

The franchise offered is for a business that specializes in selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, exhibits and displays, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services.

The total investment necessary to begin operation of a full-service FASTSIGNS Center franchised business is \$178,207 to \$289,498. This includes the franchise fee of \$37,500, equipment costs that range from \$37,160 to \$39,470 and furniture and fixture costs that range from \$7,688 to \$10,978, all of which must be paid to us or our affiliates. The total investment necessary to begin operation of a Satellite FASTSIGNS Center franchised business is \$85,762 to \$179,255. This includes the franchise fee of \$18,750, equipment costs that range from \$0 to \$36,328 and furniture and fixture costs that range from \$5,336 to \$10,003, all of which must be paid to us or our affiliates. The total investment necessary to begin operation of a Conversion FASTSIGNS Center franchised business is \$72,544 to \$190,035. This includes the franchise fee of \$37,500, equipment costs that range from \$0 to \$37,157 and furniture and fixture costs that range from \$2,546 to \$8,250, all of which must be paid to us or our affiliates. The total investment necessary to begin operation of Co-Brand Center is \$74,083 to \$201,059. This includes a franchise fee of \$37,500, equipment costs that range from \$0 to 38,160 and furniture and fixture costs that range from \$4,679 to \$9,833, all of which must be paid to us or our affiliates. If you enter into a Development Agreement you will pay a franchise fee of \$37,500 for the first Center to be developed and \$18,750 for each additional Center developed. The development fee is \$15,000 for each Center to be developed (excluding the first Center) and that amount will be credited against the franchise fee due for each Center.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 2542 Highlander Way, Carrollton, Texas 75006, (214) 346-5600.

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

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

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

ISSUANCE DATE: April 30, 2014

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERFIED 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 FRANCHISE 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 REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN TEXAS. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN TEXAS THAN IN YOUR OWN STATE.
- 2. THE FRANCHISE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3. 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 this Disclosure Document in the states of California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin are on the following page.

STATE EFFECTIVE DATES

State	Effective Date
California Effective Date:	April 30, 2014
Hawaii Effective Date:	May 5, 2014
Illinois Effective Date:	April 30, 2014
Indiana Effective Date:	April 30, 2014
Maryland Effective Date:	July 11, 2013, as amended April 30, 2014
Michigan Effective Date:	April 30, 2014
Minnesota Effective Date:	January 31, 1989, as amended May 8, 2014
New York Effective Date:	April 30, 2014
North Dakota Effective Date:	October 18, 2013, as amended April 30, 2014
Oregon Effective Date:	April 30, 2014
Rhode Island Effective Date:	May 17, 2014
South Dakota Effective Date:	April 30, 2014
Virginia Effective Date:	September 3, 2013, as amended April 30, 2014
Washington Effective Date:	April 30, 2014
Wisconsin Effective Date:	April 30, 2014

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ADDENDUM TO FASTSIGNS INTERNATIONAL, INC. DISCLOSURE DOCUMENT FOR THE STATE OF MICHIGAN

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A **(D)** FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES. AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE AND INVENTORY, SUPPLIES, EOUIPMENT, FIXTURES, FRANCHISOR AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE IF: FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION IS CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

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(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

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

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EXHIBITS

- A State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Development Agreement
- D Financial Statements
- E Franchisees as of 12/31/13
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- H General Release
- I Financing Promissory Note (Indirect Financing)
- J Security Agreement (Indirect Financing)
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- M Information, Consent and Authorization Agreement
- N Financing Conversion Promissory Note (Direct Financing)
- O State Disclosure Addenda and Franchise Agreement Riders
- P Receipts

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT "O".

ITEM 1 FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

FASTSIGNS International, Inc. (referred to in this Disclosure Document as "Franchisor," "we," "us" and "our") is a Texas corporation that maintains its principal place of business at 2542 Highlander Way, Carrollton, Texas 75006-2333. We were incorporated on April 30, 1986 and have done business under the name American Fastsigns, Inc., FASTSIGNS International, Inc., or FASTSIGNS®. We changed our corporate name to FASTSIGNS International, Inc. effective January 31, 2000. We have no predecessor.

Since our incorporation, we have developed, operated and franchised a comprehensive system for developing and operating businesses that specialize in selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services (the "FASTSIGNS System" or "System"). The business operated under the System described below is referred to as the "Center" in this Disclosure Document. We currently do not operate any Centers.

Except as described in this Item 1, we have not engaged in any other business, or offered franchises for any other line or type of business.

On January 15, 1998, Gary Salomon, then Chairman of the Board and Director of Franchisor, entered into an Agreement for Purchase and Sale of Stock of the Franchisor (the "Purchase Agreement") in which Mr. Salomon agreed to sell all of the outstanding shares of Franchisor to AFS Acquisition, Inc. ("Acquisition"). The sale closed on February 20, 1998 with an effective date of December 31, 1997. Acquisition is a Delaware corporation formed on October 20, 1997. Acquisition is a wholly owned subsidiary of Saldon Holdings, Inc. ("Saldon"), also a Delaware corporation formed on October 20, 1997. Simultaneous with the closing, Saldon caused Acquisition to merge into Franchisor, with Franchisor being the surviving corporation. As a result of the merger, we became a wholly owned subsidiary of Saldon. Saldon's principal place of business is 2542 Highlander Way, Carrollton, Texas 75006-2333.

On October 1, 2003, FASTSIGNS Holding Corporation ("FHC"), a Georgia corporation controlled by affiliates of Roark Capital Group, acquired all of the outstanding stock of Saldon. FHC's principal place of business is 2542 Highlander Way, Carrollton, Texas 75006-2333. Roark Capital Group, an Atlanta based private equity firm, along with Roark Capital Management LLC, an Atlanta based management company affiliated with Roark Capital Group, controls or manages the following other franchise programs: Carvel Corporation, Cinnabon, Inc., Auntie Anne's Inc., CBC Restaurant Corp., Arby's Restaurant Group, Inc., McAlister's Corporation, Primrose School Franchising Company, Schlotzky's Franchise, LLC, Moe's Franchisor, LLC., Batteries Plus, LLC., Pet Valu Canada, Inc., Wingstop Restaurants, Inc., Massage Envy Franchising, LLC, Arby's Restaurant Group, Inc. and CKE, Inc.. As a result of the acquisition, Saldon is a wholly owned subsidiary of FHC. We remain a wholly owned subsidiary of Saldon.

Affiliated Franchise Programs. Through common control with or common management by either Roark Capital Group, Inc. ("RCG") or Roark Capital Management LLC, both Atlanta based management companies affiliated with the private equity firm, Roark Capital Group; we are affiliated with the following franchise programs ("Affiliated Programs"):

FOCUS Brands is the direct or indirect parent company to 6 franchisors, including Carvel Corporation ("Carvel"), Cinnabon, Inc. ("Cinnabon"), Schlotzsky's Franchise LLC ("Schlotzsky's), Moe's Franchisor LLC ("MF"), Auntie Anne's Inc. ("Auntie Anne's") and McAlister's Corporation ("McAlister's").

Carvel is a leading retailer of branded ice cream cakes in the United States and a producer of premium soft-serve ice cream. Carvel was acquired by RCG in October 2001. Carvel's principal place of business is 200 Glenridge Point Parkway, Suite 200, Atlanta, Georgia 30342. Carvel has been associated with the ice cream business since 1934. Carvel began franchising retail ice cream outlets in 1947 and as of December 31, 2013, had 377 domestic retail outlets (including 39 shoppes co-branded in Schlotzsky's restaurants operated by our affiliate), 47 international retail shoppes, and 26 foodservice locations operated by independent third parties that offer Carvel® ice cream and frozen desserts including cakes and ice cream novelties. Carvel has not offered franchises in any other line of business.

Cinnabon licenses independent third parties to operate domestic and international franchised Cinnabon® bakeries and Seattle's Best Coffee® franchises on military bases in the United States and in certain international countries, and to use the Cinnabon trademarks on products dissimilar to those offered in Cinnabon bakeries. On November 4, 2004, FOCUS Brands purchased Cinnabon International, Inc., the parent company of Cinnabon, from AFC Enterprises, Inc. and FOCUS Brands became the parent company of Cinnabon, International Inc. and indirect parent of Cinnabon. Cinnabon's principal place of business is 200 Glenridge Point Parkway, Suite 200, Atlanta, Georgia 30342. Cinnabon began franchising in 1990 and, as of December 31, 2013, franchisees operated 582 Cinnabon retail outlets in the United States and 558 Cinnabon retail outlets outside the United States and 5 Seattle's Best Coffee units in the United States and 148 units in other countries. As of December 31, 2013, Cinnabon operated one company-owned Cinnabon retail outlet in the United States. Cinnabon has not offered franchises in any other line of business.

Schlotzsky's franchises Schlotzsky's® quick-casual restaurants which feature sandwiches, pizza, soups, and salads. Schlotzsky's signature items are its "fresh-from-scratch" sandwich buns and pizza crusts that are baked on-site every day. On November 17, 2006, FOCUS Brands, through its wholly owned subsidiary, Schlotzsky's, purchased from Schlotzsky's, Ltd. and its affiliate, Schlotzsky's Real Estate Holdings, Ltd., both Texas limited partnerships, substantially all of the assets, including, among other items, all franchise agreements and trademarks, service marks and other intellectual property, that comprise the Schlotzsky's® restaurant franchise system and the Schlotzsky's brand. Schlotzsky's principal place of business is 11401 Century Oaks Terrace, Suite 400, Austin, Texas 78758. Schlotzsky's restaurant franchises have been offered since 1976. As of December 31 2013, there were 298 franchised Schlotzsky's restaurants operating in the United States, 39 company-owned restaurants and 8 Schlotzsky's restaurants operating outside the United States. Schlotzsky's has not offered franchises in any other line of business.

On August 29, 2007, MF, a wholly owned subsidiary of FOCUS Brands, purchased from Moe's SWG Holdings, LLC, Moe's Holdings, LLC and Moe's Southwest Grill, LLC, substantially all of the assets, including, among other items, all franchise agreements and trademarks, service marks and other intellectual property, that comprised the Moe's Southwest Grill® fast casual restaurant concept. As a result, MF franchises the Moe's Southwest Grill® fast casual restaurant concept that offers fresh-mex and southwestern food. MF's principal business address is 200 Glenridge Point Parkway, Suite 200, Atlanta, Georgia 30342. MF's predecessor, Moe's Southwest Grill, LLC, began offering Moe's franchises in 2001. As of December 31, 2013, there were 523 franchised Moe's restaurants operating in the United States, 5 operating outside the United States and 4 company-owned Moe's restaurants in the United States. MF has not offered franchises in any other line of business.

Auntie Anne's franchises Auntie Anne's® facilities that offer soft pretzels, lemonade, frozen

drinks and related foods and beverages. On November 5, 2010, FOCUS Brands purchased all the outstanding shares of Auntie Anne's Food, Inc. ("AAFI"), the parent company of Auntie Anne's. Through an acquisition, FOCUS Brands became the indirect parent company of Auntie Anne's. Auntie Anne's principal place of business is 48-50 W. Chestnut Street, Suite 200, Lancaster, Pennsylvania 17603. Auntie Anne's has offered franchises since January 1991. As of December 31, 2013, there were 962 franchised facilities and 15 company-owned stores in the United States and approximately 420 franchised facilities operating outside the United States. Auntie Anne's has not offered franchises in any other line of business.

McAlister's offers full-size and non-traditional fast casual restaurant franchises offering counterservice, on-premises and take-out services featuring a complete or limited line of deli foods, including hot and cold deli sandwiches, baked potatoes, salads, soups, desserts, iced tea and other food and beverage products under the names "MCALISTER'S DELI®" or "MCALISTER'S SELECT®." McAlister's principal place of business is 4501 North Point Parkway, Suite 100, Alpharetta, Georgia 30022 and it has an additional operations center located at 721 Avigon Drive, Suite A, Ridgeland, Mississippi 39157. McAlister's has been franchising since 1999 and as of December 31, 2013, had 275 domestic franchised restaurants and 46 company-owned restaurants. McAlister's became an affiliated franchise program through an acquisition in July 2005 and in October 2013, McAlister's parent was merged with a subsidiary of FOCUS Brands and McAlister's became an indirect subsidiary of FOCUS Brands. McAlister's has not offered franchises in any other line of business.

Batteries Plus, L.L.C. ("Batteries Plus") is a franchisor that offers individual and multiple unit franchises for the operation of Batteries Plus Bulbs® stores selling batteries, light bulbs and related accessories and services for retail consumer and commercial accounts. Batteries Plus' principal place of business is 925 Walnut Ridge Drive, Suite 100, Hartland, Wisconsin 53029. Batteries Plus became an affiliated franchise program through an acquisition in November 2007. Batteries Plus has been franchising since August 1996 and as of December 31, 2013, had 562 franchised stores and 40 company-owned stores. Batteries Plus has not offered franchises in any other line of business.

Primrose School Franchising Company ("Primrose") is a franchisor that offers franchises for the establishment, development and operation of educational child care facilities serving families with children from 6 weeks to 12 years old operating under the Primrose® name. Primrose's principal place of business is 3660 Cedarcrest Road, Acworth, Georgia 30101. Primrose became an affiliated franchise program through an acquisition in June 2008. Primrose has been franchising since 1988 and as of December 31, 2013, had 272 franchised facilities and 1 company-owned facility. Primrose has not offered franchises in any other line of business.

Pet Valu Canada Inc. ("Pet Valu") is a franchisor that offers franchises for specialty retail stores operating under the trademark "Pet Valu" that sell food and supplies for dogs, cats, birds, fish, reptiles and small animals. Pet Valu's principal place of business is 7300 Warden Avenue, Suite 106, Markham, Ontario L3R 9Z6. Pet Valu became an affiliated franchise program through an acquisition in August 2009. Pet Valu has been franchising since 1987. Pet Valu also operates 1 other small chain of specialty retail pet supply stores in Ontario, Canada and 1 other chain of specialty retail pet supply stores in British Columbia, Canada. The small Ontario chain operates under the trademark "Paulmac's Pet Foods" and, as of December 28, 2013, there were 14 franchised and 3 company-owned stores. The British Columbia chain, acquired by Pet Valu in April 2010 operates under the trademark "Bosley's Pet Food Plus" and, as of December 28, 2013, there were 17 franchised and 29 company-owned stores. As of December 28, 2013, there were 17 franchised and 29 company-owned stores and 123 company-owned Pet Valu stores in the United States. Pet Valu stores operating in Canada, and 123 company-owned Pet Valu stores in the United States. Pet Valu has not offered franchises in any other line of business and currently only offers franchises for the operation of Pet Valu and Bosley's stores in Canada.

Wingstop Restaurants, Inc. ("WINGSTOP") is a franchisor of restaurants operating under the WING-STOP® trade name and business system that serve buffalo-style chicken wings and complementary side dishes and beverages. Its principal place of business is 5501 LBJ Freeway, 5th Floor, Dallas, Texas 75249. WINGSTOP became an affiliated franchise program through an acquisition in April 2010. WINGSTOP has been franchising since May 1997 and, as of December 29, 2013, had 593 restaurants operating in the United States (569 franchised and 24 company-owned) and 21 restaurants operating internationally. WINGSTOP has not offered franchises in any other line of business.

CBC Restaurant Corp. ("Corner Bakery") is a franchisor of fast-casual restaurants operating under the Corner Bakery Cafe® trade name and business system that serve artisan breads, salads, sandwiches, soups and baked goods for breakfast, lunch and dinner. Corner Bakery's principal place of business is 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251. In June 2011, Corner Bakery became an affiliated franchise program through an acquisition. Corner Bakery has been franchising since June 2006 and, as of December 31, 2013, there were 110 company-owned restaurants and 49 franchised restaurants in the United States. Corner Bakery has not offered franchises in any other line of business.

Arby's Restaurant Group, Inc. ("Arby's") is a franchisor of quick-serve restaurants operating under the Arby's® trade name and business system that feature slow-roasted, freshly sliced roasted beef sandwiches. Arby's principal place of business is 1155 Perimeter Center West, Suite 1200, Atlanta, Georgia 30338. In July 2011, Arby's became an affiliated franchise program through an acquisition. Arby's has been franchising since 1965 and, as of December 31, 2013, there were approximately 3,267 Arby's restaurants operating in the United States (2,311 franchised and 956 company-owned), and 135 franchised Arby's restaurants operating internationally. Predecessors and former affiliates of Arby's have, in the past, offered franchises for other restaurant concepts including T. J. Cinnamons®. As of December 31, 2013, there were approximately 61 T. J. Cinnamons locations in the United States. T. J. Cinnamons stores serve gourmet baked goods.

Massage Envy Franchising, LLC is a franchisor of businesses that offers professional therapeutic massage services, facial services and related goods and services under the name "Massage Envy" or "Massage Envy Spa®." Massage Envy Franchising's principal place of business is 14350 North 87th Street, Suite 200, Scottsdale, Arizona 85260. In September 2012, Massage Envy became an affiliated franchise program through an acquisition. Massage Envy Franchising has been franchising since 2010 and through its predecessor since 2003. As of December 31, 2013 there were 940 franchised Massage Envy Spas operating in the United States. Additionally, the predecessor of Massage Envy Franchising previously sold franchises for regional developers, who acquired a license for a defined region in which they were required to open and operate a designated number of Massage Envy Spas either by themselves or through franchisees that they would solicit. As of December 31, 2013, there were 41 regional developers operating 53 regions in the United States. Massage Envy Franchising has not offered franchises in any other line of business.

CKE, Inc., through two indirect wholly-owned subsidiaries (Carl's Jr. Restaurants LLC and Hardee's Restaurants LLC), owns, operates and franchises quick serve restaurants operating under the Carl's Jr.®, Hardee's®, Green Burrito® and Red Burrito® trade names and business systems. Carl's Jr. restaurants and Hardee's restaurants offer a limited menu of breakfast, lunch and dinner products featuring charbroiled 100% Black Angus Thickburger® sandwiches, Hand-Breaded Chicken Tenders, Made from Scratch Biscuits and other related quick serve menu items. Green Burrito and Red Burrito each offer certain Mexican food products in a quick-serve format. Green Burrito franchises are only offered in conjunction with a Carl's Jr. Dual Concept Restaurant that incorporates the Green Burrito Dual Concept System. Red Burrito franchises are only offered in conjunction with a Hardee's Dual Concept System. CKE, Inc.'s principal place of business is 6307 Carpinteria Avenue, Suite A, Carpinteria, California 93013. On December 24, 2013, CKE, Inc. became an affiliated company through the acquisition of a substantial majority of CKE, Inc.'s stock. Hardee's restaurants have been franchised since 1961 and Red Burrito Dual Concept restaurants

have been franchised since 2006. As of January 27, 2014, there were 457 company-operated Hardee's restaurants, including 318 Red Burrito Dual Concept restaurants, and there were 1264 domestic franchised Hardee's restaurants, including 133 Red Burrito Dual Concept restaurants. Additionally, there were 275 franchised Hardee's restaurants operating outside the United States. Carl's Jr. restaurants have been franchised since 1984 and Green Burrito Dual Concept restaurants have been franchised since 1984 and Green Burrito Dual Concept restaurants have been franchised since 1984 and Green Burrito Dual Concept restaurants, including 296 Green Burrito Dual Concept restaurants, and there were 700 domestic franchised Carl's Jr. restaurants, including 315 Green Burrito Dual Concept restaurants. In addition, there were 298 franchised Carl's Jr. restaurants operating outside the <u>United States</u>. Neither CKE, Inc. nor its subsidiaries that operate the above-described franchise systems have offered franchises in any other line of business.

None of these affiliated franchisors are obligated to provide products or services to you; however, you may purchase products or services from these franchisors if you choose to do so.

Except as described above, we have no other parents, predecessors of affiliates that must be included in this Item.

We have written the Disclosure Document in "plain English" in order to comply with legal requirements. Any differences in the language in this Disclosure Document describing the terms, conditions or obligations under the Franchise Agreement or any other agreements is not intended to alter in any way the rights or obligations of the parties under the particular agreement.

The Franchise Offered

We offer franchises to develop and operate Centers that specialize in producing and marketing signs and graphics and other products as described above under the System. The System includes the right to use various trade names and marks as well as construction and design plans, color schemes, signs and equipment for the Center premises. The System also includes procedures, specifications and formulas for selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services, inventory, operations, and financial control methods and concepts, initial and ongoing management training and teaching techniques, outside sales and other proactive business development techniques and advertising and promotional services and assistance.

The System is identified by means of certain principal trade names, marks, and indicia of origin described in Item 13, including the marks "FASTSIGNS," and other names and marks we designate to identify for the public the source of services and products marketed under such marks and the System (collectively, the "Proprietary Marks").

Each franchise relationship is established under 1 of 2 basic arrangements. The first arrangement consists of a "Franchise Agreement" under which the franchisee (referred to in this Offering as "Franchisee", "you" or "your") establishes a single Center. The form of Franchise Agreement that you will sign is attached to this Disclosure Document as Exhibit "B". The second arrangement consists of (i) a "Development Agreement" under which you must establish more than 1 Center within a defined geographic area under a development schedule in the Development Agreement, and (ii) a separate Franchise Agreement for each Center established under the Development Agreement. The form of Development that you will sign is attached to this Disclosure Document as Exhibit "C". For

each Center you develop under the Development Agreement, you must sign the then current form of Franchise Agreement.

Also, we may offer you the opportunity to establish and operate satellite centers (the "Satellite Center") once you are an existing franchisee. Satellite Centers do not have production facilities and signs and graphics are produced at one of your existing full-service Centers or subcontracted out. The Satellite Center is a limited service Center designed to provide you an additional location through which to market the FASTSIGNS' products and services at lower development costs since the Satellite Center will not have production facilities (see Item 7). The Franchise Agreement you will sign for the Satellite Center will be the form of Franchise Agreement attached to this Disclosure Document as Exhibit "B" or the current form of Franchise Agreement we are offering for Satellite Centers depending on when you establish the Satellite Center.

