADDENDA

Following this page are addenda to the Franchise Agreement, Area Development Agreement and Regional Development Agreement for the following states:

1. California
2. Hawaii
3. Illinois
4. Indiana
5. Maryland
6. Minnesota
7. New York
8. North Dakota
9. South Dakota
10. Virginia
11. Washington
12. Wisconsin

You must sign the signature page for this exhibit if:

- (1) you are an individual resident of any of these states; or
- (2) you are an entity formed in any of these states; or
- (3) you are an entity with your principal place of business in any of these states; or
- (4) your franchised business will be in any of these states.

If none of these conditions applies, then this exhibit is not applicable to you.

CALIFORNIA

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of California:

1. Any condition, stipulation or provision in the Agreement which would result in your waiver of compliance with any provision of the California Franchise Relations Act is void to the extent that the contractual provision violates this act.

HAWAII

Notwithstanding anything to the contrary in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Hawaii:

1. Any provision of the Agreement that requires you, at the time you enter into the Agreement, to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by Hawaii Franchise Investment Law is deleted from the Agreement.

ILLINOIS

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Illinois:

1. The Illinois Franchise Disclosure Act, as amended, applies to this Agreement and supersedes any conflicting provisions of the Agreement.
2. Any provision in the Agreement that would require you to waive any right granted by the Illinois Franchise Disclosure Act is deleted from Agreement.
3. The Illinois Attorney General's Office has required us to defer the initial franchise fees until all obligations have been completed and you have commenced doing business. This deferral is required by the Illinois Attorney General based on our financial statements.

INDIANA

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Indiana:

Section II.B.7 and Section XIX shall be amended by the addition of the following language:

"Indiana law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability under Indiana Code 23-2-2.7-1(5)."

Section XVI is amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits covenants not to compete in an area greater than the exclusive area granted by the franchise agreement under Indiana Code 23-2-2.7-1(9)."

Section XVII is amended by the addition of the following language to the original language that appears therein:

"Unilateral termination of the franchise is not permitted under Indiana law if such termination is without good cause or in bad faith. Good cause within the meaning of Indiana law includes any material violation of the Franchise Agreement. The conditions under which a franchise can be terminated and your rights upon non-renewal will be affected by Indiana Code 23-2-2.5 and Indiana Code 23-2-2.7"

Section XVIII is amended by the addition of the following language to the original language that appears therein:

"Franchisor shall not permit a franchise to fail to renew without good cause or in bad faith. However, Indiana law does not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if Franchisee meets certain conditions specified in the agreement."

Section XVIII and Section XX are amended by the addition of the following language to the original language that appears therein:

"Franchisee is required to indemnify Franchisor from all claims arising out of Franchisor's operation of the Franchised Business, except that Franchisee is not required to indemnify Franchisor for claims arising from Franchisor's negligence or misconduct."

Section XVIII is amended to read as follows or to include the following language:

A. "In the event of an alleged breach of Paragraph VI, VII or VIII of the Franchise Agreement, Franchisor shall be entitled to seek immediate equitable remedies, including without limitation, restraining orders and injunctive relief in order to safeguard such proprietary and confidential information."

B. "Franchisee is not responsible for tortious claims arising from Franchisor's gross negligence or willful misconduct in the making of or causing of such changes necessary in Franchisor's protection of its Marks."

Section XXV.B. shall be amended by the addition of the following language to the original language that appears therein:

"Indiana law prohibits the limitation of litigation brought for breach of the agreement in any manner whatsoever under Indiana Code 23-2-2.7-1(10)."

Section XXVIII is amended by the addition of the following language to the original language that appears therein:

"Indiana prohibits the limitation of litigation brought for breach of the Agreement in any matter whatsoever under Indiana Code 23-2-2.7-1(10). Any provision which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue in a forum outside of Indiana is void with respect to any cause of action which is otherwise enforceable in Indiana. The Franchise Agreement and all related agreements shall be interpreted and construed under the Indiana Franchise Laws, except to the extent governed by the United States Trademark Act of 1946."

Section XXIX is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement provides that any disputes between the parties shall be arbitrated in Cook County, Illinois. However, in the event that an Indiana franchisee elects to arbitrate in the state of Indiana, arbitration shall take place at a mutually appointed time and place in Indiana."

Exhibit B is amended by the addition of the following language to the original language that appears therein:

"Notwithstanding the foregoing, a prospective general release of claims for liability imposed under the Indiana Deceptive Practices Act is specifically prohibited under Indiana Code 23-2-2.7-1(5)."

MARYLAND – Franchise Agreement

All state specific changes for this state apply to residents of this state, without respect to their franchise location, and to non-residents who will operate their franchise in this state.

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:

1. Paragraphs 1.E and 1.F. of the Franchise Agreement are amended by adding the following:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the Franchise Agreement.

2. Paragraph II.B.9 of the Franchise Agreement on Renewal, and Paragraph XIX.B.2.c)(8) of the Franchise Agreement on Transfer by Franchisee are amended by the addition of the following language to the original languages:

“The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

3. Paragraph XXVIII.B. of the Franchise Agreement on Jurisdiction shall be amended by the addition

of the following language to the original language:

"Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

4. The Franchise Agreement shall be amended by the addition of the following new Paragraph XXXVIII:

"XXXVIII. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

5. The Franchise Agreement shall be amended by the addition of the following new Paragraph XXXIX:

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

MARYLAND – Area Development Agreement

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all Area Development Agreements offered and sold in the State of Maryland:

1. Paragraph 9 of the Area Development Agreement is amended by adding the following:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the Area Development Agreement.

2. Paragraph 13C(3) of the Area Development Agreement on Transfer by Area Developer is amended by the addition of the following language to the original languages:

"The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. Paragraph 10.B. of the Area Development Agreement on Jurisdiction shall be amended by the addition of the following language to the original language:

"Area Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

4. The Area Development Agreement shall be amended by the addition of the following new Paragraph 22:

"22. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

5. The Area Development Agreement shall be amended by the addition of the following new Paragraph 23:

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

MARYLAND – Regional Development Agreement

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all Regional Development Agreements offered and sold in the State of Maryland:

1. Paragraph 5(a) of the Regional Development Agreement is amended by adding the following:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the Regional Development Agreement.

2. Paragraph 10(e)(v) of the Regional Development Agreement on Transfer by Regional Developer is amended by the addition of the following language to the original languages:

"The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. Paragraph 18 of the Regional Development Agreement on Jurisdiction shall be amended by the addition of the following language to the original language:

"Area Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

4. The Regional Development Agreement shall be amended by the addition of the following new Paragraph 21:

"21. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

5. The Regional Development Agreement shall be amended by the addition of the following new Paragraph 22:

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

MINNESOTA

This Addendum is to a Franchise Agreement ("FA"), Area Development Agreement ("ADA"), and Regional Development Agreement ("RDA") dated _____, 20____ between Creative Colors International, Inc. and _____(Franchisee/Area Developer/Regional Developer) to amend said Agreement as follows:

1. Paragraphs 1.E and 1.F. of the Franchise Agreement, Paragraph 9 of the Area Development Agreement, and Paragraph 5(a) of the Regional Development Agreement are amended by adding the following:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the Franchise Agreement.

2. All payments under this Agreement that are not honored for any reason will be charged a fee of \$30.00 to help offset bank charges and administrative expenses. This fee will be in addition to any late fee or interest that may accrue because of insufficient funds.

Modifies: FA - Section XI.C.

3. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Modifies: FA - Sections XXVIII, XXXIII.B, and XXXVII;
ADA - Section 16.D.; and
RDA - Section 19(d)

4. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
 - a. that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
 - b. that consent to the transfer of the franchise will not be unreasonably withheld.

Modifies: FA - Article XVII;
ADA - Article 11; and
RDA - Article 12

5. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Modifies: FA - Article VI; and
RDA - Article 6

6. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

Modifies: FA - Paragraph II.B.9 on Renewal, and Paragraph XIX.B.2.c)(8)on Transfer by Franchisee;

ADA - Paragraph 13C(3) on Transfer by Area Developer; and
RDA - Paragraph 10(e)(v) on Transfer by Regional Developer

7. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.

Modifies: FA - Paragraphs VIII.E. and XXVIII.D; and
ADA - Paragraph 16.A.

8. Any Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

NEW YORK

Notwithstanding anything to the contrary in the Franchise Agreement, Area Development Agreement and Regional Development Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of New York:

1. Section 7.A. of the Franchise Agreement under the heading “CONFIDENTIAL MANUALS”, shall be amended by adding the following language to the end of Section 7.A.:

“The changes to the Operations Manual contemplated by this Section shall not impose an unreasonable economic burden on Franchisee or unreasonably increase Franchisee’s obligations under this Agreement.”