In addition, we may offer existing sign businesses the opportunity to convert to the FASTSIGNS System (the "Conversion Franchise"). The terms and conditions of the franchise agreement offered to you if you are a Conversion Franchisee will differ in certain respects from those described in this Disclosure Document, and includes a reduction of the initial franchise fee and may include a reduction in service fees (Exhibit "G" to the Franchise Agreement, Conversion Franchise Amendment).

Also, we may offer existing operating complementary businesses the opportunity to establish and operate a FASTSIGNS Center within their business "(Co-Brand Franchise"). The terms and conditions of the franchise agreement offered to you if you are a Co-Brand Franchisee will differ in certain aspects from those described in the Franchise Agreement for the Center, and includes a reduction of the initial franchise fee and may include a reduction in service fees (Exhibit "H" to the Franchise Agreement, Co-Brand Franchise Amendment).

The Franchise Agreement requires certain "Controlling Principals," as that term is defined in the Agreement, to be individually bound by certain obligations contained in the Agreement, including covenants concerning confidentiality and non-competition and to personally guarantee your performance under the Agreement (see Item 15). Other interest holders are referred to in the Agreement as "Franchisee's Principals". In this Disclosure Document, the Franchisee's Principals are simply referred to as "your principals."

Each reference to a corporation or partnership in this Disclosure Document also refers to a limited liability company and any other entity or similar organization. Each reference to the organizational documents, equity owners, directors, and officers of a corporation also refers to the functional equivalents of those organizational documents, equity owners, directors, and officers, and officers, as applicable, in the case of a limited liability company or any other entity or similar organization.

All references in this Disclosure Document to "Agreements" includes the Franchise Agreement and the Development Agreement and all references to "Franchisee," "you" or "your" include both you as a developer under the Development Agreement and under the applicable Franchise Agreement, and all references to "your principals" and "Controlling Principals" include those persons as principals of a of a developer under a Development Agreement and as principals of a franchisee under a Franchise Agreement, unless the Disclosure Document states otherwise.

The Center's products and services are marketed primarily to businesses in the market area where the Center is located. Factors considered in determining a market area include street visibility and accessibility, density and variety of businesses, population and growth of the area (see Item 12). Typically, the Center is located in a strip-shopping center or other highly visible location. You will compete with other entities producing signs and graphics and other similar products and services, including other sign shops and quick printers, screen printers, wide format print companies, exhibit/display providers and reprographic firms. Many of these businesses will be independently owned and operated, but some may be franchised by other franchisors.

We are also expanding in various international markets. As of the date of this Disclosure Document, our Master Subfranchisor in Brazil has 1 Center open. In addition, we have 23 Centers open in Canada, 19 Centers open in the United Kingdom, one Center open in Mexico, one Center open in the Cayman Islands and one Center open in Saudi Arabia. Additionally, there are 17 SIGNWAVE centers operating in Australia under our Australian master franchisee.

Our agents for service of process are listed in Exhibit "A".

Industry Regulations

In addition to the laws and regulations applicable to businesses generally, you should consider that many cities and municipalities have sign ordinances that may affect your customer's ability to use the signs and business products that you offer from the Center. Some states also may have laws that require persons who install signs to be a licensed contractor. Those laws will vary from state to state as to the types of installation activities and monetary value of the jobs covered by the law, as well as the criteria and experience requirements that must be met to obtain a license. You should consider any impact these laws may have in your investment decision.

Our recommended digital printer is the Roland RE640 printer. In a few cities or municipalities, there may be laws or regulations that discourage a printer that emits volatile organic compounds. In those instances, we will recommend an alternate printer. There may be additional permits required concerning the emissions of volatile organic compounds, hazardous waste, and odor. OSHA regulations may require you and your Center personnel be trained under the Hazard Communication Standard. Each state interprets the OSHA and EPA rules and regulations, so it may vary from state to state.

ITEM 2 BUSINESS EXPERIENCE

Catherine Monson Chief Executive Office, President and Director

From January 2009 to present, Ms. Monson has been our Chief Executive Officer and Director. From April 2009 to present, Ms. Monson has also been our President. From October 1996 to December 2008, Ms. Monson was a member of PIP Printing and Document Services, Inc.'s (PIP) Board of Directors. From April 1999 to December 2008, Ms. Monson was President and Chief Operating Officer of PIP Printing and Document Services. From September 1996 to March 1999, Ms. Monson served as Managing Director of MultiCopy Europe, BV, located in Amsterdam, the Netherlands. From August 1991 to August 1996, Ms. Monson was Group Vice President, Marketing and Communications of Sir Speedy, Inc. located in Mission Viejo, California. From December 1989 to July 1991, Ms. Monson was Vice President of Training and Communications of Sir Speedy, Inc. From November 1985 to November 1989, Ms. Monson was Vice President of Franchise Development for Sir Speedy, Inc. Ms. Monson is currently on the Board of Directors of the International Franchise Association and on the Board of Trustees of the National Education Foundation for Pi Sigma Epsilon, a national professional development co-ed Sales and Marketing fraternity for college and university students. Previously she was on the Board of Directors of the Business Marketing Association and Board of Trustees of Sales and Marketing Executives International Academy of Achievement.

Mark Jameson Executive Vice President of Franchise Support and Development

From September 2013 to present, Mr. Jameson has been our Executive Vice President of Franchise Support and Development. From October 2011 to August 2013, Mr. Jameson was our Senior Vice President of Franchise Support and Development. From November 2009 to October 2011, Mr. Jameson was our Senior Vice President of Franchise Development. From August 2003 to October 2009, Mr. Jameson was Vice President of Franchise Development with CCA Global Partners located in Earth City, Missouri. From July 2001 to July 2003, Mr. Jameson was Executive Vice President of Bucks County Coffee located in Philadelphia, Pennsylvania. From January 1999 to June 2001, Mr. Jameson was Executive Vice President of 1997 to December 1998, Mr. Jameson was Vice President of Operations with Wicks N Sticks located in Houston, Texas.

Drue Townsend Senior Vice President of Marketing

From September 2003 to present, Ms. Townsend has been our Senior Vice President of Marketing. From September 1998 to September 2003, Ms. Townsend was our Vice President of Marketing. From August 1997 to September 1998, Ms. Townsend was our Executive Director of Marketing. From December 1996 to August 1997, Ms. Townsend was our Director of Field Marketing and Corporate Communications. From June, 1995 to November 1996, Ms. Townsend was our Co-Op and Field Marketing Manager.

Michael Nittolo Chief Financial Officer

From May 2011 to present, Mr. Nittolo has been our Chief Financial Officer. From August 2009 to April 2011, Mr. Nittolo was Vice President of Roark Capital Group, Inc. located in Atlanta, Georgia. From January 2005 to July 2009, Mr. Nittolo was Vice President of Financial Integration with Focus Brands, Inc. located in Atlanta, Georgia.

Geoff Hill Director

From October 2011 to present, Mr. Hill has been our Director. From 2010 to present, Mr. Hill has been Vice President with Roark Capital Management LLC. located in Atlanta, Georgia. From 2006 to 2009, Mr. Hill was the President of Cinnabon, a division of FOCUS Brands located in Atlanta, Georgia. From 2002 to 2006, Mr. Hill had responsibilities for franchise sales, real estate, design & construction, and franchise administration for all of FOCUS Brands located in Atlanta, Georgia. From 1995 to 2000, Mr. Hill was Vice President of USFS, managing franchise sales and development for Microtel Inns and Hawthorn Suites in the Western U.S. From 1992 to 1995, Mr. Hill was with the Bristol Hotel Company located in Dallas, TX, a large hotel owner and operator, where he held roles from Director of Sales to General Manager. Mr. Hill currently serves on the Board of Governors for the Certified Franchise Executive program for the International Franchise Association, where he was past Chairman and on the Board of Trustees for the IFA Educational Foundation. Hill is also a member of the Board of Directors of the National Restaurant Association.

Robert Bryant <u>Director</u>

From March 2009 to present, Mr. Bryant has been our Director. From September 2004 to present, Mr. Bryant has been Vice President with Roark Capital Management LLC.

Richard Fisk Director

From June 2012 to present, Mr. Fisk has been our Director. From March 2001 to present, Mr. Fisk has been a Director with Wall Family Enterprise.

William C. Brooks Vice President of Creative Services

From December 2007 to present, Mr. Brooks has been our Vice President of Creative Services. From May 1997 to November 2007, Mr. Brooks was our Director of Advertising and Creative Services. Mr. Brooks has been with FASTSIGNS International, Inc. since May 1995.

James Howe Vice President of Franchise Support

From September 2013 to present, Mr. Howe has been our Vice President of Franchise Support. From January 2012 to August 2013, Mr. Howe was our our Director of Education and Sales Development. From January 2011 to December 2011, Mr. Howe was our Franchise Business Consultant. From June 2008 to December 2011, Mr. Howe was a sale representative for Thor, LLC located in Owosso, Michigan.

Ann Lane Controller

From September 1995 to present, Ms. Lane has been our Controller. Ms. Lane has been with FASTSIGNS International, Inc. since November 1990.

Stephanie Brooks Senior Director of Legal

From April 2014 to present, Ms. Brooks has been our Senior Director of Legal. From September 1999 to March 2014, Ms. Brooks was our Director of Legal and Franchise Administration. Ms. Brooks has been with FASTSIGNS International, Inc. since August 1991.

Elizabeth Kelley Senior Director of Financial Planning and Analytics

From April 2014 to present, Ms. Kelley has been our Senior Director of Financial Planning and Analytics. From June 2013 to March 2014, Ms. Kelley was a self-employed consultant in Dallas, Texas. From June 2005 to June 2013, Ms. Kelley was Vice President of Finance and Administration for Media Cart Holdings, Inc. located in Plano, Texas.

Matt Miles Senior Director of Business Systems

From September 2013 to present, Mr. Miles has been our Senior Director of Business Systems. From January 2011 to August 2013, Mr. Miles was our Director of Products and Services. From October 2006 to December 2010, Mr. Miles was our Director of Special Projects. From March 2004 to September 2006, Mr. Miles was our Operations Project Manager.

Aaron Yanelli Senior Director of Technology and Supply Chain

From September 2013 to present, Mr. Yanelli has been our Senior Director of Technology and Supply Chain. From January 2013 to August 2013, Mr. Yanelli was a Regional Vice President for ACE Cash Express located in Irving, Texas. From August 2007 to August 2012, Mr. Yanelli was a Managing Director of FedEx Office located in Dallas, Texas.

Brian Boehm Director of Technology Services

From September 2013 to present, Mr. Boehm has been our Director of Technical Services. From July 2006 to August 2013, Mr. Boehm was our Manager of Technical Services. From April 2005 to June 2006, Mr. Boehm was one of our Technical Service Consultants.

Bill Dyess Director of POS/MIS

From September 2010 to present, Mr. Dyess has been our Director of POS/MIS. From April 2005 to August 2010, Mr. Dyess was our Manager of Point-of-Sale Technologies.

Renae Fogarty Director of Internet Marketing

From July 2011 to present, Ms. Fogarty has been our Director of Internet Marketing. From October 2007 to June 2011, Ms. Fogarty was our Internet Marketing Manager.

Scott Goodwin Director of Information Technology

From September 2011 to present, Mr. Goodwin has been our Director of Information Technology. From May 2011 to August 2011, Mr. Goodwin was Director of Information Technology for CRIF Corporation located in North Richland Hills, Texas. From November 2007 to April 2011, Mr. Goodwin was Director of Information Technology for Cypress Software located in North Richland Hills, Texas.

Chuck Kaylor Director of Marketing Services

From September 2009 to present, Mr. Kaylor has been our Director of Marketing Services. From January 2007 to August 2009, Mr. Kaylor was our Senior Marketing Manager. From May 1998 to December 2006, Mr. Kaylor was our Field Marketing Manager.

Jason Myers Director of Training

From August 2013 to present, Mr. Myers has been our Director of Training. From October, 2008 to July 2013, Mr. Myers was our Senior Manager of Training. From December 2005 to November 2008, Mr. Myers was one of our Corporate Trainers. From September 2003 to November 2005, Mr. Myers was a member of our Technical Services Team.

Buddy Williams Director of Franchise Operations

From October 2013 to present, Mr. Williams has been our Director of Franchise Operations. From September 2009 to October 2013, Mr. Williams was one of our Franchise Business Consultants.

ITEM 3 LITIGATION

There is no litigation that must be disclosed in this Item.

ITEM 4 BANKRUPTCY

As a result of the continued precipitous downturn in the residential housing market in New England and the deepening economic crisis within the U.S. economy, on March 3, 2008, our affiliate Wood Structures, Inc. and its subsidiary, Wood Assonet Corporation (collectively, "Wood Structures"), each filed separate petitions for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Maine. In re Wood Structures, Inc. (Case No. 09-20245) and (In re Wood Assonet Corporation, U.S. District Court for the District of Maine, Case No. 09-20246). On April 7, 2009, pursuant to an order of the Bankruptcy Court, the Chapter 11 proceeding was converted to a Chapter 7 liquidation case. The case was closed on January 28, 2014 with the liquidation of Wood Structures. Prior to liquidation, Wood Structures had not engaged in business with us or our franchise system, nor had it offered franchises. Wood Structures was our affiliate solely as a result of common ownership.

Due to the recent financial crisis in the United States mortgage markets, numerous mortgage companies filed for bankruptcy. On November 5, 2008, our affiliate, Ace Holding Company, LLC and its subsidiaries, Ace Mortgage Funding, LLC, Ace Imaging, LLC and Archer Land Title, LLC (collectively, the "ACE Companies"), each filed separate petitions for liquidation under Chapter 7 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. In re Ace Mortgage Funding, LLC (Case No. 08-12645-CSS), In re Ace Holding Company, LLC (Case No. 08-12642-CSS), In re Ace Imaging, LLC (Case No. 08-12643-CSS). Those cases are pending. The Ace Companies have not engaged in business with us or our franchise system, nor have they offered franchises. The Ace Companies are our affiliates solely as a result of common ownership.

James Howe, our Vice President of Franchise Support, and his wife Shelley Howe, filed a bankruptcy petition under the liquidation provisions of Chapter 7 of the U.S. Bankruptcy Code on October 5, 2007 in the Eastern District of Michigan, Case No. 07-33419-dof, which was discharged on January 31, 2008.

Other than the 3 bankruptcy actions disclosed, no information is required to be disclosed in this Item.

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ITEM 5 INITIAL FEES

Initial Franchise Fee: You will pay us an initial franchise fee of \$37,500 for the right to establish a single Center under a Franchise Agreement. You will also pay us or our affiliates equipment costs that range from \$37,160 to \$39,470 and furniture and fixture costs that range from \$7,688 to \$10,978 (as described in Item 7). If you enter into a Development Agreement for the right to develop more than 1 Center, you will pay a development fee of \$15,000 per Center to be developed under the Development Agreement (excluding the first Center, for which the standard initial franchise fee must be paid) when you sign the Development Agreement. The development fee is credited against the initial franchise fee due for each additional Center. You must pay an initial franchise fee of \$18,750 (less the credit of \$15,000) for each additional Center to be developed under the Development Agreement. The initial franchise fee, if you establish an additional Center, is \$18,750. The initial franchise fee, if you establish a Satellite Center (as described in Item 1), is \$18,750. You will also pay us or our affiliates equipment costs that range from \$0 to \$36,328 and furniture and fixture costs that range from \$5,336 to \$10,003 (as described in Item 7). The initial franchise fee, if you are a Conversion Franchise (as described in Item 1), is \$37,500. You will also pay us or our affiliates equipment costs that range from \$0 to \$37,157 and furniture and fixture costs that range \$2,546 to 8,250 (as described in Item 7). The initial franchise fee, if you are a Co-Brand Franchise (as described in Item 1), is \$37,500. You will also pay us or our affiliates equipment costs that range from \$0 to \$38,160 and furniture and fixture costs that range from \$4,679 to \$9,833 (as described in Item 7). The initial franchise fee is the same for all franchisees under this offering, except as described below. Neither the development fee nor the initial franchise fee is refundable, except as described below.

In the event you are using funds from your 401(k), IRA or other qualified retirement account to purchase your Center, we may allow you to pay a deposit towards your franchise fee when you sign the Franchise Agreement and pay the balance when you receive your roll over money. This does not apply if you are establishing a Satellite Center, an additional Center, Conversion Franchise or a Co-Brand Franchise.

If you are unable to obtain a location for the Center that we approve within 90 days after you sign the applicable Franchise Agreement or if you are unable to obtain the permits, licenses, and certifications you need to begin construction within 120 days after we approve the location for the Center, or if you are unable to acquire sufficient financing to complete construction of the Center and to open the Center for business within 365 days after the date of the Franchise Agreement, we may terminate the Franchise Agreement. If we do so and you are in compliance with the post-termination obligations of Section 15 of the Franchise Agreement (see Item 17), we will refund the initial franchise fee you actually paid, without interest, less \$18,750. We are not obligated to return any fees you pay if the Franchise Agreement is terminated for any other reason. This refund of the initial franchise fee is not applicable to Satellite Centers, additional Centers, Conversion Franchises and Co-Brand Franchises.

We are a member of the International Franchise Association ("IFA") and participate in the IFA's VetFran Program. We offer a reduced initial franchise fee of \$18,750 to veterans of the U.S. Armed Forces who meet the requirements of the VetFran Program.

We also may reduce the initial franchise fee to \$18,750 for our officers, directors and key management employees. The refund of the initial franchise fee (as described above) is not available to officers, directors and key management employees.

<u>Initial Training Fee</u>: We do not charge a training fee to provide initial training prior to opening your Center (for up to 3 persons) for your graphic designer, visual communications specialist (as defined in Item 15) (or other designated personnel) or any of the Controlling Principals that hold or may

control more than a 25% interest in the Franchisee. At your request, we will provide initial training to additional Center personnel.

Site Evaluation Fee: We will assist you in locating a suitable site for your Center. The support we provide includes identifying local real estate brokers, conducting a market wide survey and providing guidance in negotiating the terms for your lease. We will review proposed sites with you to ensure they meet our criteria for business demographics, visibility, accessibility and suitability of the premises and other relevant factors. One of our representatives will make one trip, based on availability, to your proposed sites for on-site evaluations. We will pay all costs our representative incurs for the one on-site evaluation; you may pay all costs (including costs of travel, lodging, meals and wages) incurred for any additional on-site evaluations we determine necessary or you request. If you relocate the Center for any reason, you may pay all costs we incur in site selection activities because of the relocation. Site selection costs are nonrefundable, uniformly imposed on all franchisees requiring such assistance (however, the costs may vary from franchisee to franchisee based on the travel involved).

Referral Fee: We will pay you a referral fee for prospective franchisees that you refer to us that purchase a new, Conversion Franchise or Co-Brand Franchise. You will provide us with the name, address and phone number of the prospective franchisee and, if the prospective franchisee purchases a new franchise, Conversion Franchise or Co-Brand Franchise, you will receive a referral fee of \$5,000.

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Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Service Fee ⁽²⁾	3% of Gross Sales the first year. 6% of Gross Sales beginning the second year through the end of the term of the Franchise Agreement.	Monthly on the 15 th .	You may receive an annual rebate on the Service Fee dependent upon achieving certain sales levels.
Ad Fee ⁽³⁾	1% of Gross Sales the first year. 2% of Gross Sales beginning the second year through the end of the term of the Franchise Agreement.	Monthly on the 15 th .	All franchisees are members of the National Advertising Council, Inc. which administers the Ad Fund. You may receive an annual rebate on the Ad Fee dependent upon achieving certain sales levels.
Advertising Cooperative Fee, unless otherwise agreed to ⁽⁴⁾	Maximum - 2% of Gross Sales.	As determined by Cooperative.	Cooperative can agree in writing to a higher amount, subject to our approval.
Initial Advertising and Promotional Materials	\$12,500 (new Center) and \$8,500 (Conversion Franchise and Co-Brand Franchise)	Prior to training.	These monies fund initial marketing and advertising including pre- opening mailing and concentrated advertising and promotion during the first several months your Center is open.
Initial Advertising and Promotional Materials for a sale of an existing Center to a third party buyer	\$8,500	Upon signing of the Franchise Agreement.	These monies fund initial marketing and advertising including mailing and marketing programs during your first several months as an owner.
Interest	Lesser of 18% per annum or highest rate allowed by applicable law.	On demand.	Interest may be charged on all overdue amounts.
Transfer Fee ⁽⁵⁾	\$15,000.	Submitted with transfer agreement.	You may transfer your interest in the Franchise Agreement for a fee.
Renewal Fee	No more than 10% of then-	On signing renewal franchise	You must give us at least 8 months' notice; remodel décor as appropriate

ITEM 6 OTHER FEES

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
	current initial franchise fee.	agreement.	and upgrade equipment to current standards; sign then current Franchise Agreement (see Item 17).
Indemnification	Varies according to loss.	On demand.	You must indemnify us when certain of your actions result in loss to us under the Agreements (see Item 9).
Attorneys' Fees and Costs and Collection Agency Costs	Amount varies.	When billed.	If we incur legal expenses or collection agency fees because of your breach of the Agreements, you must pay those expenses.
Post-Termination and Expiration Expenses	Amount varies.	When billed.	If you fail to make the necessary changes to distinguish the appearance of your Center premises from that of other Centers after the Franchise Agreement terminates or expires, we may cause those changes to be made and charge you those expenses.
Audit Fee	Cost of audit.	When billed.	If you have understated any amount you owe to us by more than 2%, you must pay the cost of the audit.
Technology Fee ⁽⁶⁾	Will not exceed \$150 per month.	Monthly.	Currently we do not charge this fee. We reserve the right to charge this fee in the future. We will provide you with 180 days' prior notice before you begin paying this fee.
Email Accounts ⁽⁷⁾	\$50 to \$62	Annually.	We provide you with 2 email accounts at no cost. You will be charged for each additional email account.

Notes:

(1) Except as noted above, all fees and expenses described in this Item 6 are non-refundable. Except as indicated in the chart above, all fees and expenses are imposed by, and are payable to, us. Except as specifically stated above, the amounts given may increase based on changes in market conditions, our cost of providing services and future policy changes. Currently, we have no plans to increase payments over which we have control.