2. Section 19.A. of the Franchise Agreement and Section 13 of the Area Development Agreement shall be amended by adding the following language:

“However, no assignment shall be made by Franchisor except to an assignee who, in the good faith judgment of Franchisor, is willing and able to assume Franchisor’s obligations under this Agreement.”

3. Section 17.A. of the Franchise Agreement, Section 11 of the Area Development Agreement and Section 12 of the Regional Development Agreement shall be amended by adding the following language:

“Franchisee, Area Developer or Regional Developer may terminate this Agreement under any grounds available under the New York General Business Law.”

4. Section 28 of the Franchise Agreement and Section 19 of the Regional Development Agreement shall be amended by adding the following language:

“This provision is not a waiver of any right conferred upon Franchisee or Regional Developer by the General Business Law of the State of New York, Article 33.”

NORTH DAKOTA

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Covenants not to compete upon termination or expiration of the Agreement are subject to Section 9-08-06, N.D.C.C., and may be generally unenforceable in the State of North Dakota.
2. North Dakota law applies to this transaction and supersedes any conflicting provisions of the Agreement or Illinois law.

SOUTH DAKOTA

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of South Dakota:

1. Covenants not to compete upon termination or expiration of the Agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.
2. Franchise registration, employment, covenants not to compete and other matters of local concern will be governed by the laws of the State of South Dakota. As to contractual and all other matters, the Agreement will be and remain subject to the construction, enforcement and interpretation of the laws of Illinois.
3. Termination provisions covering breach of the Agreement, failure to meet performance and quality standards, and failure to make payments contained in the Agreement will afford you 30 days written notice with an opportunity to cure said default prior to termination.
4. REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL OR RECOMMENDATION OF THE FRANCHISE BY THE DIRECTOR.
5. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

VIRGINIA

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement”.

WASHINGTON

Notwithstanding anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Washington:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
4. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as the right to a jury trial may not be enforceable.
5. Transfer fees are collectable to the extent they reflect the franchisor's reasonable estimated or actual cost in effecting a transfer.

WISCONSIN

Notwithstanding anything to the contrary in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats. Supersedes any provisions of the Agreement that are inconsistent with that law.

IN WITNESS WHEREOF, the parties hereto have duly executed this document for the state of _____
as of the Effective Date of the Franchise Agreement between the parties.

FRANCHISEE:
Entity name (if any):

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

FRANCHISOR:
CREATIVE COLORS INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

Date: _____

EXHIBIT N TO FRANCHISE DISCLOSURE DOCUMENT
(Employee)

**AGREEMENT FOR PROTECTION OF TRADE SECRETS OF
THE CREATIVE COLORS INTERNATIONAL, INC. SYSTEM**

This Agreement is made to be effective as of _____, 20___, among **CREATIVE COLORS INTERNATIONAL, INC.**, an Illinois corporation, (“Franchisor”), and _____ individually (“Franchisee”), and _____ (“Employee”).

INTRODUCTION

A. Franchisor or its affiliate, over a period of time and as the result of the expenditure of time, skill, effort and money, has developed and owns a unique system (“System”), identified by the Mark “CREATIVE COLORS INTERNATIONAL” relating to the establishment, development and operation of businesses specializing in providing services for the repair, coloring, cleaning and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces, and providing related services on a mobile basis, primarily to commercial customers (referred to generally as “Accounts”).

B. The distinguishing characteristics of the System include, without limitation, exclusively designed signage, equipment, solvents, chemicals and materials; specially equipped vans; procedures and techniques for providing upholstery repair, coloring, cleaning and restoration and related services; the CREATIVE COLORS INTERNATIONAL Confidential Operations Manual; the CREATIVE COLORS INTERNATIONAL Confidential Training Manual; uniform operating methods, procedures and techniques; other confidential operations procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion, marketing and advertising; all of which may be changed, improved and further developed by Franchisor from time to time (“Franchisor’s Trade Secrets”); provided, that the term “Franchisor’s Trade Secrets” shall not include such items of information that lawfully had become or later becomes a part of the public domain, through lawful publications or communications by others and not through the breach of an obligation owed by Employee or any person or entity.

C. Franchisor grants to qualified persons franchises to own and operate CREATIVE COLORS INTERNATIONAL businesses providing services authorized and approved by Franchisor in utilizing the System and Mark.