(2) Gross Sales includes all revenues from your sale of any and all services and products at or from the Center and all other revenues of every kind and nature related to operating the Center. Gross Sales does not include any sales tax or other taxes you collect from your customers and transmit to the appropriate taxing authority. Under the Franchise Agreement you will pay us a nonrefundable monthly continuing service and

royalty fee ("Service Fee") equal to six percent (6%) of the monthly Gross Sale of the Center. The Service Fee is due and payable through electronic transfer on the 15th day of the month following the month to which the service fee applies (unless the day is a holiday, in which case payment (electronic transfer) will be done the next succeeding business day). You must provide us with the authorization for electronic transfer of the Service Fee. We reserve the right to change the method of payment of the Service Fee from electronic transfer to such other manner of payment as we deem appropriate at any time. A business day means any day other than Saturday, Sunday or the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day and Christmas Day.

You can earn a rebate on the standard Service Fee and Ad Fund contributions at the conclusion of each calendar year for the preceding calendar year based on each increment of Gross Sales falling within each of the sales bands described below ("Royalty Rebate"):

On your sales	<u>between</u>	Your Service Fee will be	Your Ad Fee will be
\$0 to	\$ 810,949	6.0%	2.0%
\$810,950	to \$1,081,265	5.5%	1.75%
\$1,081,266	to \$2,162,532	5.0%	1.75%
\$2,162,533	to \$3,243,798	4.5%	1.5%
\$3,243,799	to \$4,325,065	4.0%	1.5%
\$4,325,066	to\$ 5,406,331	3.5%	1.25%
\$5,406,332 an	d above	3.0%	1.0%

You must be in compliance with all of your obligations under your Franchise Agreement to be eligible to receive the Royalty Rebate.

At our election, the sales bands described in the Chart above may be adjusted effective the first day of each calendar year based on the most recent Consumer Price Index published by the Bureau of Labor Statistics.

(3) Under the Franchise Agreement, you must pay the National Advertising Council, Inc. (to be collected by us on behalf of the National Advertising Council, Inc.) a continuing nonrefundable fee (the "("Ad Fee") equal to 2% of the monthly Gross Sales of the Center. Your obligation to pay the Ad Fee begins immediately when the Center opens for business. The Ad Fee is due and payable through electronic transfer on the 15th day of the month following the month to which the Service Fee applies (unless the day is a holiday, in which case payment (electronic transfer) will be done the next succeeding business day). You must provide us with the authorization for electronic transfer of the Ad Fee. We reserve the right to change the method of payment of the Ad Fee from electronic transfer to such other manner of payment as we deem appropriate at any time by notice to you. All Ad Fees collected are deposited in a separate account (the "Ad Fund") that we and the Fastsigns National Advertising Council, Inc. administer. Monies from the Ad Fund are used to pay for marketing, advertising and promotional programs for the System (see Item 11).

You will pay a lower Service Fee percentage of 3% and Ad Fee percentage of 1% for the first 12 months your new Center is open for business. This reduction of the Service Fee and the Ad Fee is in place so you can invest additional money in the initial marketing plan during the first several months your Center is open. The Service Fee percentage is 6% and Ad Fee percentage is 2% beginning the 13th month through the expiration date of the Franchise Agreement. The Royalty Rebate described above is not applicable until the first full calendar year you are required to pay the Service Fee percentage of 6% and the Ad Fee percentage of 2%.

We currently have a program for Conversion Franchises and Co-Brand Franchises which reduces the service fee percentage to 2% for the first 6 months after the Conversion Franchise or Co-Brand Franchise

commences operating as a FASTSIGNS Center and to 4% for months 7 through 12. The service fee percentage is 6% beginning the 13th month through the expiration date of the Franchise Agreement. We have lowered the Ad Fee percentage to 1% for the first 12 months after the Conversion Franchise or Co-Brand Franchise commences operating as a FASTSIGNS Center. The Ad Fee percentage is 2% beginning the 13th month through the expiration date of the Franchise Agreement. The Royalty Rebate described above is not applicable until the first full calendar year you are required to pay the Service Fee percentage of 6% and the Ad Fund contribution of 2%.

(4) If we establish an advertising cooperative (the "Advertising Cooperative") for any geographic area in which two or more FASTSIGNS Centers (including your Center) are located, you must contribute to the Advertising Cooperative an amount determined by the Advertising Cooperative (see Item 11).

(5) We charge a transfer fee of \$15,000 for transfers such as: transfer of the Franchise Agreement, transfer of a controlling ownership interest in you or one of your owners, or a transfer which is one of a series of transfers regardless of the time period over which these transfers take place.

(6) In an effort to remain competitive with the market and continually offer our services as an innovative industry leader we may elect to apply a "technology fee". This fee will be used to cover the increasing cost of supplying technology solutions to the network and/or to fund the continued development of new and innovative features for the FASTSIGNS System support site.

(7) We provide each Center with 2 Microsoft Exchange email accounts at no charge: an owner email account and the Center email account. You can opt to have Gmail accounts instead of the two Microsoft Exchange email accounts that we provide. A Gmail accounts currently costs \$12 more per account and is subject to change at the discretion of Google. If you choose to have Gmail accounts instead of the Microsoft Exchange accounts, we will invoice you the incremental \$12/year per account difference for the 2 provided (owner and Center) email accounts. Additional email accounts are available to you at our cost. The cost per additional Microsoft Exchange email account is \$50/year and the cost per additional Gmail account is \$62/year. We will invoice you on an annual basis.

ITEM 7 ESTIMATED INITIAL INVESTMENT FULL-SERVICE CENTER

	FULL-SERVICE CENTER							
Expenditure*	Estimated Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid		
Initial franchise fee (1)	\$37,500	\$37,500	Signing of franchise agreement.	Lump Sum	Non- refundable except as described below	Us		
Leasehold improvements (2)	\$16,350	\$54,528	As Arranged	As Invoiced	No	Landlord Contractors		
Furniture & Fixtures (3)	\$7,688	\$10,978	As Arranged	As Invoiced	No	Suppliers, Us		
Deposits (4)	\$600	\$9,150	Before Opening	Per Lease or as arranged	Depends on Lease and Company	Landlord and Utility Companies		
Telephone & Networking (5)	\$3,750	\$5,329	Before Opening	As Invoiced	No	Suppliers		
Décor and Graphics (6)	\$1,651	\$1,855	Before Opening	As Invoiced	No	Suppliers, Us		
Tools, Supplies and Substrate Cutter (7)	\$6,304	\$8,558	Before Opening	As Arranged	No	Suppliers		
Production Equipment (8)	\$37,160	\$39,470	Before Opening	As Arranged	No	Lessor, Suppliers, Us		
Point-of-Sale Computer (9)	\$5,837	\$6,133	Before Opening	As Arranged	No	Lessor, Suppliers		
Signage (10)	\$3,875	\$11,843	As Arranged	As Invoiced	No	Suppliers		
Initial Inventory (11)	\$2,928	\$3,915	As Arranged	As Invoiced	No	Suppliers		
Architectural/Engineering (12)	\$0	\$7,283	As Arranged	As Invoiced	No	Us, Suppliers		
Initial Advertising (13)	\$12,500	\$12,500	Before Registering for Training	Lump Sum	No	National Advertising Council, Inc.		
Travel, lodging, meals and 2 employees' costs for initial training (14)	\$6,001	\$9,320	As Incurred	As Incurred	No	Suppliers		
Administrative Supplies (15)	\$1,468	\$1,831	As Invoiced	Lump Sum As Invoiced	No	Suppliers		
Business licenses and permits	\$275	\$1,875	As Arranged	As Incurred	No	Various		

Expenditure*	Estimated Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
(16)						Agencies
Insurance deposits and premiums (first 3 months) (17)	\$650	\$900	As Arranged	As Invoiced	No	Independent Carrier
Professional Fees (18)	\$0	\$1,750	As Arranged	As Invoiced	No	Suppliers
Mobile Device, Digital Sign Kiosk, Digital Sign Demo Kit and Media Player (19)	\$3,670	\$4,780	As Arranged	As Invoiced	No	Suppliers
Working Capital (20)	\$30,000	\$60,000	As Arranged	As Incurred	No	Us, Suppliers, Landlord, Employees
Total	\$178,207	\$289,498				

Notes:

(1) You must pay an initial franchise fee of \$37,500 if you sign a Franchise Agreement to obtain a single Center or for the first Center under a Development Agreement. The initial franchise fee for additional Centers under a Development Agreement is \$18,750. If you enter into a Development Agreement, you will pay a development fee of \$15,000 per Center to be developed. The initial fee for an additional Center is \$18,750. The initial franchise fee is non-refundable under the terms of the Franchise Agreement, except as described in Item 5.

(2) The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); (iii) cost of materials and labor which may vary based on geography and location; and (iv) landlord contribution towards tenant improvements. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out of the Center and the cost of leasehold improvements. The amounts shown are based on actual costs for new Centers opened over the past 12 months. Labor and material costs may vary in accordance with local variations in wage rates, labor efficiency, union restrictions and availability and price of materials. Finish-out costs are based on leasing unfinished space that consists of walls, plumbing, concrete slab, lighting, HVAC and electric. Your costs may vary substantially based on local conditions. These costs may vary depending on whether certain costs are incurred by the landlord and are allocated over the term of the lease.

(3) The figures shown include an estimate for office furniture, counter, work tables, file cabinets, and other fixtures included in our fixtures package. If you are an existing Center, you can buy replacement furniture and fixtures directly from approved vendors..

(4) Deposits for site lease and utilities. The figure includes miscellaneous utility deposits such as telephone, electric, gas and water. These amounts will vary based on the Center's geographic area, your credit rating, and other factors. You will lease the Center premises, typically located, in a strip-shopping center or in another highly visible location. The Center premises are typically 1,200 to 1,500 square feet at approximately \$12 to \$35 per square foot in annual rent. Rental rates and payment terms vary significantly based on geographic area and market conditions. The lease deposit varies based on market area standards and credit rating, and typically include first and last months' rent. Landlords may also vary the base rental rate and charge rent based on

a percentage of gross sales. The actual deposit and rent you pay will vary depending on the size of the Center, the geographic area, your ability to negotiate with landlords, prevailing rental rates, and other factors.

(5) The figures shown include installation of a telephone system, installing necessary network cables, networking of all computers, printers and phone system.

(6) Each Center is required to have a similar graphics package that is consistent with the System trade dress. Included are the menu boards and all of the signage required for these boards.

(7) You will purchase various tools, cutting devices, and materials listed in the Manuals (e.g., hammer, screw drivers, ratchet and socket set, hacksaw, hot air gun, glue gun, etc.). You will purchase a wall mounted substrate cutter that meets our specifications from our recommended supplier or your supplier of choice.

(8) The figure includes estimated costs for sign making computer systems, software and peripherals used in the FASTSIGNS System to design and output signs and graphics. This includes the Roland RE640 printer. The low cost estimate includes windows-based computers, Seal Base laminator and software. Some of these items are included in our initial equipment package. If you are an existing Center, you can buy replacement equipment directly from approved vendors.

(9) You will purchase and use the point-of-sale system we require: Cyrious Software, Inc. Point-of-Sale (the "Cyrious Point-Of-Sale") Software. You will purchase the hardware, printer, and other system components from Dell. We require one configured point-of-sale computer system and one Cyrious software license. Basic software and upgrade options are described in Item 11. Computer manufacturer and specifications are subject to change. You will purchase and use QuickBooks Pro (most recent version) as your accounting software. We require that you back up your critical data using an approved on-line company. Cost for PCI Compliance is included. We are converting to a point-of-sale, customer relationship management, management information system and ecommerce system called Keystone. Our first Centers went live with the system in December 2013. We intend to have a prudent, deliberate roll-out process of Keystone over the next several years (See Item 11).

(10) You will purchase signage for the exterior of the Center meeting our specifications. Exterior signage is not purchased from us. The signage can be purchased locally or from recommended vendors. For 2013 the average for exterior signage was \$6,446.

(11) All Centers will open with the standard inventory package. The inventory consists of sign and graphic materials such as: plastics, vinyl, magnetic materials, aluminum, media, laminates, exhibits and displays and other materials as described in greater detail in the Manuals.

(12) We provide you, free of charge, 4 sets of FASTSIGNS construction drawings, including all specifications for the build-out of the Center. These drawings are reproducible so you can make additional copies. This service includes 1 revision, for any reason, including changes in layout and revisions due to local building permit requirements. Costs for additional drawing services and printing, above and beyond the aforementioned, are at your expense. As provided, these plans do not include electrical, plumbing or mechanical engineering services and the plans are not sealed by an architect. In some states, if your permitting agency requires an architectural stamp, it can be provided to you at an additional charge by a local professional architect/engineer. They are familiar with the local codes and ordinances.

(13) The Franchise Agreement requires you to spend not less than \$12,500 (\$8,500 for the sale of an existing Center to a third party) on initial marketing and advertising for the Center in your local market (see Item 11). The initial advertising consists of our recommended initial marketing plan, and costs include direct mail marketing programs (including a grand opening mail campaign), local web search marketing, Internet marketing, local media placement if appropriate, lead generation tools and programs, telemarketing campaigns and initial marketing materials (3 to 4 month supply). Additional funds should be invested for advertising during the

Center's first several months your Center is open. The \$12,500 for initial advertising for the Center is paid prior to registering for the initial training program and administered by the marketing department on behalf of the National Advertising Council, Inc. The \$8,500 for initial marketing and advertising for a resale Center is paid upon signing of the Franchise Agreement.

(14) We provide instruction and training materials for you, or one of your Controlling Principals, graphic designer and visual communications specialist (as defined in Item 15). You and individuals designated as the graphic designer and visual communications specialist will attend and satisfactorily complete our requirements before opening the Center. Initial training consists of 3 weeks for you and 2 weeks for your employees. The amounts shown are estimated costs for your training (3 weeks) and 1 to 2 employees training (2 weeks). We incorporated the basic expenses for you or one of your Controlling Principals to spend 4 days in a center prior to attending initial training. All costs vary based on mode of transportation, lodging, meals, employee recruitment and wages.

(15) We require you to purchase the following; typically from a designated provider:

•Credit card processing system (initial and ongoing processing fees)

•High speed internet (e.g. DSL, Cable)

•3 month supply of office supplies (stationary, business cards, forms and administrative sundries)

(16) These are estimates for local business licenses (typically one year in duration). These figures do not include occupancy and construction permits. Permits and license fees vary depending on the location of the Center.

(17) You will obtain, before beginning construction and maintain throughout the term of the Franchise Agreement, comprehensive general liability, motor vehicle liability, and employers' and workers' compensation insurance. We strongly recommend you obtain garage keeper's comprehensive insurance and loss of business and compensation insurance. The amounts shown reflect deposits and premiums payable for up to the first 3 month period. Premiums may vary based on the insurer, location of insured's premises, local laws and other factors (see Item 8).

(18) We strongly recommend you hire a lawyer and an accountant to help you evaluate this opportunity, the lease for the Center, and to advise you in establishing your business generally. This section includes the fees to install, train, and maintain equipment (printer, laminator, cutters) and waste disposal.

(19) We have included the cost of a digital sign kiosk, a digital sign demo kit, a media player and a mobile tablet, for example, an iPad, as it will be used for sales presentations.

(20) These amounts are estimates of initial working capital costs such as rent, telephone, utilities, employee wages, benefits, workman's compensation, advertising and promotional activities, inventory costs, royalty payments, operational supplies, and professional fees. There are occasions when these funds might be used to finance receivables incurred in the business. These figures are estimates and we cannot assure you that you will not have additional expenses operating the Center. The amount of working capital you may need depend on factors such as your management skills, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do include \$23,314 in debt service (principal & interest) for the first 12 months based on financing \$175,000 over 10 years at a 6 percent interest rate. These amounts do not include salaries, benefits or personal living expenses for you, your Controlling Principals or managers. The figures are based on the working capital costs experienced by our franchisees, and represent 12 months. These amounts are in addition to all other expenses in this chart.

(21) Except as specifically stated above, the amounts provided in this Item 7 may be subject to increases based on changes in market conditions, our cost to provide services and future policy changes. At the present time, we have no plans to increase payments over which we have control. Neither we nor any of our affiliates offer any financing for your initial investment. None of the payments to us described above is refundable. Whether any payments to third parties may be financed or are refundable will be determined by you and the third party.

ITEM 7 ESTIMATED INITIAL INVESTMENT SATELLITE CENTER

	Estimated		XX71			
Expenditure*	Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial franchise fee (1)	\$18,750	\$18,750	Signing of franchise agreement.	Lump Sum	Non- refundable	Us
Leasehold improvements (2)	\$21,230	\$39,659	As Arranged	As Invoiced	No	Landlord Contractors
Furniture & Fixtures (2)	\$5,336	\$10,003	As Arranged	As Invoiced	No	Suppliers, Us
Deposits (2)	\$3,750	\$5,700	Before Opening	Per Lease and as arranged	Depends on Lease	Landlord and Utility Companies
Telephone Networking (2)	\$2,275	\$4,300	Before Opening	As Invoiced	No	Suppliers
Décor, Menu Boards and Graphics (2)	\$1,855	\$1,855	Before Opening	As Invoiced	No	Suppliers, Us
Point-of-Sale Computer (2)	\$5,744	\$5,934	Before Opening	As Arranged	No	Lessor, Suppliers
Signage (2)	\$3,856	\$5,439	As Arranged	As Invoiced	No	Suppliers
Initial Inventory (2)	\$321	\$3,636	As Arranged	As Invoiced	No	Suppliers
Architectural/Engineering (2)	\$1,200	\$4,400	As Arranged	As Invoiced	No	Us, Suppliers
Travel, lodging, meals and employee costs for initial training (1) person	\$0	\$0	As Incurred	As Incurred	No	Suppliers
Administrative Supplies (2)	\$1,528	\$1,554	As Invoiced	Lump Sum	No	Suppliers
Tools, Supplies and Substrate Cutter	\$0	\$6,322	As Arranged	As Invoiced	No	Suppliers
Production Equipment (2)	\$0	\$36,328	As Arranged	As Invoiced	No	Suppliers, Us
Business licenses and permits (2)	\$347	\$495	As Arranged	As Incurred	No	Various Agencies
Insurance deposits and premiums (for up to first 3	\$900	\$900	As Arranged	As Invoiced	No	Independent Carrier

Expenditure*	Estimated Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
months) (2)						
Professional Fees (2)	\$0	\$0	As Arranged	As Invoiced	No	Suppliers
Mobile Device, Digital Sign Kiosk, Digital Sign Demo Kit and Media Player (3)	\$3,670	\$3,980	As Arranged	As Invoiced	No	Suppliers
Working Capital (4)	\$15,000	\$30,000	As Arranged	As Incurred	No	Us, Suppliers, Landlord, Employees
Total	\$85,762	\$179,255				

Notes:

(1) The initial fee for a Satellite Center is \$18,750. The initial franchise fee is non-refundable under the terms of the Franchise Agreement.

(2) The cost of leasehold improvements, furniture and fixtures, lease deposits, utility deposits, store graphics, point-of-sale computer, printer, signage, architectural/engineering, initial inventory, initial advertising, administrative supplies, insurance, and professional fees are very similar to the costs of the full-service Center described above. The cost for sign and graphic equipment, furniture and fixtures, tools, initial inventory, will be less than the costs for a full-service Center since products are not manufactured in a Satellite Center. This figure reflects the cost for only one employee to attend initial training. If you establish a Satellite Center, it will be built so the Center is capable of later being expanded into a full-service Center. If you convert the Satellite Center to a full-service Center, you will purchase the additional equipment and inventory. No additional franchise fee is required. In 2013 2 satellite centers were opened.

(3) We have included the cost of a digital sign kiosk, a digital sign demo kit, media player and a mobile tablet, for example, an iPad, as it will be used primarily for sales presentations.

(4) These amounts are our estimate of initial working capital costs such as rent; telephone; utilities; employee wages; benefits; workman's compensation; advertising and promotional activities; inventory costs; royalty payments; operational supplies; and professional fees. There are occasions when these funds might be used to finance receivables incurred in the business. These figures are estimates and we cannot assure you that you will not have additional expenses operating the Center. The amount of working capital you may need depend on factors such as your management skills; experience and business acumen; local economic conditions; the prevailing wage rate; competition; and sales level reached during the start-up phase. These amounts do not include any estimates for debt service. These amounts do not include salaries, benefits or personal living expenses for you, Controlling Principals or managers. The figures are based on the working capital costs experienced by our franchisees. These amounts are in addition to all other expenses in this chart. The additional estimates for the Satellite Center are less than the full-service Center since there are no production facilities or associated labor costs, and assumption that you will send, at most, one person to attend initial training.

(5) Except as specifically stated above, the amounts provided in this Item 7 may be subject to increases based on changes in market conditions, our cost to provide services and future policy changes. At the present time, we have no plans to increase payments over which we have control. Neither we nor any of our affiliates offer any financing for your initial investment. None of the payments to us described above is refundable. Whether any payments to third parties may be financed or are refundable is determined by you and the third party.

ITEM 7 ESTIMATED INITIAL INVESTMENT CONVERSION FRANCHISE

Expenditure*	Estimated Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial franchise fee (1)	\$37,500	\$37,500	Signing of franchise agreement.	Lump Sum	Non- refundable	Us
Leasehold improvements (2)	\$9,750	\$29,356	As Arranged	As Invoiced	No	Landlord Contractors
Furniture & Fixtures (2)*	\$2,546	\$8,250	As Arranged	As Invoiced	No	Suppliers, Us
Deposits (2)	\$0	\$0	Before Opening	Per Lease	Depends on Lease	Landlord
Telephone and Networking	\$0	\$4,425	Before Opening	As Invoiced	No	Suppliers
Décor, Menu Boards and Graphics (2)*	\$1,008	\$1,863	Before Opening	As Invoiced	No	Suppliers, Us
Production Equipment (2)*	\$0	\$37,157	Before Opening	As Invoiced	No	Suppliers, Us
Point-of-Sale Computer (2)(*Software only)	\$2,919	\$4,360	Before Opening	As Arranged	No	Lessor, Suppliers
Signage (2)*	\$1,756	\$5,135	As Arranged	As Invoiced	No	Suppliers
Architectural Engineering (2)	\$0	\$0	As Arranged	As Invoiced	No	Us, Suppliers
Initial Advertising (2)	\$8,500	\$8,500	Prior to Registration for Initial Training	Lump Sum	No	National Advertising Council, Inc.
Travel, lodging, meals and employee costs for initial training (1-2) people	\$4,332	\$8,820	As Incurred	As Incurred	No	Suppliers
Administrative Supplies (2)*	\$0	\$ 1,289	As Invoiced	Lump Sum	No	Suppliers
Tools, Supplies and Substrate Cutter (2)	\$0	\$4,675	As Arranged	As Invoiced	No	Suppliers

Expenditure*	Estimated Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Business licenses and permits (2)	\$0	\$0	As Arranged	As Incurred	No	Various Agencies
Insurance deposits and premiums (for up to first 3 months) (2)	\$0	\$0	As Arranged	As Invoiced	No	Independent Carrier
Inventory (2)	\$563	\$3,225	As Arranged	As Invoiced	No	Suppliers
Professional Fees (2)	\$0	\$1,500	As Arranged	As Invoiced	No	Suppliers
Mobile Device, Digital Sign Kiosk, Digital Sign Demo Kit and Media Player (3)	\$3,670	\$3,980	As Arranged	As Invoiced	No	Suppliers
Working Capital (4)	\$0	\$30,000	As Arranged	As Incurred	No	Us, Suppliers, Landlord, Employees
Total (5) & (6)	\$72,544	\$190,035				

Notes:

(1) The initial fee for a Conversion Franchise is \$37,500. The initial franchise fee is non-refundable under the terms of the Franchise Agreement.

(2) The cost of the leasehold improvements, build-out modifications, furniture/fixtures, store graphics, inventory and supplies, administrative supplies, signage, architectural/engineering, initial advertising, travel for initial training expenses, and professional fees vary based on the amount of conversion necessary to meet our standards and specifications. Depending on your existing equipment and supplies, you may need to purchase or modify items such as point-of-sale system, printers, laminators, plotters to meet our standards and specifications. Your training costs vary based on the extent of training necessary for existing personnel.

(3) We included the cost of a digital sign kiosk, a digital sign demo kit, media player and a mobile tablet, for example, an iPad, to the high end costs, in case your Conversion Franchise does not have one. This will be used primarily for sales presentations.

(4) Working capital may not be necessary since this is a Conversion Franchise and represents an ongoing sign business. There is no consideration for debt service (interest and principal) in the working capital allocated. All other ongoing costs will be comparable to your costs prior to conversion. All other items necessary for operation are covered in the list above.

(5) Except as specifically stated above, the amounts provided in this Item 7 may be subject to increases based on changes in market conditions, our cost to provide services and future policy changes. At the present time, we have no plans to increase payments over which we have control. Neither we nor any of our affiliates offer any financing for your initial investment. None of the payments to us described above is refundable. Whether any payments to third parties may be financed or are refundable will be determined by you and the third party.

(6) We will contribute up to a maximum of \$7,500 if your Conversion Franchise had a gross sales level of \$350,000 to \$499,999 and \$15,000 if your Conversion Franchise had a gross sales level of \$500,000 or higher for the most recent 12 month period prior to signing your Franchise Agreement towards the cost of the items indicated with an asterisk that you incur converting to a FASTSIGNS Center ("Allowable Costs"). In order to be eligible for the contribution towards Allowable Costs, you will: (1) submit a valid receipt or purchase order to us; (2) you must be in compliance of your Franchise Agreement and required marketing programs; (3) you must submit a copy of your Conversion Franchise's profit & loss statement and balance sheet for the most recent 12 month period prior to signing your Franchise Agreement; and (4) purchases will be made from our designated suppliers. Upon commencement of operation as a FASTSIGNS Center, there will be no additional reimbursements of allowable costs. The contribution towards Allowable Costs does not apply if you finance your initial franchise fee as described in Item 10.

ITEM 7 ESTIMATED INITIAL INVESTMENT CO-BRAND FRANCHISE

	Estimated	Estimated	When	Method of	Whether	To Whom
Expenditure*	Low	High	Payable	Payment	Refundable	Paid
Initial franchise fee (1)	\$37,500	\$37,500	Signing of franchise agreement.	Lump Sum	Non- refundable	Us
Leasehold improvements (2)	\$11,252	\$32,775	As Arranged	As Invoiced	No	Landlord Contractors
Furniture & Fixtures (2)	\$4,679	\$9,833	As Arranged	As Invoiced	No	Suppliers, Us
Deposits (2)	\$0	\$0	Before Opening	Per Lease	Depends on Lease	Landlord
Telephone and Networking	\$876	5,150	Before Opening	As Invoiced	No	Suppliers
Décor, Menu Boards and Graphics (2)	\$1,797	\$1,943	Before Opening	As Invoiced	No	Suppliers, Us
Production Equipment (2)	\$0	\$38,160	Before Opening	As Invoiced	No	Suppliers, Us
Point-of-Sale Computer (2)	\$2,919	\$5,143	Before Opening	As Arranged	No	Lessor, Suppliers
Signage (2)	\$300	\$7,600	As Arranged	As Invoiced	No	Suppliers
Architectural Engineering (2)	\$0	\$1,200	As Arranged	As Invoiced	No	Us, Suppliers
Initial Advertising (2)	\$8,500	\$8,500	Prior to Registration for Initial Training	Lump Sum	No	National Advertising Council, Inc.
Travel, lodging, meals and employee costs for initial training (1-2) people	\$2,340	\$8,820	As Incurred	As Incurred	No	Suppliers
Administrative Supplies (2)	\$0	\$184	As Invoiced	Lump Sum	No	Suppliers
Tools, Supplies and Substrate Cutter (2)	\$0	\$4,837	As Arranged	As Invoiced	No	Suppliers

Expenditure*	Estimated Low	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Business licenses and permits (2)	\$0	\$500	As Arranged	As Incurred	No	Various Agencies
Insurance deposits and premiums (for up to first 3 months) (2)	\$0	\$1,000	As Arranged	As Invoiced	No	Independent Carrier
Inventory (2)	\$250	\$2,934	As Arranged	As Invoiced	No	Suppliers
Professional Fees (2)	\$0	\$1,000	As Arranged	As Invoiced	No	Suppliers
Mobile Device, Digital Sign Kiosk, Digital Sign Demo Kit and Media Player (3)	\$3,670	\$3,980	As Arranged	As Invoiced	No	Suppliers
Working Capital (4)	\$0	\$30,000	As Arranged	As Incurred	No	Us, Suppliers, Landlord, Employees
Total (5) & (6)	\$74,083	\$201,059				

Notes:

(1) The initial fee for a Co-Brand Franchise is \$37,500. The initial franchise fee is non-refundable under the terms of the Franchise Agreement.

(2) The cost of the leasehold improvements, build-out modifications, furniture/fixtures, store graphics, inventory and supplies, administrative supplies, signage, architectural/engineering, initial advertising, travel for initial training expenses, and professional fees vary based on the amount of work necessary to meet our standards and specifications. Depending on your existing equipment and supplies, you may need to purchase or modify items such as point-of-sale system, printers, laminators, plotters to meet our standards and specifications. Your training costs vary based on the extent of training necessary for existing personnel.

(3) We included the cost of a digital sign kiosk, a digital sign demo kit, media player and a mobile tablet, for example, an iPad, to the high end costs, in case your Co-Brand Franchise does not have one. This will be used primarily for sales presentations.

(4) Working capital may not be necessary since this is a Co-Brand Franchise and represents an existing operating business. There is no consideration for debt service (interest and principal) in the working capital allocated. All other ongoing costs will be comparable to your costs prior to the Co-Brand Franchise opening. All other items necessary for operation are covered in the list above.

(5) Except as specifically stated above, the amounts provided in this Item 7 may be subject to increases based on changes in market conditions, our cost to provide services and future policy changes. At the present time, we have no plans to increase payments over which we have control. Neither we nor any of our affiliates offer any financing for your initial investment. None of the payments to us described above are refundable. Whether any payments to third parties may be financed or are refundable will be determined by you and the third party.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Fixtures, Equipment and Supplies

To ensure that the highest degree of quality and service is maintained in the System, we require you to operate the Center in strict conformity with the methods, standards and specifications that we describe in the Manuals or otherwise in writing. You must sell only products and services that we have expressly approved for sale in writing in the manner and style we specify. You must not deviate from any of our standards and specifications without our written consent. You must discontinue selling any products or services that we disapprove in writing on notice. You, do however, have sole discretion as to the prices you charge customers for your products and services.

Certain officers have nominal interests in certain suppliers that are public companies.

We require you to purchase the items necessary to open your Center from designated suppliers. You cannot install on the Center premises any furnishings, equipment, décor, signs or other items that do not meet our specifications. You must purchase certain promotional materials from the National Advertising Council, Inc. or its designated supplier (see Items 5, 6, 7 and 11). You must purchase the counter system, menu board fixtures, production tables, tool racks, grab and go display and finished goods rack from us. You will purchase the sign and graphics making computers, plotters, printers and laminators from us or suppliers we designate. You will obtain your initial inventory order (raw materials for making signs and graphics), the store graphics package, showroom flooring, backlit light boxes, wall mounted substrate cutter, exterior signage, and the point-of-sale computer systems and point-of-sale software, from suppliers we designate.

You may lease fixtures, furnishings, equipment, decor, signs or other items required for the Center from a third party. We may request that the lease have a provision that permits your interest in the lease to be assigned to us when the Franchise Agreement expires or terminates and prohibits the lessor from imposing an assignment or related fee on us because of the assignment.

We have negotiated discounts with suppliers and manufacturers for the benefit of the FASTSIGNS system. To the extent possible, discounts are passed directly on to you. In 2013, we received rebates totaling \$15,753 on certain products required to open and operate the Center. We may in the future negotiate additional rebates or discounts with other suppliers.

Your purchases of equipment and supplies from us and other sources from which we approve or are subject to our specifications will range from 33% to 42% of your costs in establishing the Center and 25% to 35% of your total purchases during operation of the Center.

Last fiscal year we had total revenues of \$21,321,177 of which \$674,243 (or slightly more than 3%) was derived from the sale of equipment, computer modifications, additional training and other services and products to franchisees. None of our affiliates derive any revenue from sales of products and services to franchisees. These figures were derived from our December 31, 2013 audited financial statements and supplementary work papers.

Advertising

All promotional, sales, marketing and advertising materials (including printed, digital/and media advertising, business stationery, cards, forms, envelopes, novelty items and materials used to market the Center), public relations activities, sales collateral materials and other items we specify must bear the Proprietary Marks (see Item 13) in the form, color, location and manner we require. In addition, all your advertising, marketing, sales and promotional plans in any medium will be conducted in a dignified manner and will conform to the standards and requirements in the Manuals or as we otherwise specify in writing. You may speak on behalf of your Center to the media, but you need pre-approval from us to speak to the media on our behalf. You may purchase advertising materials and enroll in marketing programs from designated suppliers as long as the programs meet our requirements (see Item 11).

Site Selection and Construction

We must approve any proposed site for the Center, and also approve any contract of sale or lease for the Center premises before it is signed. Any lease for the premises must include a rider containing substantially the terms and provisions listed in Attachment "C" to the Franchise Agreement (unless we otherwise agree in writing) including the following provisions:

(1) during the term of the Franchise Agreement, the premises will be used only for operating a FASTSIGNS sign and graphic business;

(2) the landlord consents to your use of the Proprietary Marks and signs we require for the Center;

(3) the landlord agrees to furnish us and any lenders with any and all letters and notices sent to you pertaining to the lease and the premises, including any notice of default, at the same time that the letters and notices are sent to you;

(4) we have the right to enter the premises to make any modification or alteration necessary to protect the System and the Proprietary Marks or to cure any default under the lease, without being guilty of trespass or any other tort;

(5) the landlord agrees that you may assign the lease to us or our subsidiaries or affiliates on expiration or earlier termination of the Franchise Agreement without the landlord's consent;

(6) the landlord agrees that you may not assign the lease or renew or extend the term of the lease without our written consent; and

(7) the landlord and you will not amend or modify the lease in any manner which would materially affect any of these requirements without our written consent.

Insurance

Before you construct the Center, you must obtain and maintain during the term of the Franchise Agreement, certain insurance coverage specified in the Franchise Agreement. The policies must include, at a minimum, the following insurance coverage and policy limits:

1. Comprehensive general liability insurance, including personal injury coverage, property damage coverage, products liability coverage and fire and storm damage coverage, with primary and excess limits of not less than \$1,000,000;

2. Motor vehicle liability insurance, including coverage of vehicles that you do not own but are used by employees in operating the Center, with a combination of primary and excess limits of not less than \$1,000,000;

3. Employer's liability and workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, instead of workers' compensation, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to us. You must (i) maintain an excess indemnity or "umbrella" policy covering employer's liability and/or a medical/disability policy covering medical expenses for on the job accidents, which policies must contain the coverage amounts that you and we mutually agree on and (ii) conduct and maintain a risk management and safety program for your employees that you and we mutually agree is appropriate. The policies must also include a waiver of subrogation in our favor and in favor of our directors, officers, shareholders, partners, employees, representatives, independent contractors and agents; and

4. Any insurance that may be required by statute or rule of the state or locality in which the Center is located.

5. We strongly recommend you obtain garage keeper's comprehensive insurance, which provides coverage of theft or vandalism of vehicles that are owned by customers that you are providing service to with limits of not less than \$25,000 per vehicle. We also strongly recommend loss of business and compensation insurance.

We may change the coverage requirements and the amounts, at our discretion, and will advise you of the changes in the Manuals or in writing. You may, after obtaining our written consent, elect to have reasonable deductibles under the coverage required under paragraphs 1 and 2 above.

Accounting Service

You must maintain and submit certain records, reports, financial statements and other information under the terms of the Franchise Agreement. You are required to use QuickBooks Pro (most recent version) as your accounting software. We recommend that you have an accountant prepare monthly financial statements for you using the required accrual accounting method using our chart of accounts, including income statement, balance sheet and statements of cash flow.

Purchase Arrangements

We negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above in which you are required to participate.

When determining whether to grant new or additional franchises we consider many factors, including your compliance with the requirements listed above.

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ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Disclosure Document	
a. Site selection and acquisition/lease	Section 2 of Franchise Agreement	Items 5, 8 and 11	
b. Pre-opening purchases/leases	Section 2 of Franchise Agreement	Items 5 and 8	
c. Site development and other pre-opening	Sections 2, 4, and 8 of Franchise	Items 5 and 11	
requirements	Agreement		
d. Initial and ongoing training, including	Section 4 of Franchise Agreement	Items 5 and 11	
convention attendance			
e. Opening	Section 2 of Franchise Agreement	Item 11	
f. Fees	Sections 2, 3, 4, 9, 12 and 15 of	Items 5, 6 and 7	
	Franchise Agreement		
g. Compliance with standards and policies/	Sections 4, 6 and 8 of Franchise	Items 8, 11, 15 and 17	
Manuals	Agreement		
h. Trademarks and proprietary information	Sections 5 and 6 of Franchise	Items 13 and 14	
	Agreement		
i. Restrictions on products/services offered	Section 8 of Franchise Agreement	Items 8 and 16	
j. Warranty and customer service requirements	Section 8 of Franchise Agreement	Item 16	
k. Territorial development	Section 1 of Franchise Agreement	Item 12	
	Section 1 of Development	1011112	
	Agreement		
1. Ongoing product/service purchases	Section 8 of Franchise Agreement	Items 6 and 8	
m. Maintenance, appearance and	Section 8 of Franchise Agreement	Items 8 and 11	
remodeling requirements	C		
n. Insurance	Section 8 of Franchise Agreement	Items 5, 7 and 8	
o. Advertising	Section 9 of Franchise Agreement	Items 3, 5, 6 and 11	
p. Indemnification	Section 16 of Franchise Agreement	Item 6	
q. Owner's	Sections 1, 4 and 8 of Franchise	Items 11 and 15	
participation/management/staffing	Agreement		
r. Records and reports	Section 10 of Franchise Agreement	Items 6 and 11	
s. Inspections and audits	Sections 8 and 11 of Franchise	Items 6 and 11	
	Agreement		
t. Transfer	Section 12 of Franchise Agreement	Items 6 and 17	
	Section 7 of Development		
	Agreement		
u. Renewal or Extension of Rights	Section 13 of Franchise Agreement	Items 6 and 17	
v. Default and Termination	Section 14 of Franchise Agreement	Item 17	
	Section 6 of Development		
	Agreement		
w. Post-termination obligations	Section 15 of Franchise Agreement	Items 6 and 17	
x. Noncompetition covenants	Section 15 of Franchise Agreement	Item 17	
y. Dispute Resolution	Section 17 of Franchise Agreement	Item 17	

ITEM 10 FINANCING

Indirect Financing Available to New Franchisees (Other than Conversion or Co-Brand Franchisees)

The Bancorp Bank ("Bancorp offers financing under the U.S. Small Business Administration ("SBA") Small Business Advantage and 7(a) financing program (as arranged by its franchise program manager, Franchise America Finance LLC) to qualified franchisees for acquiring, constructing and/or operating a Center. This program is available to new franchisees that are either developing a new Center or are purchasing an existing Center, but is unavailable to conversion or co-brand franchisees. If you decide to seek financing through Bancorp, you will be required to sign the Information, Consent and Authorization Agreement in the form attached as Exhibit "M" to this Disclosure Document. The SBA 7(a) program provides financing through a loan issued by an authorized participating commercial lender which is partially guaranteed by the SBA. Loan proceeds can be used for most business purposes related to the development of the Center (or, in the case of a franchisee who purchases an existing Center, the acquisition and operation of that Center), including working capital, site acquisition and leasehold improvements, fixtures and equipment. Up to 80% of the project cost can be financed under the SBA Small Business Advantage program. We estimate that the amount of financing will range between \$129,500 and \$220,710 if you obtain financing from Bancorp.

If you meet Bancorp's credit standards and qualify for financing, you will be required to sign a Promissory Note in the form attached as Exhibit "I" to this Disclosure Document (the "SBA Note"). The total number of payments on the SBA Note will depend on the term of your loan and will be designated in Section 3 of the SBA Note. A variable rate of interest calculated per annum will apply up to the maximum amount allowed under SBA regulations. Currently, the maximum interest rate allowed under SBA regulations is Prime Rate (based on the rate published by the Wall Street Journal) + 2.75%, or variable rates established under SBA regulations. For franchisees that are developing a new Center, the first payment on the SBA Note is due the month the Center opens for business. For franchisees who are purchasing an existing Center, the first payment on the SBA note is due the month that the franchisee begins operating the Center. Bancorp also requires that the SBA Note be guaranteed by your owners if you are a corporation or other business entity. You may prepay the SBA Note in whole or in part without penalty. The following are events of default under the SBA Note: (1) you fail to do anything required by the SBA Note and other loan documents, (2) you default on any other loan with Bancorp, (3) you do not preserve, or account to Bancorp's satisfaction for, any of the collateral or its proceeds, in which Bancorp has a secured interest, (4) you do not disclose, or anyone acting on your behalf does not disclose, any material fact to Bancorp or the SBA, (5) you make, or anyone acting on your behalf makes, a materially false or misleading representation to Bancorp or to the SBA, (6) you default on any loan or agreement with another creditor, if Bancorp believes the default may materially affect your ability to pay under the SBA Note, (7) you fail to pay any taxes when due, (8) you become the subject of a proceeding under any bankruptcy or insolvency law, (9) you have a receiver or liquidator appointed for any part of your business or property, (10) you make an assignment for the benefit of creditors, (11) you have any adverse change in financial condition or business operation that Bancorp believes may materially affect your ability to pay the SBA Note, (12) you reorganize, merge, consolidate, or otherwise change ownership or business structure without Bancorp's prior written consent, or (13) you become the subject of a civil or criminal action that Bancorp believes may materially affect your ability to pay under the SBA Note.

If you default under the SBA Note, we may terminate the Franchise Agreement and Bancorp may: (1) require you to immediately pay all outstanding principal and unpaid interest due under the SBA Note, (2) collect all amounts due under the SBA Note from any guarantor who guaranteed the SBA Note, (3) file a lawsuit to recover the amounts due under the SBA Note, (4) take possession of any collateral in which Bancorp has a security interest and (5) sell, lease or otherwise dispose of any collateral in which Bancorp has a security interest at a public or private sale. Also, you must pay the costs, fees and expenses Bancorp incurs in enforcing the SBA Note. Under the SBA Note, you waive presentment, demand for payment, protest and notice of non-payment by the makers, endorsers and guarantors of the SBA Note.

If you obtain financing from Bancorp, you will also be required to sign a Security Agreement (Commercial) and an Open-End Mortgage, Security Agreement and Fixture Filing in the forms attached to this disclosure document as Exhibit "J" and Exhibit "K" respectively (the "Security Agreements"). The Security Agreements grant Bancorp a secured interest in your collateral (including all accounts, inventory, equipment, furniture, fixtures and other tangible property and general intangibles) and secure the SBA Note, which includes all costs and expenses incurred with respect to the SBA loan. We receive no consideration from Bancorp for placing financing with Bancorp. In addition, if you obtain financing from Bancorp, we will agree to certain terms and conditions as described in Exhibit "L" to this Disclosure Document. In addition, if you obtain this financing, we will modify the Franchise Agreement as described in Exhibit I to the Franchise Agreement. These modifications include our agreement not to unreasonably withhold, delay or condition our consent to a transfer and our agreement we will not exercise our right of first refusal as to a transfer of a partial ownership interest in franchisee.