D. Franchisor’s Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of Franchisor’s Trade Secrets.

E. Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of Franchisor’s Trade Secrets.

F. Franchisor has granted Franchisee a limited right to use the System, the Mark and Franchisor’s Trade Secrets for the period defined in the Franchise Agreement entered into on _____ (“Franchise Agreement”) between Franchisor and Franchisee.

G. Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System, of restricting use, access and dissemination of Franchisor's Trade Secrets.

H. It will be necessary for certain employees of and other persons or entities associated with, Franchisee to have access to and to use some or all of Franchisor's Trade Secrets as a trained technician or other employee of Franchisor and/or Franchisee.

I. Franchisee has agreed to obtain from Employees and such other persons or entities written agreements protecting Franchisor's Trade Secrets and the System against unfair competition.

J. Employee wishes to remain, or wishes to become, employed by or associated with Franchisee.

K. Employee wishes and needs to receive and use Franchisor's Trade Secrets in the course of his/her employment or association to effectively perform his/her services for Franchisee.

L. In consideration of the mutual covenants and obligations contained in this Agreement, the parties agree as follows:

AGREEMENT

1. Franchisor and/or Franchisee shall disclose to Employee some or all of Franchisor's Trade Secrets relating to the System. All information and materials, including, without limitation, the information and materials described in Article VIII of the Franchise Agreement (the "Confidential Information") and any drawings, specifications, techniques and compilations of data which Franchisor or Franchisee provides or makes available to Employee, shall be deemed Franchisor's Trade Secrets for the purposes of this Agreement.

2. Employee shall receive Franchisor's Trade Secrets in confidence, including but not limited to, the CREATIVE COLORS INTERNATIONAL Confidential Training Manual, and shall, at all times, maintain them in confidence, and use them only in the course of his/her employment by, or association with, Franchisee and only in connection with the development and/or operation by Franchisee of the CREATIVE COLORS INTERNATIONAL businesses using the System for so long as Franchisee is licensed by Franchisor to use and/or license the use of the System.

3. Employee shall not, at any time, make copies of any documents or compilations containing some or all of Franchisor's Trade Secrets without Franchisor's and Franchisee's express written permission.

4. Employee shall not, at any time, disclose or permit the disclosure of Franchisor's Trade Secrets, except to employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation or development of the CREATIVE COLORS INTERNATIONAL businesses.

5. Employee shall surrender the Confidential Information and any other material containing some or all of Franchisor's Trade Secrets to Franchisee or to Franchisor, upon request, or upon

termination of employment by, or association with, Franchisee, or upon conclusion of the use for which the Confidential Information or other information or material may have been furnished to the Employee.

6. Employee shall not, directly or indirectly, do any act or omit to do any act which would or would likely be injurious or prejudicial to the goodwill of the System.

7. To protect the goodwill and unique qualities of the System and the confidentiality and value of Franchisor's Trade Secrets, and in consideration for the disclosure to Employee of Franchisor's Trade Secrets, during the time he/she is employed by, or associated with, Franchisee, Employee shall not:

- a. Divert or attempt to divert, directly or indirectly, any business, business opportunity, customer or Account of Franchisor, Franchisee, or any other franchisee of Franchisor.
- b. Without the consent of the Franchisor or Franchisee, employ or seek to employ any person who is at the time, or was at any time during the prior twenty (20) months, an employee, technician, or independent contractor employed by Franchisor, Franchisee, or any other franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment. This subsection shall not apply to any employee transfer between Franchisee and Franchisor or between or among any affiliates of Franchisee or Franchisor.
- c. Directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any person, partnership or corporation or other entity, without the prior written consent of Franchisor, own, maintain, manage, operate, engage in, or have any financial or beneficial interest in, advise, assist or render services or make loans to, any business that is of a character and concept similar to the CREATIVE COLORS INTERNATIONAL businesses, including any business which looks like, copies, imitates or operates in a manner similar to a company providing services for the repair, coloring, cleaning and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces.