Direct Financing Available to Conversion and Co-Brand Franchisees

If you are a Conversion Franchisee or Co-Brand Franchisee and you meet our credit standards and qualify for financing, we may offer you financing for the initial franchise fee necessary to establish a FASTSIGNS Center. If you pay to us \$10,000 of the initial franchise fee, we will finance \$27,500 of the initial franchise fee (See Item 5). If you obtain financing from us, you will be required to sign a Promissory Note in the form attached as Exhibit "N" to this Disclosure Document (the " Note"). The Note provides for payment to us over a 36 month period at 0% interest per annum paid in monthly installments. There are no additional finance charges. The first payment on the Note is due 30 days after you commence operating as a FASTSIGNS Center. If you finance the full amount, your monthly installment payment will be \$763.89. We will debit your business checking account automatically for the monthly installment payment on the 25th day of each month. We also require that the Note be guaranteed by your owners if you are a corporation or other business entity. We require no other security interest in the Note. You may prepay the Note in whole or in part without penalty.

You may be required to pay a higher down payment than the \$10,000 referenced above or the full initial franchise fee if you do not meet our minimum credit standards.

The following are events of default under the Note: (1) your failure to pay any principal, or any other charge or expense payable under the Note, (2) any breach or default by you of any warranty, representation, covenant, term or condition stated in the Note, in the Franchise Agreement, or in any other security instrument, affidavit or other agreement or instrument between us, (3) if the Franchise Agreement is terminated for any reason by us, (4) if you are not paying your debts as such debts become due, (5) the commencement of any proceedings under any bankruptcy or insolvency laws by or against you or (6) the sale, assignment, transfer or conveyance of all or substantially all of your assets. If you default, we may terminate the Franchise Agreement and all outstanding principal under the Note will be immediately due and payable. Also, you must pay the costs, fees and expenses we incur in enforcing the Note. Under the

Note you waive presentment, demand for payment, protest and notice of non-payment by the makers, endorsers and guarantors of the Note. We receive no consideration for offering you financing.

The contribution towards Allowable Costs described in Item 7, note (6) of the Conversion Franchise Estimated Initial Investment does not apply if you finance your franchise fee with us.

We do not have any past or present practice, nor do we have any intention, to sell, assign or discount to a third party, in whole or in part, any note, contract or other instrument you execute.

ITEM 11

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

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

<u>Pre-Opening Obligations</u>: Before opening a Center, we provide you the following assistance and services:

(1) Site selection assistance as described below. (Franchise Agreement, Subsection 2.A.).

(2) Construction drawings and specifications for the build-out of the Center. We prepare the architectural drawings and provide 4 sets of these plans for your use in bidding and construction of your Center. We supply any additional drawings, revisions or forms you may require. You will pay any costs above the first revision to the drawings. Any engineering drawings required by local ordinances are your responsibility.

(3) Our initial training program for you, if Franchisee is an individual, or, if Franchisee is a corporation or partnership, for one of your controlling principals, the graphic designer and visual communications specialist. (Franchise Agreement, Subsections 4.A. and 8.F.).

(4) We provide the Manuals to you electronically through a secure website which is accessible via password only. We may revise the contents of the Manuals and you must comply with each new or modified standard. (Franchise Agreement, Subsection 4.D.).

(5) A description of the terms and conditions to purchase the store graphics package, menu board graphics, backlit light boxes and other fixtures, wall mounted substrate cutter, plotter, printer, laminator, equipment, computers, supplies and merchandise that you will purchase through us, designated suppliers, recommended suppliers or suppliers you choose that meet our criteria and specifications. (Franchise Agreement, Subsections 2.C., D. & E.).

(6) Submit the opening inventory order to an approved supplier, on your behalf. We make available, at a reasonable cost, printing and mailing services for your initial advertising. This is executed through the National Advertising Council, Inc. or its designated suppliers. (Franchise Agreement, Subsections 2.C.(6) and 9.A.).

We are not required to provide any other service or assistance to you before the Center opening.

<u>Post-Opening Obligations</u>: We are obligated by the Franchise Agreement to provide the following services and assistance after the Center opening:

(1) Our Business Consultant will provide on-site opening training, supervision and assistance to you at a time to be determined by us. Except as described below, we provide our Business Consultant at no expense to you. If the Center is not constructed at the time our Business Consultant arrives for the Center opening, you may pay the expenses incurred by our Business Consultant on that trip and schedule another trip at a time when Center construction is completed, which trip will be at no additional expense to you. For any replacement Center you establish based on Subsection 14.A. of the Franchise Agreement because of a Force Majeure event (as defined in the Franchise Agreement), we may, in our discretion, charge you a reasonable fee for the opening assistance. (Franchise Agreement, Subsection 2.B.).

(2) Provide advisory assistance in managing and operating the Center as we determine advisable. We provide the assistance by means of written materials, toll free telephone service, electronic communication, and/or at our office or the Center. If you request additional or special guidance, assistance or training, you may be required to pay the applicable costs and expenses, including our personnel's per diem charges and travel and living expenses, unless we, in our discretion, agree to pay those costs and expenses. (Franchise Agreement, Subsection 4.C.).

(3) Make available additional training programs as we determine appropriate from time-totime (e.g. vehicle wrap classes and outside sales summit) that we may charge a fee to defray costs. We make available our initial training program for any replacement for any individual who does not successfully complete the training program and individuals you subsequently hire. (Franchise Agreement, Subsections 4.A. and B.).

(4) Administer the Ad Fund. We, in our discretion, may require local Advertising Cooperatives be established, changed and maintained to provide advertising for all franchisees located in the same general market area. We establish specific guidelines for franchisee and Advertising Cooperatives. We have the right to approve or reject any proposed advertising not specifically within the guidelines. We may develop and administer other advertising programs designed to promote the entire System. (Franchise Agreement, Subsections 9.B., C., D. and E.).

(5) Provide information on recommended or approved suppliers of all products, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies and other materials required to operate the Center. (Franchise Agreement, Subsection 8.D.).

(6) Conduct meetings, seminars, remote training and other related activities regarding the System for franchisees generally, which we encourage you to attend. Any costs you, your principals and Center personnel incur attending such events are your responsibility, unless we agree otherwise. (Franchise Agreement, Subsections 8.B. and D.).

(7) Conduct, as we determine advisable, Center inspections and evaluate the products sold and services offered from the Center. (Franchise Agreement, Subsection 4.B.).

(8) If we substitute different names and marks to identify the System and the businesses operating in it, if the Proprietary Marks can no longer be used or the use is restricted, we may, at our discretion, reimburse you for a portion of the expenses you incur that are directly related to any change or modification, when we receive documentation satisfactory to us. (Franchise Agreement, Subsection 5.D.).

We are not required to provide you any other service or assistance for the Center's continuing operation.

<u>Advertising</u>: As a System, we currently advertise and promote the products and services the Centers offer through various forms of media, including, but not limited to: formulation, planning, research, testing, development and production of all marketing, advertising, merchandising, promotional, sales, web, public relations and social media activities used to promote and protect the FASTSIGNS brand. This includes, but is not limited to, executing marketing research, preparing and producing television, video, audio, radio, magazine, newspaper, outdoor, ecommerce, print, promotions, email, enewsletter, social media, web marketing, website development, website hosting, search engine optimization, pay-per-click advertising, Internet banner and other digital advertising, direct mail, outdoor advertising, telephone prospecting, trade shows, sponsorships, sales collateral material, public relations activities. The advertising is conducted on a national, regional and local basis through the use of the Ad Fund, Advertising Cooperatives and local franchisees (described below).

All your advertising and promotional plans, in any medium, will be conducted in a dignified manner and will conform to the standards and requirements in the Manuals or as we otherwise specify in writing.

We and the National Advertising Council, Inc. research, formulate, develop and produce advertising and promotional programs to benefit the entire System. All franchisees are members of the National Advertising Council, Inc., which is a Texas corporation. The board of directors of the National Advertising Council, Inc. is comprised of one of our representatives and 6 franchisee members elected under the bylaws of the National Advertising Council, Inc. The franchisee members represent Canada and 5 regions in the United States. The franchisee board members are elected one vote per Center from the region in which the Center is located. All franchisees may provide suggestions, recommendations and input regarding any advertising Council, Inc. are responsible for the strategic direction of the National Advertising Council, Inc. and will provide insight and guidance with respect to programs, projects, activities and operations of the National Advertising Council, Inc. All decisions of the National Advertising Council, Inc. are subject to our approval.

You must pay an Ad Fee (as defined in Item 6) equal to 1% during the first 12 months of operation of a new Center, Conversion Franchise, and Co-Brand Franchise and 2% of a new Center's, Conversion Franchise's and Co-Brand Franchise's monthly Gross Sales thereafter. The obligation to pay the Ad Fee begins immediately when the Center opens for business or commences operation as FASTSIGNS Center and must be paid by electronic transfer on the 15th day of the month following the month to which the Ad Fee relates. All Ad Fees we collect are deposited in a separate account we and the National Advertising Council, Inc. administer. The Ad Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks and the System. In administering the Ad Fund, we and the National Advertising Council, Inc. have no obligation to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the production of the advertising.

We recommend that you spend 5% of the Center's monthly Gross Sales (inclusive of the 2% paid to the Ad Fund) on local advertising and promotion of the Center. All local advertising and promotion conducted will be approved by us.

We and the National Advertising Council, Inc. reserve the right to use the Ad Fund to place and allocate the advertising. The Ad Fund is used to pay all costs for the formulation, planning, research, testing, development, training, production and measuring (as possible) of all marketing, advertising, promotional, sales, web, public relations and social media activities used to promote and protect the FASTSIGNS brand. This includes, but is not limited to, executing marketing research, preparing and

producing television, video, audio, radio, magazine, newspaper, outdoor, ecommerce, print, promotions, email, e-newsletter, social media, web marketing, website development, website hosting, search engine optimization, pay-per-click advertising, Internet banner advertising, direct mail, outdoor advertising, telephone prospecting, trade shows, sponsorships, sales collateral material, public relations activities, sales development, sales training and all other lead generating and sales building activities. The Ad Fund is used for these activities whether through an outside agency or these functions are executed and developed by marketing staff. The Ad Fund may be used to compensate us and our employees who devote time and render services in formulating, developing and producing the programs, or who perform services administering the Ad Fund. The Ad Fund and its earnings are not otherwise used to benefit us or the National Advertising Council, Inc. The Ad Fund is not used to develop, produce or conduct advertising that is primarily a solicitation for the sale of franchises. Any sums paid to the Ad Fund that are not spent in the year they are collected will be carried over to the following year.

We prepare an unaudited statement of the Ad Fund's contributions and disbursements that is made available to you annually upon request. Although not audited, an independent accounting firm reviews the year-end statement. During the last fiscal year (ending December 31, 2013), the National Advertising Council, Inc.'s budget was spent as follows: 27.2% on the National Advertising Council, Inc.'s marketing personnel and administration; 28.8% on national advertising; 1.75% on public relations; 1.94% on marketing training and events; 10.8% on subsidized programs; 25% on web marketing and technology; and 1.76% on marketing research; and 2.75% on tracking/Analytics mechanisms.

If opening a new Center, in addition to the Ad Fee, you are required to pay \$12,500 (\$8,500 if you are a Conversion, Co-Brand or Resale Franchise) to the National Advertising Council, Inc. before you register for initial training. This will be administered by the marketing department on behalf of the National Advertising Council, Inc. to purchase advertising, marketing, sales, promotional and other awareness and lead generating materials and programs for you during the first several months your Center is open. The marketing plan may include direct marketing programs (including a grand opening mail campaign and "Brand Ambassador" campaigns); local web search and Internet marketing, local media placement, lead generation tools, telemarketing campaigns, social media programs and initial marketing materials along with local media options as recommended by us. It is recommended that you invest additional funds for advertising during the Center's first 12 months of operation. Your grand opening direct marketing program will be directed to businesses in your Territory and be completed within 30 days after the Center opens for business. We and the National Advertising Council, Inc. make available printing and mailing services through third parties for the direct marketing program at a reasonable cost.

If you are purchasing an existing Center, you are required to pay \$8,500 to the National Advertising Council, Inc. upon execution of the Franchise Agreement. This will be administered by the marketing department on behalf of the National Advertising Council, Inc. to develop and implement an initial marketing plan for your Center during the first several months as an owner that may include marketing programs (including a grand opening mail campaign), public relations efforts, local web search and Internet marketing, awareness building and lead generation tools, telemarketing campaigns, and initial sales and marketing materials. We recommend that you invest additional funds for advertising during your first 12 months as an owner.

We also have the right, in our discretion, to designate any geographic area in which two or more FASTSIGNS Centers are located as a region for establishing an advertising cooperative ("Advertising Cooperative"). At any time after the second FASTSIGNS Center located within a designated geographic area has opened for business, we can designate and you are required to form an Advertising Cooperative to operate within that geographic area. Each Advertising Cooperative is organized, governed, administered and maintained in accordance with the terms of its governing documents, and will begin operating on a date we determine in our sole discretion. The Advertising Cooperative, and all its contributions and any earnings are used exclusively to meet any and all costs of developing, creating,

testing, producing, maintaining, administering, directing and preparing marketing, advertising and promotional materials and programs for FASTSIGNS Centers participating in the Advertising Cooperative. If at the time you sign the Franchise Agreement, an Advertising Cooperative has been established for a geographic area that includes your Territory; you must become a member of the Advertising Cooperative and agree to pay the designated dues when you sign the Franchise Agreement. Under those circumstances, we provide you a copy of the governing documents before you sign the Franchise Agreement, if you request. If an Advertising Cooperative is established at any time during the term of the Franchise Agreement, you must become a member of the Advertising Cooperative is member of the Advertising Cooperative begins operating. We have the right to change, merge or dissolve the Advertising Cooperatives. At this time, we do not require Advertising Cooperatives.

If we make the decision to require Advertising Cooperatives, we will give you a minimum of 180 days' prior notice at that time. You must contribute to the Advertising Cooperative the amounts the Advertising Cooperative requires. You are not required to contribute more than 2% of your Gross Sales during any calendar month to the Advertising Cooperative unless, subject to our approval, the Advertising Cooperative members have previously agreed in writing to contribute a specific amount each month. You must submit to us and the Advertising Cooperative any statements and reports that we and the Advertising Cooperative may require. All contributions to the Advertising Cooperative are maintained and administered under the procedures adopted by the Advertising Cooperative that we approve.

The Franchise Agreement prohibits you from having an individual page or website on the internet outside the FASTSIGNS website that mentions or describes you or the Center or displays any of the Marks. It also prohibits you from buying any domain name to direct web traffic to your fastsigns.com website or otherwise. You may participate in Pay-Per-Click advertising programs as directed by us and only in the areas that we designate. All advertising and promotional materials developed for your Center must contain notices of our FASTSIGNS website's domain name used appropriately at fastsigns.com in the manner we designate. We approve your Center's website on the FASTSIGNS website.

Your Center may participate in approved social media programs ("Social Media") and sites in accordance with our policies and guidelines established for Social Media. Different social media programs are allowed following our Social Media policy, guidelines and naming convention.

The National Advertising Council, Inc. may, on behalf of the System, obtain accounts from national companies to fulfill their needs for signs on a local basis and from a centrally coordinated service ("National Accounts"). Under the National Accounts Program, the National Advertising Council, Inc. will negotiate and execute agreements with the National Accounts' customers (the "Customers") and will organize and administer the National Accounts Program. The National Accounts Program acts as a central access point through which you can effectively meet the needs of the Customers. The National Accounts Program conforms to the individual needs of each Customer by designing customer-tailored systems for the Customer's ordering, production, distribution, and invoicing. You are permitted to participate in the National Accounts Program provided you meet and comply with the National Advertising Councils, Inc.'s criteria and standards for participating in the program. This includes being in "Good Standing" with the terms of the Franchise Agreement. You will sign the participation agreement and other documents required by the National Advertising Council, Inc. You will also agree to provide the services under the terms and conditions the National Advertising Council, Inc. negotiates. We do not represent that we or the National Accounts Program will obtain any national accounts in your Territory (as defined in Item 12). If the National Accounts Program does obtain accounts, the National Advertising Council, Inc. will advise you of the terms of participation. Participation in the National Accounts Program is voluntary on the part of franchisees and may be terminated by you or by the National Accounts Program based on the terms of the participation agreement.

The National Advertising Council, Inc. may establish other programs with the National Accounts Program to encourage National Accounts Program participation and benefit the System. Currently, the National Accounts Program has a referral program available to franchisees participating in the National Accounts Program. Franchisees can refer qualified national account clients to the National Accounts Program and obtain a referral fee based on the work the National Accounts Program and other franchisees perform through the National Accounts Program for the client. Under the current referral program policy, the National Accounts Program pays you a referral fee for all work performed for that account under the National Accounts Program for a 2-year period of the initial order date. You must be the first qualified Franchisee to refer (in writing) the National Account that participates in the National Accounts Program. This referral fee is exclusive of any work performed by the referring Franchisee.

The National Advertising Council, Inc. may, in its discretion, modify, amend or discontinue any of these programs.

We may develop and administer other marketing, promotional, sales or advertising programs designed to promote and enhance the entire System. You have the right to participate in those programs in accordance with the terms and conditions we establish for each program.

Training: Before the Center opening, you, if Franchisee is an individual, or one of the Controlling Principals (with not less than a 25% interest in Franchisee, or a controlling interest if less than 25%), your graphic designer and visual communications specialist (or other designated personnel) must attend and complete the initial training program to our satisfaction. The duration of the training program currently is 2 weeks classroom instruction for up to nine hours each day, plus 4 days for Franchisee prior to classroom training in a FASTSIGNS Center. With our approval, additional Center personnel may attend the initial training program. The classroom instruction is currently conducted at our corporate offices in Carrollton, Texas.

The training program generally includes training and instruction in the areas of business and financial management, marketing and sales management, production and production management and employee management. We provide training and instruction for your Center personnel (graphic designer and visual communications specialist) as it applies to their position in the areas of sales, product knowledge, point-of-sale computer, product fulfillment and other related topics (as described in Item 11). We provide instructors, facilities and required training materials for the initial training program.

If you, the Controlling Principal attending training, the graphic designer or visual communications specialist (or other designated employees) do not satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training. We have the right to prevent you from opening the Center for business until the persons designated successfully complete the training program. During the remaining term of the Franchise Agreement, we may require other Center personnel to attend and complete the initial training program to our satisfaction. You are responsible for all other expenses you or your personnel incur, including, costs of travel, lodging, meals and wages (see Item 6).

Our Vice President of Franchise Support, James Howe, whose experience is described in greater detail in Item 2, is primarily responsible for our initial training course as well as other FASTSIGNS training programs. In addition to James Howe, Jason Myers, Julie Johnson Hunt, Ross Cartwright and Bryan Buckley work full time in our training department. Jason Myers has been with us since December 2004. Mr. Myers was promoted to Director of Training in September of 2013. Mr. Myers was promoted to Senior Trainer in October of 2006 and he was one of our Trainers from December 2004 until September 2006. Mr. Myers worked at a FASTSIGNS Center from 1996 to 1999 as a graphics designer, production, installer, visual communications specialist and in IT. In January 2000, Jason joined our Technical Services Department. In August 2000, he returned to work at a FASTSIGNS Center as a

Production Manager. In September 2003, Jason returned to our Technical Services Department prior to accepting the position of Trainer. Julie Johnson Hunt has been with us since 2003. Ms. Hunt was promoted to Training Manager in August 2012. Ms. Hunt was one of our Franchise Business Consultants from November 2003 to July 2012. Ms. Hunt's operational experience gives her the skills to teach our training classes in the point-of-sale software, operation systems and management areas of the FASTSIGNS business. Ross Cartwright joined us in November 2013 as a trainer. Mr. Cartwright worked in a FASTSIGNS Center from April 2010 until October 2013 as a Visual Communication and Production Specialist. Mr. Cartwright has worked in the sign business since April 2008. Bryan Buckley joined us in November 2013 as a Training Manager and University of FASTSIGNS administrator. Prior to joining us, Mr Buckley worked for Schwans Home Service for 11 years. He spent his last six year with Schwans Home Service in learning and development where he facilitated leadership courses, designated curriculum and developing e-learning courses for field managers and route sales representatives. As noted in the description of the training program below, we also draw on the substantial experience of our management and other personnel in conducting our initial training program.

The instructional materials used in the initial training may consist of our FASTSIGNS Operations Manual, Sales and Marketing Manual, Personnel Manual, Pre-Opening Manual, In Store Training Manual, Marketing Resources, promotional materials, videos and computerized tutorial programs related to operating the point of purchase and sign making computers (the "Manuals").

You and/or your employees will be required to complete some training assignments prior to attending our initial training course. Some of the materials are provided in a tutorial and self-paced teaching format for you to use in training your employees.

Outlined below is an overview of the subject matter and number of hours allocated to each subject of our initial training program. This outline is as of the date of this Disclosure Document and is subject to change. The initial training program is generally offered 6 to 12 times a year.

TRAINING PROGRAM					
Subject	Hou	s of Class	room Training	Hours of on the Job Training	Location
	You/ Visual Communications Specialist/ Graphic Designer			You/Visual Communications Specialist/ Graphic Designer	
Computers - this includes the Point-Of-Sale.	11	11	0		Carrollton, Texas
Design Software	1	1	16		Carrollton, Texas
Management	9	7	3		Carrollton, Texas
Production	2	2	24		Carrollton, Texas
Product Knowledge	15	15	10		Carrollton, Texas
Sales/Marketing	24	24	5		Carrollton, Texas
Homework	10	10	10		Carrollton, Texas
Technology	3	3	11		Carrollton, Texas
In-Store Training				32+ Optional Optional	Determined by Center Location
Miscellaneous	5	5	5		Carrollton, Texas
Pre-Opening Meetings	3	2	2		Carrollton, Texas

TRAINING PROGRAM

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated are estimates and may vary based on the experience of those persons being trained. During the initial training program, there are three tracks: sales and management, visual communications specialist and graphic designer. The sales and management track concentrates on sales, marketing and overall store management. The visual communications specialist track concentrates on sales skills, marketing, sales tools and product knowledge. The graphic designer track focuses on production and computer skills. The hours denoted above reflect approximate classroom instruction. Additionally, during your off hours, there will be homework and you are encouraged to practice the skills taught in class.