8. In further consideration for the disclosure to Employee of Franchisor's Trade Secrets and to protect the uniqueness of the System, Employee agrees and covenants that for a period of twenty (20) months from the date of termination of Employee's employment by, or association with, Franchisee, within a twenty five (25) mile radius of Franchisee's Area of Primary Responsibility ("APR") as set forth in the Franchise Agreement, and a twenty five (25) mile radius of the APR of any other franchisee of Franchisor, that he/she shall not, except as otherwise approved in writing by Franchisor and regardless of the cause for termination; individually, or jointly with others, either directly or indirectly, for itself or himself/herself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or other entity:

- a. Divert or attempt to divert, directly or indirectly, any business, business opportunity, customer or Account of Franchisee, Franchisor or any other franchisee of Franchisor.
- b. Without the consent of the employer, employ or seek to employ any person who is at the time, or was at any time during the prior twenty (20) months, a technician or employed by Franchisor, or any other franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment. This subsection shall not apply to

any employee transfer between Franchisee and Franchisor or between or among any affiliates of Franchisee or Franchisor.

- c. Directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any person, partnership or corporation or other entity, without the prior written consent of Franchisor, own, maintain, manage, operate, engage in, or have any financial or beneficial interest in, advise, assist or render services or make loans to, any business that is of a character and concept similar to the CREATIVE COLORS INTERNATIONAL businesses, including any business which looks like, copies, imitates or operates in a manner similar to a company providing services for the repair, coloring, cleaning and restoration of leather, cloth, vinyl, velour, plastics and other upholstery surfaces.

9. Franchisee and its controlling principals undertake to use commercially reasonable efforts to ensure that Employee acts as required by this Agreement.

10. Employee agrees that in the event of a material breach of this Agreement, Franchisor and Franchisee would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of this Agreement, Franchisee agrees with Franchisor to take all commercially reasonable actions necessary to enforce this Agreement or seek any available remedies for breach provided under applicable law, and Franchisor and Franchisee may be entitled, in addition to the remedies provided above, to enforce this Agreement, and Franchisor may be entitled, in addition to any other remedies which are made available to it at law, including the right to a temporary and/or permanent injunction (or similar form of remedy) and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm, and without being required to furnish a bond or other security.

11. Any obligation of Employee that contemplates performance of such obligation after the termination or expiration of this Agreement shall be deemed to survive the termination or expiration of this Agreement.

12. Employee agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

13. Any failure by Franchisor or Franchisee to object to or take action regarding any breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Employee.

14. **THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF.**

15. The parties agree that each of the above 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 Franchisor or Franchisee is a party, Employee expressly agrees to be bound by any lesser covenant contained within the terms of this 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.

16. Except as stated in Paragraph 17 of this Agreement, this Agreement contains the entire agreement of the parties regarding the subject matter hereof.

17. Notwithstanding anything stated to the contrary, if Employee, prior to the execution of this Agreement, has executed any agreement(s) regarding the protection of Franchisor's trade secrets, then the execution of this Agreement shall not invalidate, revoke, or rescind those prior agreement(s), unless the parties expressly revoke or rescind those prior agreement(s) in writing. If the parties do not expressly revoke or rescind the prior agreement(s) in writing, the terms of this Agreement shall be considered supplements, additions, and amendments to the prior agreement(s). To the extent there are conflicts between any terms of any prior agreement(s) protecting Franchisor's trade secrets executed by Employee, then the terms of this Agreement shall replace and be controlling over any and all conflicting terms in the prior agreement(s).

18. All notices and demands under this Agreement shall be in writing and shall be delivered personally, sent by expedited delivery service or sent via facsimile (provided that the sender confirms the recipient's receipt of the transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties:

Notices to Franchisor:

CREATIVE COLORS, INTERNATIONAL, INC.
19015 S. Jodi Road, Suite E
Mokena IL 60448
Attn: Terri Sniegolski, Senior Vice President
Facsimile No. (708) 614-9685

Daniel S. Kaplan, Esq.
Kaplan & Greenswag LLC
181 Waukegan Road – Suite 205
Northfield, Illinois 60093
Facsimile No. (847) 501-5187

Notices to Franchisee:

Notices to Employee:

19. The rights and remedies of Franchisor and Franchisee under this Agreement are fully assignable and transferable and shall inure to the benefit of their respective successors, assigns and

transferees. The obligations of Employee under this Agreement are personal in nature and may not be assigned by Employee, without the prior written consent of Franchisor and Franchisee.