We provide on-site opening training, supervision and assistance to you at a time determined by us. The on-site training focuses on the Center opening, inventory control, management, sign production and marketing strategies and skills. The Business Consultant is provided at no expense to you, unless Center construction is not completed at the time the Business Consultant arrives for the opening of the Center. Under those circumstances, you may pay the expenses incurred by the Business Consultant, including, the costs of travel, lodging, meals and wages. You must schedule another trip at a time when the Center construction is complete, which trip is at no expense to you.

From time-to-time we will offer additional training programs, seminars and webinars for you (if Franchisee is an individual), your Controlling Principals, the General Manager and other personnel (e.g., vehicle wrap class and sales summit) and we may charge a fee to defray costs. At our discretion the additional training can be mandatory. We provide the instructors and training materials for all the programs, seminars and webinars. The cost of this training may range from \$75 to \$1,000 per person, depending on our costs to prepare the materials and personnel, tools, equipment and location necessary for the training. Many training sessions require advance registration. You are responsible for any and all expenses you, your principals and personnel incur attending training, including, the costs of travel, lodging, meals, and any wages.

You, if Franchisee is an individual, a Controlling Principal, or the General Manager must attend the franchise convention once within every three-year period. There is a registration fee charged to attend the franchise convention. You are responsible for any and all expenses you; your Controlling Principal, General Manager or employees incur attending the franchise conventions.

We recommend you to come to our headquarters in Carrollton, Texas, before you sign the Franchise Agreement. We will arrange for you to review a copy of the Manuals at our headquarters in Carrollton, Texas during this visit. Attached as Exhibit "G" to this Disclosure Document is a confidentiality agreement you must sign before you review the Manuals.

Site Selection: You assume all cost, liability, expense, and responsibility for locating, obtaining, and developing a site for any Center and for constructing and equipping the Center at the site. You are prohibited from making any binding commitment to a prospective vendor or lessor of real estate for a site for a Center unless the site is approved by us in compliance with the procedure described below. Our approval of a prospective site or the provision of assistance in its selection is not a representation, promise, warranty or guarantee by us that a Center operated at that site will be profitable or otherwise successful.

You will acquire, at your expense, a location for the Center at a site we approve within 120 days after you sign the Franchise Agreement. We may extend that time period in writing. The Center may not be relocated without our written consent. We will assist you in locating sites for your Center which satisfy our site selection criteria. This does not apply to a Conversion or a Co-Brand Franchise.

We will review proposed sites with you to ensure they meet our criteria for business demographics, visibility, accessibility and suitability of the premises and other relevant factors. One of our representatives will travel, subject to availability, to your proposed sites for an on-site evaluation. We may withhold approval of any particular site for any <u>bona fide</u> reason that we, in the exercise of our reasonable business judgment, deem necessary. We will pay all costs incurred by our representative for the initial on-site evaluation of the premises for a Center. You pay all costs incurred for any additional on-site evaluations you request or if we determine that additional evaluations are necessary. In addition, if you relocate the Center for any reason, you pay all costs we incur conducting an on-site evaluation of the proposed location.

If you will occupy the premises of the Center under a lease, you will submit the lease to us before it is signed, for our approval, and furnish us a copy of the signed lease within 10 days after you sign it. Before we approve the lease for the Center premises, the lease must contain substantially the terms and provisions contained in Attachment "C" to the Franchise Agreement, except as we may consent in writing (see Item 8). You are not permitted to operate the Center under a month-to-month lease without our prior written approval. If you purchase the premises for the Center, you will submit the contract of sale to us for approval before it is signed and furnish us a copy of the signed contract of sale within 10 days after it is signed.

If we cannot agree on a site or if you fail to acquire a site for the Center within the time period or any extension we grant, it will be a default under the Franchise Agreement and we would have the right to terminate the Franchise Agreement.

We estimate the time from the date you sign the Franchise Agreement to the opening of the Center for business will be approximately 365 days. This time may vary depending on a number of factors, including the time necessary to obtain an acceptable site, the availability of financing, your ability to obtain financing, the time required to obtain permits and licenses necessary to operate the Center, and the time required for training.

Point-of-Sale System: As described in Items 6, 7 and 8, we require that you purchase and use certain computer hardware, point-of-sale software, and ancillary items that meet our specifications. Because of the continually changing nature of computers, any of the specifications listed below are likely to change several times a year. Computer make and model, all prices and specifications listed are subject to change. You obtain the Cyrious Point-Of-Sale software licenses from Cyrious Software, Inc. ("Cyrious"). Cyrious is a non-exclusive provider of software to the sign industry.

Required Point-Of-Sale Equipment and Software:

*Cyrious Point-Of-Sale software (most current version approved by us)

*Dell OptiPlex 9010 MT, 3rd Generation Intel Core i5-3570 (Quad Core Processor, 3.40GHz, 6MB w/HD2500 Graphics)

*3 year ProSupport with 3 year next business day Limited On-site Serivce after Remote Diagnosis

*Microsoft Windows 7 Professional (32 bit), (purchased from Dell)

*Microsoft Office 2010 Home & Business Edition (Dell)

* Antivirus provided by SecureConnect

*QuickBooks Pro Software

*Epson WP-4530 Desktop Printer

We require a high speed internet connection. Once Internet service is activated there will be a monthly fee, charged by your internet provider, for this service. Fees will vary based on access speeds and where your Center is located.

You are required to use an on-line back-up utility to secure your point-of-sale and graphics data. This cost is \$50 to \$200 annually and is subject to change. We recommend Carbonite.

We are not obligated to maintain or update the point-of-sale system hardware or software. Currently, there is an annual service fee for toll free technical support and software updates to Cyrious point-of-sale software (updates consist of bug fixes, minor enhancements and new versions of the Cyrious Point-Of-Sale software), which you are required to purchase. There is 1 year of Full Support included free in the cost of the software. The current cost of the annual service fee is \$528 for single station users and \$696 for two station users. We or Cyrious may revise the specifications for the hardware and software as we or Cyrious determine necessary to meet the needs of the FASTSIGNS System. There is no contractual limitation on our ability to require the hardware or software be improved or upgraded.

In the event you purchase an existing center that uses different point-of-sale software, you are required to purchase the most recent, approved version of Cyrious software. The price for the current approved Cyrious Point-Of-Sale version is: \$3,500, which includes the 1st and 2nd station and each additional station is \$600. This includes 1 year of technical support from Cyrious. After 1 year of free technical support expires, you are required to purchase an annual support contract. Please refer to the previous paragraph above for the annual support fees.

ZeeGauge computer software will be installed on your point-of-sale computer system at no charge to you. This software is designed to enable us to have access to all accounting, sales and marketing information monitored by the system. Point-of-sale information will be transmitted across the internet to us. We will maintain the data on our servers, and provide you with access to the data via the internet.

We are converting to a point-of-sale, customer relationship management, management information system and ecommerce system called Keystone. Our first Centers went live with Keystone in December 2013. We intend to have a prudent, deliberate roll-out process of Keystone over the next several years. You will use the Keystone software, developed by Silicon Mountain Technology, Inc. ("SMT"), which is a SaaS model – software as a service deployed over the Internet. It will not be necessary for you to purchase new computers. The program is 100% "browser-based". It will run on almost any type of existing computer and you can use any operating system; all you need on the computer is the Firefox web browser and a high speed internet connection.

Keystone allows for remote and mobile access (3G wireless) as follows:

*Wireless 3G (5Mbps – 10 Mbps) *Cable (5Mbps – 25 Mbps) *DSL (128 Kbps – 5 Mbps)

The Center's point-of-sale data will be hosted at one or more data center(s) located in South Bend, Indiana and Dallas, Texas. These data centers employ current industry standard practices and procedures to limit access to the data centers' authorized personnel.

You will pay a monthly fee to SMT. This fee is not based on the number of computers using the software, but instead is a per Center fee. The fee at launch will not exceed \$300 per month.

There are activities that SMT will perform and things you will need to complete in order to convert to Keystone. As part of your Center's data conversion from Cyrious SMS to Keystone, SMT will migrate your customer information (i.e.: customer name, contact name, address, city, state, zip code, phone numbers and order history); we expect you will not have to manually enter this information into your Keystone database. The conversion process will not include items such as accounts receivable and work-in-progress. As part of the conversion process, you will need to print reports from Cyrious SMS and re-enter that information into Keystone (A/R balance, valid estimates, etc.).

You will use QuickBooks Pro (most recent version) accounting software on your computer. QuickBooks Pro accounting software is \$200 to \$400. This software program will assist you with your financial statements. These prices are subject to change due to updates to the software (which you are required to purchase).

Required Sign Production Equipment and Software:

We require eco-solvent inkjet printing equipment for all new centers. We provide the tools necessary to accept and process the vast majority of file formats used to create or print files. We provide training on the basics of sign design and production using the software and plotter associated with the sign and graphics business. Training for the eco-solvent inkjet printers and laminators is provided by the respective vendors.

Software:

*Microsoft Windows 7 Professional (purchased from Dell) 64 Bit
*Microsoft Office 2010 Home and Business Edition (purchased from Dell)
*Adobe Creative Suite 5 Design Standard (latest version) (purchased from CDW CS6)
*Plotting Software provided by Mimaki (Fine Cut included with the plotter)
*Onyx RIP software (FASTSIGNS Edition)

<u>Hardware:</u>

*Roland RE640 Printer (must purchase from designated distributor)
*Mimaki 130FX 54" Plotter (or equivalent) (must purchase from designated distributor)
*54" Seal Base laminator (must purchase from designated distributor)
*Canon Powershot (SD 1300 IS) (or equivalent) digital camera (or comparable model/brand) (purchased from CDW)

Required Graphics Equipment:

*Cyrious Point-Of-Sale software (most current version approved by us)

*Dell Optiplex 9010 MT, 3rd Generation Intel Core i7-3770 (Quad Core, 3.40GHz, 8MB w/HD4000 Graphics)

*3 year ProSupport with 3 year next business day Limited On-site Service After Remort Diagnosis

*Microsoft Windows 7 Professional (64 bit), (purchased from Dell)

*Microsoft Office 2010 Home & Business Edition (Dell)

*Anti-virus provided by SecureConnect

*Adobe Creative Suite CS6 Design Standard (purchased from CDW)

*Plotting software provided by Mimaki (Fine Cut included with plotter)

*Onyx RIP Software (FASTSIGNS Edition)

*Roland RE640 Printer (FS SKU), (must purchase from designated distributor)

*Mimaki CG130FXII 54" plotter (must purchase from designated distributor)

*54" Seal Base Laminator (must purchase from designated distributor)

*Digital Camera

There are several peripheral, networking and software items that are purchased from CDW, Dell and other designated vendors to complete the various computer systems, in addition to what has been detailed above. In order to drive your large format printer, RIP software is needed. "RIP" is an industry abbreviation and is a Raster Image Processor. We provide training for the Onyx RIP Software. We constantly re-evaluate both the hardware and software associated with creating output and change the specifications to keep current with industry standards. All of our graphic systems are integrated and networked.

ITEM 12 TERRITORY

The Franchise Agreement grants you the right to operate a single Center only at the approved site. You are assigned a specific geographic area around the Center (the "Territory"). The Territory encompasses an area sufficient to include a Business Count of a minimum of 4,000 businesses. If you comply with the Franchise Agreement, we will not establish or grant others the right to establish a FASTSIGNS Center in the Territory unless there is an increase of at least 50% in the Business Count in the Territory. Your Territory will be described in Exhibit "A" to the Franchise Agreement. If you comply with the Franchise Agreement, the protected Territory described above is not dependent on achieving a certain sales volume or market penetration. You must use your best efforts to advertise and promote the Center in the Territory. You may not relocate the Center without our approval. You may not offer or sell the products or services offered at the Center from any other location.

The minimum business count for a Conversion Franchise may encompass an area that is less than the minimum business count of 4,000 businesses referenced above for a new Center.

The Territory for a Co-Brand Center will be a defined trade area around the location as determined by us.

Except as described in Item 11 (Advertising), there are no other restrictions on the Franchise Agreement that prevent you from soliciting business outside of your Territory, but you do not have the right to use other channels of distribution to make sales outside your Territory. Nor are there any restrictions that prohibit us or any other franchisee from soliciting business within your Territory. However, we recommend that all franchisees focus on soliciting business in their Territories.

The Franchise Agreement permits us to propose to establish or authorize any other person to establish one or more Centers in the Territory if there is a significant increase of least 50% in the Business Count. In order to redetermine the size of your Territory and locate another FASTSIGNS Center in your former Territory, your remaining Territory must contain at least 4,000 businesses.

If, with our approval, you choose to develop more than 1 Center under a Development Agreement, we will grant you the right to develop the Centers within a defined geographic area ("Development Area"). We determine the Development Area on the basis of business density, population distribution, and System market penetration. We typically describe the size of the Development Area by boundary streets, city limits or other methods of delineation. The length of the Development Agreement and the number of Centers to be developed varies from franchisee to franchisee based on the demographics of the Development Area, your location, your financial strength and certain related factors. The Development Agreement describes and/or contains a map of the Development Area and the minimum number of Centers to be developed.

While the Development Agreement is in effect, we will not establish or authorize any other party to establish any FASTSIGNS Center in your Development Area, except as described below or otherwise provided in your Development Agreement. Continuation of territorial exclusivity under the Development Agreement depends on your complying with the development schedule and all other provisions of the Development Agreement. On expiration or earlier termination of the Development Agreement, we have the unrestricted right to establish or authorize any other person to establish Centers anywhere in the Development Area, except as prohibited by the provisions of any Franchise Agreement in effect between us and you.

The Agreements do not preclude us or any of our affiliates from establishing, operating, franchising or licensing others to operate businesses at any location, including within your Territory by:

(i) operating or franchising others to operate, similar or competitive businesses located inside or outside the Territory under trademarks or service marks other than the Marks; (ii) operating or franchising others to operate, other dissimilar businesses located inside or outside your Territory under trademarks or service marks other than the Marks; (iii) selling products or services anywhere that are similar to those sold by FASTSIGNS centers, but under trademarks or service marks other than the Marks; (iv) selling products and services anywhere that are similar to those sold by FASTSIGNS centers, which products and services are sold under the Marks but through dissimilar distribution channels (including without limitation via the National Accounts Program, general or specialty retailers, the Internet or other electronic media); (v) selling products and services anywhere that are dissimilar from those sold by FASTSIGNS centers, but under the Marks or any other trademarks or service marks; (vi) the right to operate, and to grant others the right to operate FASTSIGNS Centers located anywhere outside your Territory; (vii) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at FASTSIGNS Centers, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and (viii) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at FASTSIGNS Centers, or by another business, even if such business operates, franchises and/or licenses competitive businesses in your Territory. While we currently have no plans to conduct those other businesses, we reserve the right to do so.

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

The National Accounts Program may sell directly to any customer the products and services offered by the Centers. If the National Accounts Program receives orders for any System products or services calling for delivery or performance in your Territory, then the National Accounts Program will offer the order to you at the price they establish so long as you have signed our National Accounts Program Participation Agreement and are not in default of the Franchise Agreement. If you choose not to fulfill the order or are unable to do so, then the National Accounts Program, one of our affiliates or a third party the National Accounts Program designates (including another franchisee) may fulfill the order, and you will be entitled to no compensation in connection with this.

If you wish to obtain an additional Center, you must either have entered into a Development Agreement that grants you the right to establish more than 1 Center or enter into a separate Franchise Agreement for the additional full-service or Satellite Center.

Item 1 describes our current affiliated franchise programs, which are not direct competitors of the FASTSIGNS system given the products/services they sell. There is no formal mechanism in place for resolving conflicts that may arise between your FASTSIGNS Center and the units of our affiliated franchise systems. However, we do not expect any material conflicts regarding territory, customers or franchise support.

ITEM 13

TRADEMARKS

We have registered the following principal marks on the Principal Register of the United States Patent and Trademark Office. As of the date of this Disclosure Document, we have filed all affidavits or renewal filings in connection with these registrations:

Name	Reg. Date	Reg. No.
FASTSIGNS, For A Quality Sign That's Right. On Time.	March 16, 1993	1,758,987
QUALITY DISPLAYS. IN JUST DAYS.	January 7, 1997	2,028,713
Quality Signs. Done Right. On Time.	March 16, 1999	2,231,429
FASTFLEX	May 18, 1999	2,245,692
Sign & Graphic Solutions Made Simple	November 9, 1999	2,290,834
WWW.FASTSIGNS.COM	March 5, 2002	2543943
Imagine Click & Quote	July 2, 2002	2588341
From Concept To Completion	October 21, 2003	2775358
FASTSIGNS (Stylized)	April 13, 2004	2831455
FASTSIGNS	October 26, 2004	2897198
FASTSIGNS, The One Day Sign and Lettering Experts	November 16, 2004	2902767
HI-TECH, LOW STRESS	July 8, 2008	3461058
REALIZE YOUR FULL POTENTIAL	May 24, 2011	3967393
MORE THAN FAST. MORE THAN SIGNS.	January 29, 2013	283896
BRAND IMAGING GROUP	July 9, 2013	3661504

*FASTSIGNS was formerly registered as #1,666,156 and lapsed on February 13, 2003 and FASTSIGNS, The One Day Sign and Lettering Experts was formerly registered as #1,684,722 and lapsed on February 1, 2003.

We also claim common law rights in the marks "FASTSIGNS" as of April 1985, "FASTSIGNS, The One Day Sign & Lettering Experts" as of February 15, 1986, "FASTSIGNS, For A Quality Sign That's Right. On Time." as of February 24, 1992, "Quality Signs. Done Right. On Time." as of January 5, 1995, "Sign & Graphic Solutions Made Simple" as of May 14, 1997 and From Concept To Completion as of September 1, 2002.

On August 4, 2004, FASTPROMO, Inc. assigned its entire interest and goodwill in the trademark "FASTPROMO, Wearable & Promotional Items", registration number 2815749 with a registration date of February 17, 2004 to us.

On December 9, 2013, we filed an application with the United States Patent and Trademark Office to register the trademark "BRAND IMAGING GROUP Powered by FASTSIGNS", serial number 86138474.

Except as described below, there are no presently effective determinations of the United States Patent and Trademark Office, the trademark trial and appeal board or the trademark administrator of any state or any court; no pending infringement, opposition or cancellation proceedings; nor any pending material litigation involving the Marks that are relevant to their use by you.

There are instances in which unauthorized third parties will register domain names which use derivatives of our Marks. We use reasonable efforts to police there unauthorized domain names and to take action as we deem appropriate. If you learn of such unauthorized use, please inform us.

If any use in a particular geographic area precedes our use in that area, those persons may have common law rights in the mark superior to ours, and we and you may be prohibited from using the mark in the relevant area. To the extent common law rights to the mark precede the rights of unaffiliated persons; the use by those persons of a similar mark may be an infringement of our right to the mark.

Except as follows, we know of no superior prior rights or infringing use that could materially affect your use of the Marks:

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

You must immediately notify us of any infringement of the Proprietary Marks or challenge to your use of any of the Proprietary Marks or claim by any person of any rights in any of the Proprietary Marks. You and your principals must not communicate with any person other than us and our counsel concerning any infringement, challenge, or claim. We have complete discretion to take any action that we determine appropriate and have the right to exclusively control and conduct any litigation, or Patent and Trademark Office or other proceeding arising out of any infringement, challenge, or claim relating to any of the Proprietary Marks. You must sign any and all instruments and documents, provide any assistance, and perform any acts that, in the opinion of our counsel, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or to otherwise protect and maintaining our interest in the Proprietary Marks.

We reserve the right to substitute different names and marks to identify the System and the businesses operating under it if the Proprietary Marks no longer can be used or their use is restricted, or if we determine that substituting different names and marks will benefit the System. You must pay any costs you incur to comply with any change or modification of the Proprietary Marks. We may, at our discretion, reimburse you a portion of the expenses you incur that are directly related to the change or modification. You must send us documentation satisfactory to us.

You must use only the Proprietary Marks we designate and use them only in the manner we authorize and permit. Any unauthorized use of the Proprietary Marks is an infringement of our rights and a material event of default under the Franchise Agreement. You must not use the name FASTSIGNS or any other Proprietary Mark in the corporate or other legal name of any corporation or other entity formed

by or affiliated with you. You must use the Proprietary Marks only for operating the Center or in advertising for the Center.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must execute any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our Parent's ownership of, or of our or any of our affiliate's rights in and to, the Marks.

When the Franchise Agreement terminates or expires, you must immediately stop using our Proprietary Marks, remove them from the Center premises and cancel any advertising using the Proprietary Marks. We have exclusive rights to our Proprietary Marks. We also have the right to monitor, supervise and control the use of our Proprietary Marks by our franchisees and the nature and quality of the goods and services provided under the Marks. We have the right to modify or discontinue the use of any of the Proprietary Marks and you are required to comply with our standards for their use as modified.

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ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any registered patents that are material to the Franchise being offered.

We own various copyrights relative to materials used in the System. You will be able to use these copyrighted materials during the term of the Franchise Agreement or until we withdraw our permission for their use.

We also claim common law copyright protection and proprietary rights in the knowledge, materials, systems and procedures of the FASTSIGNS System, including the Manuals, other written materials, videos, advertising and promotional materials developed for use in the System; and training materials such as manuals, handouts, knowledge base, electronic training and other visual aids used during training (including those specifically listed in the chart above). This information is communicated to you confidentially and is treated as proprietary in the Franchise Agreement.

There are currently no effective determinations of the Library of Congress or any court; pending infringement, opposition or cancellation proceedings; or pending material litigation involving any of our copyrights that would significantly affect the ownership or use of any of those copyrights. There are no agreements currently in effect that limit our rights to use or license the use of the copyrights. We know of no superior rights or infringing uses of any copyright that could materially affect your use of the copyrights in any State in the United States.

You must tell us immediately if you learn about an infringement of the copyrights or challenge to our use of the copyrights. We have the exclusive right to take the action we, in our sole discretion, deem appropriate in response to any infringement or challenge. We have the right to exclusively control any litigation or administrative or agency proceeding involving the infringement of or challenge to the copyrights. You must sign any documents, and do what may, in our counsel's opinion, be necessary to protect our interests in any litigation or administrative or agency proceeding or to otherwise protect and maintain our interests in the copyrights. You must also agree not to contest our interest in these or our other confidential information.