20. This Agreement may be executed in counterpart originals, all of which shall constitute one and the same agreement. It is expressly understood and agreed that this Agreement shall be binding upon Employee, Franchisor and Franchisee upon execution of this Agreement by them. It is also expressly understood and agreed that if Employee and Franchisor (but not Franchisee) execute this Agreement, this Agreement shall be binding upon Employee and Franchisor, and Franchisee shall be considered and is, an intended third-party beneficiary of this Agreement. It is also expressly understood and agreed that if Employee and Franchisee (but not Franchisor) execute this Agreement, this Agreement shall be binding upon Employee and Franchisee, and Franchisor shall be considered and is, an intended third-party beneficiary of this Agreement.

The parties have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR

EMPLOYEE

Creative Colors International, Inc.

By: _____

Address:

Title: _____

FRANCHISEE

By: _____

Title: _____

**EXHIBIT O to
FRANCHISE DISCLOSURE DOCUMENT**

**GENERAL RELEASE
(Transfer)**

In consideration of the consent by Creative Colors International, Inc. ("Franchisor") to the assignment of the Franchise Agreements of _____, a _____ corporation, and _____, individually, ("Franchisee") to _____, a _____ corporation, and _____, individually, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee does hereby forever release, discharge and hold Franchisor, its officers, agents, employees, shareholders, guarantors, successors, and assigns, on behalf of themselves, their heirs, executors, administrators, officers, agents, employees, shareholders, guarantors, successors, and assigns, harmless from and against any and all claims, causes of action, demands, damages, costs, suits, obligations, negligence, misrepresentations, omissions, and fraud, whatsoever, in law or in equity, arising out of any relationship with one another whether contractual or otherwise which they now have, had, or which their heirs, executors, administrators, or assigns hereafter can, shall, or may have, for, upon or by reason of any matter, cause, or thing whatsoever at any time prior to the date of this Release, which Release is not limited to claims relating to the assignment of Franchise Agreement being assumed by Franchisee.

This General Release extends to any and all claims, known or unknown, the existence of which Franchisee may not know or suspect as of the date of executing this document, it being the understanding and intent of Franchisee that Franchisee is releasing Franchisor from any and all liability to Franchisee, except for obligations required to be performed by Franchisor subsequent to the date of this Release. Further, Franchisee has had an opportunity to seek advice from legal counsel and is executing this Release with full knowledge of its legal effect.

Dated: _____, _____,
A _____ corporation

By: _____
Its: _____

individually and as principal of

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 Creative Colors International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the franchise 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 Creative Colors International, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the Creative Colors International, Inc. franchise (check names that apply):

Name	Address	Telephone Number
____ Mark Bollman, President	19015 S. Jodi Road Suite E Mokena, Illinois 60448	1-800-933-2656 x. 223
____ Terri Sniegolski, Sr. V. President	19015 S. Jodi Road Suite E Mokena, Illinois 60448	1-800-933-2656 x. 224
____ Other _____	_____	_____

I received a disclosure document with issuance date _____ that included the following Exhibits:

EXHIBIT A - LIST OF STATE ADMINISTRATORS
 EXHIBIT B - LIST OF AGENTS FOR SERVICE OF PROCESS
 EXHIBIT C - TABLE OF CONTENTS TO OPERATIONS MANUAL
 EXHIBIT D - TABLE OF CONTENTS TO TRAINING MANUAL
 EXHIBIT E - FRANCHISE AGREEMENT
 EXHIBIT F - AREA DEVELOPMENT AGREEMENT
 EXHIBIT G - REGIONAL DEVELOPMENT AGREEMENT
 EXHIBIT H - FINANCIAL STATEMENTS
 EXHIBIT I - FRANCHISEE DISCLOSURE QUESTIONNAIRE
 EXHIBIT J - START-UP SUPPLIES

EXHIBIT K - VAN LEASE AGREEMENT
 EXHIBIT L - STATE ADDENDA TO THE FRANCHISE
 DISCLOSURE DOCUMENT
 EXHIBIT M - ADDENDA TO THE FRANCHISE AGREEMENT
 FOR CERTAIN STATES
 EXHIBIT N - AGREEMENT FOR PROTECTION OF TRADE
 SECRETS
 EXHIBIT O - FORM GENERAL RELEASE

 Prospective Franchisee

Dated: _____

Retain this copy for your records

RECEIPT

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EXHIBIT O - FORM GENERAL RELEASE |
|---|--|

Prospective Franchisee

Dated: _____

Please return this signed and dated receipt to:
 Creative Colors International, Inc.
 19015 S. Jodi Road – Suite E
 Mokena, Illinois 60448
 Terri@CreativeColorsIntl.com
 708-478-1636 (facsimile)