We are not obligated to defend your use of these items or reimburse you for damages and costs incurred in litigation involving them. We have the right to modify or discontinue the use of all materials used in the System (including those covered by copyrights). You are required to comply with our standards for their use as modified.

<u>Confidential Manuals</u>: You must operate the Center in accordance with the standards and procedures specified in the Manual. The Manuals are provided to you electronically through a secure website, which is accessible via password only.

You must treat the Manuals and any other manuals we create or approve for you to use in operating the Center, and the information contained in them, as confidential. You must also maintain this information as secret and confidential. You must not duplicate, copy, record or otherwise reproduce these materials or make them available to any unauthorized person. The Manuals remain our sole property and must be kept in a secure place on the Center premises. The Manuals also will include information maintained at our secure website; since access to this information is via password only, you must maintain your password in a secure place.

We may revise the contents of the Manuals and you must comply with each new or changed standard. You will insure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained by us at our home office will be controlling.

<u>Confidential Information</u>: You and each of your Controlling Principals are prohibited, during and after the term of the Franchise Agreement, from communicating, or using for the benefit of any other person or entity, any confidential information, knowledge or know-how concerning the methods of operating the Center that may be communicated to you or any of your Controlling Principals or that you may learn about in operating the Center. You and each of your Controlling Principals can divulge this confidential information only to the General Manager and each of your employees who have access to it to operate the Center. You and your Controlling Principals are prohibited, without first obtaining our written consent, from copying, recording or otherwise reproducing the materials or information or from making them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manuals, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

You must have your General Manager and any of your personnel who have received or will have access to confidential information sign similar covenants (see Item 17). Your principals also execute these covenants.

If you or your principals develop any new concept, process or improvement in operating or promoting the Center, you must promptly notify us and give us all necessary information, free of charge. You and your principals acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

<u>Media</u>: The videos, CD's, DVD's and web content provided via mail or other delivery or through support.fastsigns.com ("Media") we provide you are also to be treated as confidential information as described above. You are prohibited from copying, or otherwise reproducing or making them available to any unauthorized person. The Media must be returned to us if the Franchise Agreement is terminated or expires.

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ITEM 15 OBLIGATIONS OF FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

To ensure the Center operates efficiently, you must operate the Center at the times and in the manner described in the Manuals. We may change these requirements at any time. The Center must be open during normal business hours (as provided in the Manuals), Monday through Friday, (except holidays as provided in the Manuals). You may operate the business on Saturday and Sunday, if you choose to do so.

You, if Franchisee is an individual, or one of the Controlling Principals (with not less than a 25% interest in Franchisee, or a controlling interest if less than 25%) and who is acceptable to us must supervise the Center and devote full-time, best efforts and constant personal attention to the day-to-day Center operations for at least the first six months the Center is open for business. You also designate, in writing, an individual (the "General Manager") who will assist you, or your principal, as the case may be, in managing the Center (who will devote his full-time, best efforts and constant personal attention to the day-to-day Center operations), if you or your principal do not participate in the full time operation of the Center after the initial 6 month period the Center is open. The General Manager may be one of your principals or an employee. You also designate, in writing, the individuals who will be your graphic designer and visual communications specialist. Both individuals will attend and satisfactorily complete our initial training program.

Any Center personnel we designate must satisfactorily complete our initial training program and satisfy our educational or business experience criteria as designated at that time; and otherwise be an individual we accept. If any Center personnel we designate is not able to continue, or no longer qualifies, to serve in that capacity, you will promptly notify us and designate a replacement individual within 30 days after the individual ceases to serve. The replacement must meet the same qualifications described above.

Any of your Center personnel having access to any of our confidential information must sign covenants that they will maintain the confidentiality of the information they receive when employed by you. If we request, you will also obtain covenants not-to-compete (including covenants applicable on the person's termination of its relationship with you) from all managers and any other personnel you employ who have received or will receive training from us and any holder of a beneficial interest in you (except limited partners) who is not designated as a Controlling Principal and does not sign the Agreements. We provide a sample covenant for your use located at support.fastsigns.com. You are not required to use our sample covenant. We recommend that you seek legal advice before use of covenants not-to-compete in your state.

If you employ any individual as a General Manager, Visual Communications Specialist, Inside Sales Representative, Graphic Designer or Outside Sales Representative who is at the time employed by us, you must pay us for the reasonable costs and expenses we incurred for the employee's training. That cost is agreed to be two months' salary, along with any commissions and/or bonus of that employee at the time of termination.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Center premises may be used solely for operating the Center. You must refrain from using or permitting the Center premises to be used for any other purpose or activity at any time unless you first obtain our written consent.

To ensure that the highest degree of quality and service is maintained, you must operate the Center in strict conformity with the methods, standards, and specifications that we provide in the Manuals or otherwise in writing. You must sell at the Center all products and services we require and provide the products and services in the manner and style that we specify. You will sell only those products and services that we have expressly approved for sale in writing. You will not deviate from our standards and specifications without our written consent. You will discontinue selling any product or service that we have disapproved in writing at any time on notice. There are no limits on our rights to change the types of products or services you may offer. You may not offer or sell the products or services offered at the Center from any location other than the Center without our written consent. Although not contractually required to do so, we typically review product or service requests within 90 days.

You have sole discretion as to the prices and terms you charge customers for any products and services.

You, at your expense, will maintain the Center in the highest degree of repair and condition and in conformity with the System's standards, specifications, and requirements. You will repair or replace, at your expense, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required to operate the Center. You obtain, at your expense, any new or additional equipment, fixtures, supplies, and other products and materials, which we may reasonably require to sell new products or services from the Center. Except as we may expressly provide in the Manuals, you may not alter or improve, or change the design, equipment, signs, interior, or exterior decor items, fixtures or furnishings of the Center without our written approval in each instance.

To assure the continued success of the Center and in an effort to maintain the quality of the network and the FASTSIGNS brand, you will be required, at our request, to modernize the Center premises, equipment, signs, interior and exterior decor items, fixtures and furnishings required to operate the Center, to our then-current standards and specifications. We will not require you to undertake a material modernization of the Center that exceeds \$20,000 within any 5 year time period during the term of the Franchise Agreement. We will provide you with 180 days' prior notice of this requirement. The \$20,000 limitation will not apply to the purchase of equipment necessary to offer new, current or additional products or services (see Item 8).

If you meet our requirements and choose to participate in the National Accounts Program you must service those customers under the terms of the National Accounts Program's agreement with the National Accounts Program customer (See Item 11).

You must maintain a competent, conscientious and trained staff to operate the Center under the Franchise Agreement and the Manuals and take the steps necessary to ensure that your employees preserve good customer relations; comply with our dress code and standards.

All advertising and promotional materials, signs, decorations, and paper goods and other items that we designate must have the Proprietary Marks in the form, color, location and manner we specify.

We do not impose any other restrictions, in the Franchise Agreement or otherwise, as to the goods or services that you may offer or as to the customers to whom you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement, Development Agreement and related agreements. You should read these provisions in the agreements attached in Exhibit "B" and Exhibit "C" to this Disclosure Document.

Category	Section in Agreements	Summary
a. Length of the term of the	Section 1.C. of Franchise	20 year term.
franchise	Agreement	
	Section 3. of Development	Term continues until completion of Development
	Agreement	Schedule
b. Renewal or extension of	Section 13.A. of Franchise	20 year renewal term.
the term	Agreement	
c. Requirements for franchisee to renew or extend	Section 13.A-C. of Franchise Agreement	Give us timely notice; maintain possession of Center premises or find acceptable substitute premises; repair and update equipment and the Center premises: no defaults; pay renewal fee, sign current Franchise Agreement and release (if law allows); and comply with current qualification and training requirements. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new A Franchise Agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with "cause"	Section 14.A. of Franchise Agreement Section 6. of the Development Agreement	We can terminate only if you default.
g. "Cause" defined - curable defaults	Section 14. of Franchise Agreement	Fail to comply with requirements imposed by the Franchise Agreement or the Manuals, fail to obtain our approval when required, engage in any business under mark similar to the Proprietary Marks, 3 or more material customer complaints within a 12 month period, use the Proprietary Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to obtain required insurance, fail to pay any monies owed to us or advertising cooperatives and do not cure within 10 days after notice, fail to pay any monies owed to us 2 times during any 12 month period or fail to cure any other default within 30 days after notice.

h. "Cause" defined - defaults which cannot be cured	Section 14. of Franchise Agreement	Franchise Agreement - insolvency, general assignment for benefit of creditors, bankruptcy, outstanding judgments for over 30 days, or execution has been levied against you, your Center or property; foreclosure against the premises or equipment, noncompliance with Anti- Terrorism Laws, sell any products or services authorized by us at an unapproved location, fail to acquire an approved location, knowingly understating your gross sales, conviction of a felony or other crime that may have an adverse effect on the System or Proprietary Marks, abandonment, fail to maintain qualified Personnel, breach
	Section 6. of Development	any of the provisions contained in Section 1.B. of the Franchise Agreement, unapproved transfers, failure to attend conventions. Development Agreement – failure to meet Development
	Agreement	Schedule and defaults under the Franchise Agreement.
i. Franchisee's obligations on termination/expiration	Section 15. of Franchise Agreement	Cease operating the Center, cease use of the Proprietary Marks, de-identify, pay all amounts due, return all Manuals, DVD's, CD's, comply with confidentiality requirements, and at our option, sell or assign to us your rights in the Center premises, the equipment and fixtures, customer lists, graphics files, the point-of-sale databases and the telephone number and yellow pages advertising.
j. Assignment of contract by Franchisor	Sections 1.E. (6) and 12.A.of Franchise Agreement Section 7. of Development Agreement	No restriction on our right to assign. However, no assignment will be made by us except to an assignee that, in our good faith judgment, is willing and able to assume our obligations. No restriction on our right to assign.
k. "Transfer" by franchisee - defined	Section 12.B. of Franchise Agreement	Includes transfer of the Franchise Agreement or change in ownership of the entity that owns it.
I. Franchisor approval of transfer by franchisee	Section 12.C. of Franchise Agreement Section 7. of Development Agreement	Transfers require our prior written consent, which will not be unreasonably withheld. Transfers require our prior written consent, which we may grant or withhold for any or no reason.
m. Conditions for franchisor approval of transfer	Section 12.C. of Franchise Agreement	You (or your principals, as applicable): pay all amounts due us, National Advertising Council, Inc. or our affiliates, not be in default, sign a general release, and pay a transfer fee. Transferee: qualifies, attends training, signs current Franchise Agreement and modernizes the facilities and equipment.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 12.G. of Franchise Agreement	We have the right to match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Section 15.G. of Franchise Agreement	Other than assets on termination, non-renewal or right of first refusal, we have no right or obligation to purchase your business.

 p. Death or disability of franchisee q. Non-competition covenants during the term of 	Section 12.E. of Franchise Agreement Section 7 of Franchise Agreement	If You or a Controlling Principal is a natural person, on death or permanent disability, distributee must be approved by us, or franchise must be transferred to someone approved by us within 6 months after death or notice of permanent disability. You are prohibited from operating or having an interest in a similar business.
the franchise		
r. Non-competition covenants after the franchise is terminated or expires	Section 15.F. of Franchise Agreement	You and your Controlling Principals are prohibited from operating or having an interest in a similar business which is located, or is intended to be located within the Territory or a 10-mile radius of any FASTSIGNS Center in existence or under construction as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal, as applicable. (See Disclosure Document Addendum and State Amendment to Franchise Agreement.)
s. Modification of the agreement	Section 17.I. of Franchise Agreement	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manuals as amended.
t. Integration/merger clause	Section 17.K. of Franchise Agreement Section 8. of Development Agreement	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any statements or promises not in the Franchise Agreement, Development Agreement or this Disclosure Document should not be relied upon and may not be enforceable.
u. Dispute resolution by arbitration	Section 17.E., of Franchise Agreement	Except for certain claims, all disputes must be arbitrated in Dallas, Texas. (See Disclosure Document Addendum and State Amendment to Franchise Agreement.)
v. Choice of forum	Section 17.H. of Franchise Agreement	The venue for all proceedings related to or arising out of the Franchise Agreement is Dallas County, Texas, unless otherwise brought by us. (See Disclosure Document Addendum and State Amendment to Franchise Agreement.)
w. Choice of law	Section 17.F. of Franchise Agreement	The Franchise Agreement is to be interpreted and construed under Texas law (except for Texas choice of law rules). (See Disclosure Document Addendum and State Amendment to Franchise Agreement.)
x. Limitation of claims	Section 17.J. of the Franchise Agreement	All claims, except for claims arising from non-payment or under payment of amounts owed us, must be brought within one year from occurrence.

ITEM 18 PUBLIC FIGURES

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

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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 provide in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

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2013 FINANCIAL PERFORMANCE REPRESENTATION

2013 Sales Volume Study

On December 31, 2013, there were 549 FASTSIGNS Centers open and in operation of which 64 were international. 485 of these Centers are in the US including 29 which opened during 2013. 456 Centers were open and in continuous operation in the United States during the entire calendar year ending December 31, 2013. The analysis set forth below is based solely on the average yearly gross sales for those 456 Centers for 2013.

Based on gross sales reported by the 456 Centers, the average gross sales for such Centers for the year ended December 31, 2013 was $\frac{666,129}{200}$. For purposes of this analysis, gross sales includes cash and credit sales as well as any goods or services received by the franchisee in exchange for goods and services sold at the Center. Gross sales do not include sales or use taxes.

Of the 456 Centers included in this analysis, 171 or 38% of the Centers reported gross sales above the average, ranging from \$670,684 to \$6,989,913 and 285 or 62% of the Centers reported gross sales below the average, ranging from \$89,143 to \$663,293. These figures include "Satellite" Centers, which are typically smaller Centers without full production capabilities as well as centers that are just past 1 year old or in their early years in business. The Centers in the top quartile (114 Centers) had average gross sales of \$1,262,896 in 2013. Overall, the Centers included in this analysis reported gross sales in the following ranges for the year:

2013 SALES ENDING DECEMBER 31

2013 Sales	# of Centers
\$ 0 - \$ 250,000	39
\$250,001 - \$ 500,000	153
\$500,001 - \$ 750,000	116
\$750,001 - \$1,000,000	76
\$1,000,001 - \$1,500,000	50
\$1,500,001 - \$2,000,000	18
\$2,000,001 and over	4
	456

Average Sales

\$666,129

Median Sales \$529

\$529,279

2013 Sales	1st Year Centers*	2nd Year Centers**	3rd Year Centers***
\$0 - \$300,000	13	8	4
\$300,001 - \$600,000	6	7	6
\$600,001 - \$1,000,000	1	0	1
Total Centers	20	15	11

* Centers opened during calendar year 2012 averaged \$301,424 (or \$25,119/month) during calendar year 2013 **Centers opened in calendar year 2011

***Centers opened in calendar year 2010

Of the 171 Centers reporting gross sales above the average, 44 Centers are located in the Southwest Region of the United States, 28 in the West Region, 26 in the Northeast Region, 39 in the Southeast Region and 34 in the Midwest Region. Of the 285 Centers reporting gross sales below the average, 45 are located in the Southwest Region, 59 in the West Region, 72 in the Northeast Region, 49 in the Southeast Region and 60 in the Midwest Region.

For purposes of this analysis, the Southwest Region consists of Arkansas, Colorado, Louisiana, New Mexico, Oklahoma and Texas; the West Region consists of Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington and Wyoming; the Northeast Region consists of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, Washington, D.C. and West Virginia; the Southeast Region consists of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee; and the Midwest Region consists of Illinois, Indiana, Iowa, Kansas, Kentucky, Ohio, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin.

We offer substantially the same services to all franchisees. Additionally, advertising and promotional materials developed by the Fastsigns National Advertising Council, Inc. are available to all Franchisees. (See Item 11.) An individual Franchisee is not limited in the amount or type of advertising that it may conduct; provided, however, that all advertising materials developed by Franchisee must be approved in advance by us. (See Item 16.) Consequently, Franchisee's gross sales may be directly affected by the amount, type and effectiveness of advertising conducted by Franchisee.

The Franchise Agreement provides that Franchisees must offer and sell at the Center products and services required by us and may offer and sell such additional products and services approved by us. (See Item 16.) Franchisees offer substantially the same products and services to the public. In certain states, as noted in Item 1, Franchisees may be required to have a contractor's license to perform certain types of sign installation work. In those states, if you do not have, or meet the requirements to obtain a license, then you may not be able to offer those installation services requiring a license. Additionally, although we may suggest prices for the products and services offered at the Center, Franchisees may offer and sell such products and services at any price it chooses. As a result, the products and services offered and the prices at which such products and services are offered to the public at the Centers included in this analysis may vary.

The average gross sales figures included in this analysis are based on sales reports submitted to us by each Franchisee. The figures in the sales reports have not been audited and we have not undertaken to otherwise independently verify (i) the accuracy of such information or (ii) whether such information was prepared in accordance with generally accepted accounting principles.

Gross Sales of Top 25 FASTSIGNS Centers

The average annual gross sales for the Top 25 FASTSIGNS Centers in the United States were \$2,000,356 for 2013. To be included in the Top 25, a Center had to have reported its gross sales for each of the 12 months in the calendar year. We had a total of 485 Centers in the United States as of December 31, 2013.

Gross Sales Study – Centers with Outside Sales Representatives

It has been our experience that having a full time outside sales representative is an essential part of a successful marketing program. The average gross sales of FASTSIGNS Centers in the United States during the twelve month period from January 1, 2013 to December 31, 2013 was \$897,283 for franchise owners who (1) were in business for at least two years prior to January 1, 2013; (2) reported gross sales for each of the 12 months in 2013 and (3) advised us that they employed a full-time outside representative during this period who was not one of the owners of the Center. The number of Centers who met these criteria in 2013, and were used in this study, was 171 which represented 37% of the FASTSIGNS open and operational in the United States for the full year in 2013. The number of these Centers whose sales attained or surpassed the system average gross sales number (\$666,129) for the United States was 101 or 59%.

Results of 2013 Financial Benchmark Survey

In addition to the average gross sales analysis, certain expenses, expressed as a percentage of Gross Revenues, have been provided based on the experience of certain of the foregoing FASTSIGNS Centers described below. The expense figures were extracted from the 2013 financial statements submitted by the FASTSIGNS Franchisees included in our 2013 Financial Benchmark Survey. As of the date of this DISCLOSURE DOCUMENT, we have not been provided with expense data from 221 of the 456 Centers open and in continuous operation during 2013. This was primarily due to the close proximity of year-end to the time of compilation of these numbers and such 221 Centers were not included in the expense figures provided herein. You should note that with respect to the 235 FASTSIGNS Centers included in the compilation of the expense figures, the expense data relates to operations conducted during the one-year period ended 2013. Of the 235 Centers reporting expenses 1 was opened in 1985, 1 was opened in 1986, 1 were opened in 1987, 6 were opened in 1988, 13 were opened in 1989, 29 were opened in 1990, 8 were opened in 1991, 14 were opened in 1992, 10 were opened in 1993, 7 were opened in 1994, 14 were opened in 1995, 11 were opened in 1996, 10 were opened in 1997, 11 were opened in 1998, 5 were opened in 1999, 4 were opened in 2000, 3 were opened in 2001, 5 were opened in 2002, 2 were opened in 2003, 8 were opened in 2004, 10 were opened in 2005, 9 were opened in 2006, 6 were opened in 2007, 12 were opened in 2008, 7 were opened in 2009, 9 were opened in 2010, 7 were opened in 2011 and 12 was opened in 2012. These Centers are located in the following regions; 51 in the Southwest region of the United States, 43 in the West region, 37 in the Northeast region, 57 in the Southeast region and 47 in the Midwest region. The information relating to the operations expenses provided by the FASTSIGNS Centers and used by the us in determining the numerical values provided have not been audited and such information has not necessarily been prepared on a basis consistent with generally accepted accounting principles. In particular, we are unable to verify whether the expense data submitted by each FASTSIGNS Center for each separately provided expense item appropriately reflects the types of expenses which are ordinarily incurred by FASTSIGNS Centers and which should be included in the item according to generally acceptable accounting principles.

Each percentage given on this analysis reflects the mean average of the total percentages for the applicable expense item provided by the reporting FASTSIGNS Centers (i.e., the aggregate sum of the expense percentages of all reporting FASTSIGNS Centers divided by the number of reporting Centers). The expense percentages for the various expense items provided by each reporting FASTSIGNS Center reflects that Center's expenses as a percentage of its Gross Revenues. No percentage given on this analysis is the actual expenses percentage experienced by any one FASTSIGNS Center and the actual expense percentages for the reporting FASTSIGNS Centers on any particular expense item may vary significantly. The following expenses represent the major expense items for a FASTSIGNS Center and should not be considered the only expenses that a FASTSIGNS Center will incur:

2013 Year-End Average P&L Company Average (235 Centers Reporting)

(Lee control reporting)	Annual	<u>% of</u> Sales
SALES	\$ 729,317.55	100.0%
COST OF GOODS	\$ 209,669.66	28.7%
LABOR EXPENSES (Including Owner)	\$ 251,611.38	34.5%
ADVERTISING EXPENSES	\$ 22,023.82	3.0%
AUTO EXPENSES	\$ 12,399.88	1.7%
FACILITY EXPENSES	\$ 47,262.33	6.5%
EQUIPMENT EXPENSES	\$ 6,069.98	0.8%
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 99,929.87	13.7%
EBITDA	\$ 80,350.61	11.0%
Owner's Salary from Labor Expenses	\$ 46,687.08	6.4%
Total Owner Benefit	\$ 127,037.69	17.4%

2013 Year-End Average P&L

Top 25% Based on Profitability

(58 Centers)

	Annual	<u>% of</u> Sales
SALES	\$ 919,241.01	100.0%
COST OF GOODS	\$ 243,391.92	26.5%
LABOR EXPENSES (Including Owner)	\$ 299,771.93	32.6%
ADVERTISING EXPENSES	\$ 27,049.54	2.9%
AUTO EXPENSES	\$ 11,983.25	1.3%
FACILITY EXPENSES	\$ 50,584.25	5.5%
EQUIPMENT EXPENSES	\$ 5,447.24	0.6%
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 111,170.91	12.1%
EBITDA	\$ 169,841.96	18.5%
Owner's Salary from Labor Expenses	\$ 84,151.03	9.2%
Total Owner Benefit	\$ 253,992.99	27.6%

The franchisor is unable to verify the accuracy of the expense information provided by FASTSIGNS franchisees and makes no representations or warranties regarding the same.

The average gross sales for all Centers included in the above study were \$729,318. The amount of gross sales realized and expenses incurred will vary from unit to unit. In particular, gross sales and expenses at Franchisee's Center will be directly affected by many additional factors not noted above, including, without limitation, the Center's geographic location, competition in the market, the presence of other FASTSIGNS Centers, the quality of management, the effectiveness of sales and marketing and the prices charged for products and services sold at the Center. Further, the franchise agreement to which each franchisee included in this analysis is subject is different from the Franchise Agreement attached to this DISCLOSURE DOCUMENT as Exhibit B. Among other terms, the Franchise Agreement attached to this DISCLOSURE DOCUMENT requires an initial franchise fee of \$37,500 and a continuing Service Fee of 6%. Further, Franchisee may be required to participate in an Advertising Cooperative. This analysis, therefore, should only be used as a reference for Franchise Candidates to use in conducting its own analysis.

Finally, Franchise Candidates should particularly note the following:

Each Franchise Candidate is urged to consult with appropriate financial, business and legal advisors in connection with the information set forth in this analysis.

The average sales and major expenses reflected in this analysis should not be considered as the actual or potential sales that will be realized by any franchisee. We do not represent that any franchisee can expect to attain such sales. In addition, we do not represent that any franchisee will derive income that exceeds the initial payment for or investment in a FASTSIGNS franchise. No inference as to expenses, cost of goods sold or profits relating to existing or future centers should be drawn from the sales information reflected in this analysis. The success of franchisee will depend largely upon the ability of franchisee, and the individual financial results of a franchisee are likely to differ from the information set forth herein. Substantiation of the data used in preparing this analysis will be made available upon reasonable request.

Except for the information contained in this Item 19, we do not furnish or authorize our sales personnel, our employees or the Fastsigns National Advertising, Inc.'s employees to furnish any oral, visual or written information concerning the actual or potential sales, costs, income or profits of a Center. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise. We do not make any representations that you or any of your principals may or will derive income from any Center, which exceeds the initial payment for or investment in the Center.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION TABLE NO. 1 UNITED STATES OUTLET STATUS SUMMARY FOR YEARS 2011/2012/2013

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	452	451	-1
	2012	451	463	+12
	2013	463	485	+12
Company-Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets	2011	452	451	-1
	2012	451	463	+12
	2013	463	485	+22

TABLE NO. 2 TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE) FOR YEARS 2011 TO 2013

State	Year	Number of Transfers
Alabama	2011	0
	2012	1
	2013	0
Arizona	2011	0
	2012	0
	2013	1
Arkansas	2011	0
	2012	1
	2013	0
California	2011	1
	2012	4
	2013	1
Colorado	2011	0
	2012	1
	2013	0
Connecticut	2011	0
	2012	0
	2013	0
Florida	2011	1
	2012	2
	2013	1
Georgia	2011	1
	2012	0
	2013	1
Hawaii	2011	0
	2012	1
	2013	0
Idaho	2011	0
	2012	1
	2013	0
Illinois	2011	0
	2012	0
	2013	0
Indiana	2011	0
	2012	0
	2013	1

Kansas	2011	0
	2012	0
	2013	1
Maryland	2011	1
	2012	0
	2013	1
Michigan	2011	0
	2012	0
	2013	1
Minnesota	2011	0
	2012	1
	2013	1
Nevada	2011	1
	2012	0
	2013	0
New Jersey	2011	2
	2012	0
	2013	2
New Mexico	2011	0
	2012	1
	2013	0
New York	2011	0
	2012	0
	2013	1
North Carolina	2011	0
	2012	2
	2013	1
Ohio	2011	0
	2012	2
	2013	1
Pennsylvania	2011	0
	2012	2
	2013	3
South Carolina	2011	0
	2012	0
	2013	1

Tennessee	2011	0
	2012	0
	2013	1
Texas	2011	2
	2012	2
	2013	1
Washington	2011	1
	2012	1
	2013	0
Wisconsin	2011	0
	2012	1
	2013	0
Totals	2011	9
	2012	23
	2013	20

TABLE NO. 3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operati ons – Other Reasons	Outlets at End of Year
Alabama	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Arizona	2011	12	0	0	0	0	0	12
	2012	12	0	0	0	0	0	12
	2013	12	0	1	0	0	0	11
Arkansas	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
California	2011	45	0	0	0	0	0	45
	2012	45	1	1	0	0	0	45
	2013	45	3	1	0	0	1	46
Colorado	2011	16	0	0	0	0	1	15
	2012	15	0	0	0	0	0	15
	2013	15	1	0	0	0	0	16
Connecticut	2011	5	1	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	1	0	0	0	0	7
Delaware	2011	3	0	0	0	0	1	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2

STATUS OF FRANCHISED OUTLETS FOR YEARS 2011 TO 2013

District of	2011	1	0	0	0	0	0	1
Columbia	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Florida	2011	36	0	0	0	0	2	34
	2012	34	3	1	0	0	0	36
	2013	36	2	0	0	0	0	38
Georgia	2011	18	0	0	0	0	1	17
	2012	17	0	0	0	0	0	17
	2013	17	1	0	0	0	0	18
Hawaii	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Idaho	2011	2	1	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
Illinois	2011	20	2	0	0	0	2	20
	2012	20	1	0	0	0	0	21
	2012	21	1	0	0	0	0	22
Indiana	2011	7	0	0	0	0	0	7
	2012	7	0	0	0	0	0	7
	2013	7	2	0	0	0	0	9
Iowa	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Kansas	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5

Kentucky	2011	4	0	0	0	0	0	4
2	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Louisiana	2011	5	0	0	0	0	0	5
	2012	5	1	0	0	0	0	6
	2013	6	1	0	0	0	0	7
Maine	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Maryland	2011	10	0	0	0	0	0	10
	2012	10	3	0	0	0	0	13
	2013	13	0	1	0	0	0	12
Massachusetts	2011	6	0	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	1	0	0	0	0	7
Michigan	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	0	0	9
	2013	9	0	0	0	0	0	9
Minnesota	2012	11	0	0	0	0	0	11
	2012	11	0	0	0	0	0	11
	2013	11	0	0	0	0	0	11
Missouri	2011	10	0	0	0	0	2	8
	2012	8	0	0	0	0	0	8
	2013	8	0	0	0	0	0	8
Montana	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Nebraska	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Nevada	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
New	2011	1	1	0	0	0	0	2
Hampshire	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
New Jersey	2011	13	0	0	0	0	0	13
	2012	13	3	1	0	0	0	15
	2013	15	2	1	0	0	0	16

New Mexico	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
New York	2011	6	2	0	0	0	1	7
	2012	7	0	0	0	0	1	7
	2013	7	0	0	0	0	0	7
North Carolina	2011	13	0	0	0	0	0	13
	2012	13	0	0	0	0	2	11
	2013	11	0	0	0	0	0	11
Ohio	2011	22	1	0	0	0	0	22
	2012	22	1	0	0	0	0	23
	2013	23	2	0	0	0	1	24
Oklahoma	2011	4	0	0	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Oregon	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Pennsylvania	2011	23	2	0	0	0	0	25
	2012	25	2	0	0	0	0	27
	2013	27	0	0	0	0	0	27
Puerto Rico	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
South Carolina	2011	7	0	0	0	0	0	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	0	0	0	7
South Dakota	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Tennessee	2011	10	0	0	0	0	0	10
	2012	10	0	0	0	0	0	10
	2013	10	1	0	0	0	0	11
Texas	2011	58	1	0	0	0	0	58
	2012	58	2	0	1	0	1	58
	2012	58	4	0	0	0	1	61

Utah	2011	4	1	0.	0	0	1	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Virginia	2011	19	0	0	0	0	0	19
	2012	19	0	0	0	0	0	19
	2013	19	1	0	0	0	0	20
Washington	2011	14	0	0	0	0	0	14
	2012	14	0	0	0	0	0	14
	2013	14	1	0	0	0	0	15
West Virginia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Wisconsin	2011	8	0	0	0	0	0	7
=	2012	7	0	0	0	0	0	7
	2013	7	2	0	0	0	0	9
Totals	2011	452	12	0	0	0	13	451
	2012	451	19	3	1	0	3	463
	2013	463	29	4	0	0	3	485

TABLE NO. 4 STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2011 TO 2013

Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
2011	0	0	0	0	× 0	0
2012	0	0	0	0	0	0
2013	0	0	0	0	0	0

TABLE NO. 5PROJECTED OPENINGSAS OF DECEMBER 31, 2013

	AS OF DECEMB		D. t. I.C.
State	Franchise Agreements Signed But Outlet Not Open	Projected Franchised New Outlets in the Next Fiscal Year	Projected Company- Operated Outlet Openings in Next Fiscal Year
Alaska	0	1	0
Arizona	0	1	0
Arkansas	0	0	0
California	3	4	0
Colorado	0	1	0
Connecticut	0	0	0
Florida	1	2	0
Georgia	0	0	0
Illinois	0	2	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	2	0
Louisiana	0	1	0
Maine	0	0	0
Maryland	1	1	0
Massachusetts	0	2	0
Michigan	0	2	0
Minnesota	0	0	0
Missouri	0	2	0
New Hampshire	0	0	0
New Jersey	0	1	0
New York	2	3	0
North Carolina	0	1	0
Ohio	1	2	0
Oregon	0	0	0
Pennsylvania	0	1	0
Rhode Island	0	1	0
South Carolina	1	1	0
South Dakota	1	0	0
Texas	2	1	0
Virgin Islands	0	1	0
Washington	0	1	0
Wisconsin	0	1	0
West Virginia	0	1	0
Totals	12	36	0

Exhibit "E" lists the names of all of our operating Franchisees and the addresses and telephone numbers of their centers as of December 31, 2013. Exhibit "F-1" lists 12 franchisees who have signed Franchise Agreements for centers which were not yet operational as of December 31, 2013. Exhibit "F-2" lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of 7 Franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a 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 document. Exhibit F-3 lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of 20 Franchisees that left the system due to reselling their Center. 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, we have not signed any confidentiality clauses with current or former Franchisees which would restrict them from speaking openly with you about their experience with us.

The FASTSIGNS Franchise Advisory Committee is sponsored by us. Some of its members are appointed by us and some are elected by Franchisees. You can reach the organization at c/o FASTSIGNS International, Inc., 2542 Highlander Way, Carrollton, Texas 75006, (214) 346-5600, <u>mark.jameson@fastsigns.com</u>.

ITEM 21 FINANCIAL STATEMENTS

The financial statements listed below are attached to this Disclosure Document as Exhibit "D":

1. Consolidated audited balance sheet for Franchisor as of December 31, 2013 and as of December 31, 2012 and related statements of income, changes in shareholder's equity (accumulated deficit) and cash flows for the 12-month period ending December 31, 2013 and for the 12-month period ending December 31, 2012.

2. Consolidated audited balance sheet for Franchisor as of December 31, 2012 and as of December 31, 2011 and related statements of operation and cash flow for the 12-month period ending December 31, 2012 and for the 12-month period ending December 31, 2011.

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ITEM 22 CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- 1. Franchise Agreement
- 2. Development Agreement
- 3. Confidentiality Agreement
- 4. General Release Agreement
- 5. Agreement of Franchisor

Exhibit "B" Exhibit "C" Exhibit "G" Exhibit "H" Exhibit "M"

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ITEM 23

Exhibit "P" contains detachable documents acknowledging your receipt of this disclosure document.

FASTSIGNS INTERNATIONAL, INC.

LIST OF ADMINSTRATORS

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT "A"

LIST OF ADMINISTRATORS

CALIFORNIA

Commissioner of Corporations Los Angeles Department of Corporations 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677

HAWAII

Commissioner of Securities Department of Commerce, Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813

ILLINOIS

Office of Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706

INDIANA

Secretary of State Indiana Securities Division Franchise Section 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204

MARYLAND

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

MICHIGAN

Consumer Protection Division Antitrust and Franchise Unit Office of Attorney General G. Mennen Williams Bldg., 1st Floor 525 W. Ottawa Street Lansing, Michigan 48913 FDDREV4.14

MINNESOTA

Department of Commerce Franchise Division 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198

<u>NEBRASKA</u>

Nebraska Department of Banking and Finance 1200 N. Street, Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509-5006

NEW YORK

Bureau of Investor Protection & Securities New York Department of Law 120 Broadway, 23-122 New York, New York 10271

NORTH DAKOTA

Office of Securities Commission Franchise Division State Capitol – 5th Floor 600 East Boulevard, Dept. 414 Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer & Business Services Division of Finance & Corporate Securities 21 Labor and Industries Building Salem, Oregon 97310

RHODE ISLAND

Division of Securities Franchise Office Building 69-1, 1511 Pontiac Avenue Cranston, Rhode Island 02920

SOUTH DAKOTA

Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57301-3185

TEXAS

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

VIRGINIA

State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051

WASHINGTON

Department of Financial Institutions Securities Division 150 Israel Road SW - 3rd Floor Tumwater, Washington 98501

WISCONSIN

Office of the Commissioner of Securities Department of Financial Institutions 345 West Washington Ave., 4th Floor Madison, Wisconsin 53703

AGENTS FOR SERVICE OF PROCESS

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

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

HAWAII

Commissioner of Securities Department of Commerce, Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General 500 South Second Street Springfield, Illinois 62706

INDIANA

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

MARYLAND

Maryland Securities Commissioner Office of the Attorney General 200 St. Paul Place Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of the Attorney General G. Mennen Williams Bldg., 1st Floor 525 W. Ottawa Street Lansing, Michigan 48933

MINNESOTA

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

NEW YORK

NYS Department of State Division of Corporation Second Floor 41 State Street Albany, NY 11231

NORTH DAKOTA

Securities Commissioner State of North Dakota State Capitol – 5th Floor 600 East Boulevard, Dept. 414 Bismarck, North Dakota 58505-0510

RHODE ISLAND

Director of Department of Business Regulation Building 69-1, 1511 Pontiac Avenue Cranston, Rhode Island 02920

SOUTH DAKOTA

Director of Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57301-3185

VIRGINIA

Clerk of the State Corporation Commission 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9733

WASHINGTON

Director of Financial Institutions Securities Division 150 Israel Road SW 3rd Floor Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

We have not appointed an agent for service of process in Puerto Rico and have no plans to appoint one.

EXHIBIT "B"

FASTSIGNS INTERNATIONAL, INC.

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

FRANCHISE OWNER

DATE OF AGREEMENT

CENTER NUMBER

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GUARANTY AND ASSUMPTION OF OBLIGATIONS

FASTSIGNS INTERNATIONAL, INC. <u>FRANCHISE AGREEMENT</u>

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into by and between FASTSIGNS INTERNATIONAL, INC., a Texas corporation located at 2542 Highlander Way, Carrollton, Texas 75006-2333 ("we," "us," or "our"), and _______, whose principal address is _______ ("you" or "your") as of the date signed by us and set forth opposite our signature on this Agreement (the "Effective Date").

1. PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.

A. **PREAMBLES.**

(1) We and our affiliates have, over a considerable time period and with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the operation of businesses specializing in the selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo and artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services. These businesses operate under the "FASTSIGNS" name and other trademarks ("**FASTSIGNS Centers**") and have distinctive business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time.

(2) We and our affiliates use, promote, and license certain trademarks, service marks, and other commercial symbols in operating FASTSIGNS Centers, which have gained and will continue to gain public acceptance and goodwill, and may create, use, and license other trademarks, service marks, and commercial symbols for FASTSIGNS Centers (collectively, the "Marks").

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a FASTSIGNS Center offering the goods and services we authorize and using our business formats, methods, procedures, signs, designs, layouts, standards, specifications, and Marks (the "**Franchise System**").

(4) As a franchise owner of a FASTSIGNS Center, you will comply with this Agreement and all System Standards (defined below) in order to maintain the high and consistent quality that is critical to attracting and keeping customers for FASTSIGNS Centers.

(5) You have applied for a franchise to own and operate a FASTSIGNS Center.

B. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.

If you are at any time a corporation, limited liability company, or general or limited partnership (collectively, an "**Entity**"), you agree and represent that:

(1) You will have the authority to execute, deliver, and perform your 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 your incorporation or formation;

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

(3) <u>Exhibit "B"</u> to this Agreement completely and accurately describes all of your owners (and the owners of your owners, if applicable) and their interests in you as of the Effective Date;

(4) Each of your owners during this Agreement's term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised Exhibits B to reflect any permitted changes in the information that **Exhibit "B"** now contains;

(5) As described in Subsection 8.F., you will appoint a shareholder, member, or partner, as applicable, with not less than twenty five percent (25%) ownership interest to be your "**Managing Owner**," responsible for overseeing and supervising the operation of the CENTER (as defined in Subsection D below). The Managing Owner as of the Effective Date is identified in **Exhibit "B"**. You may not change the Managing Owner without our prior written consent;

(6) The CENTER and other FASTSIGNS Centers, if applicable, will be the only businesses you operate (although your owners may have other, non-competitive business interests); and

(7) You will provide us with copies of your certificate of incorporation, articles of incorporation, bylaws, stock certificates, other governing documents, any amendments, and resolutions of your Board of Directors authorizing entry into and the performance of this Agreement prior to the execution of this Agreement; or, if you are a partnership, copies of the written partnership agreement, other governing documents, and any amendments prior to the execution of this Agreement.

C. **<u>GRANT OF FRANCHISE</u>**.

You have applied for a franchise to own and operate a FASTSIGNS Center at the location identified on **Exhibit "A"** (the "**Premises**"). Subject to this Agreement's terms, we grant you a franchise (the "**Franchise**") to operate a FASTSIGNS Center (the "**CENTER**") at the Premises, and to use the Franchise System in its operation, for a term beginning on the Effective Date and expiring twenty (20) years from that date, unless sooner terminated as provided herein. You may use the Premises only for the CENTER. You agree at all times to faithfully, honestly, and diligently perform your obligations under this Agreement and to use your best efforts to promote the CENTER.

D. **TERRITORIAL RIGHTS.**

After you select an approved location and we designate it as the Premises, we will designate and describe your Territory in **Exhibit "A"**. The size of the Territory shall be determined in our sole discretion. The Territory encompasses an area sufficient to include a business count of a minimum of

four thousand (4,000) businesses. We may redetermine the size of your Territory if there is an increase of least fifty percent (50%) in the Business Count in the Territory and locate another FASTSIGNS Center in your former Territory. Your remaining Territory must contain at least 4,000 businesses.

E. **<u>RIGHTS WE RESERVE.</u>**

Except as expressly limited by Subsection D above, we and our affiliates retain all rights with respect to FASTSIGNS Centers, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate. Specifically, but without limitation, we reserve the following rights:

(1) the right to operate, or franchise others to operate, similar or competitive businesses located inside or outside the Territory under trademarks or service marks other than the Marks;

(2) the right to operate, or franchise others to operate, other dissimilar businesses located inside or outside the Territory under trademarks or service marks other than the Marks;

3) the right to sell products or services anywhere that are similar to those sold by FASTSIGNS centers, but under trademarks or service marks other than the Marks;

(4) the right to sell products and services anywhere that are similar to those sold by FASTSIGNS centers, which products and services are sold under the Marks but through dissimilar distribution channels (including without limitation via the National Accounts Program, general or specialty retailers, the Internet or other electronic media);

(5) the right to sell products and services anywhere that are dissimilar from those sold by FASTSIGNS centers, but under the Marks or any other trademarks or service marks;

(6) the right to operate, and to grant others the right to operate FASTSIGNS Centers located anywhere outside the Territory;

(7) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at FASTSIGNS Centers, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and

8) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at FASTSIGNS Centers, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory.

F. MODIFICATION OF FRANCHISE SYSTEM.

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege to vary System Standards (defined below) for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. You have no right to require us to grant you a similar variation or accommodation.

2. <u>SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF</u> <u>CENTER.</u>

A. <u>SITE SELECTION.</u>

You agree to obtain our written approval of the CENTER's proposed site before signing any lease, sublease, or other document for the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. We will not unreasonably withhold our approval of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; visibility and the proposed site's size, appearance, and other physical characteristics.

Within ninety (90) days after execution of this Agreement, you agree to locate potential sites that satisfy our criteria. You agree to send us a description of the proposed sites, including a summary of the items listed above or other evidence confirming your favorable prospects for obtaining each of the proposed sites. Upon our approval of a site, and after you secure the site, we will insert its address into **Exhibit "A"**, and it will be the Premises. You may operate the CENTER only at the Premises.

You acknowledge and agree that, if we recommend or give you information regarding a site for the Premises, that it is not a representation or warranty of any kind, express or implied, of the site's suitability for a FASTSIGNS Center or any other purpose. Our recommendation indicates only that we believe that the site meets our then acceptable criteria.

B. LEASE OF PREMISES.

You must sign a lease or sublease for the Premises (the "**Lease**") within one hundred twenty (120) days after the Effective Date. We have the right to approve the terms of the Lease before you sign it. The Lease must be in a form acceptable to us and must contain certain required terms and provisions (although we will not directly negotiate your Lease), including, but not limited to those listed in **Exhibit "C"**.

You acknowledge that our approval of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a FASTSIGNS Center operated at the Premises. Our approval indicates only that we believe that the Premises and the Lease's terms meet our then acceptable criteria. You must deliver to us a signed copy of the Lease within ten (10) days after its execution.

If the Lease expires or is terminated without your fault, or if the site for the Premises is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the CENTER to a new site acceptable to us. Any relocation will be at your sole expense, and we may charge you for the reasonable costs we incur, plus a reasonable fee (as set forth in the Operations Manual) for our services, in connection with any relocation of the CENTER. Any relocation will be subject to the provisions of this Section 2.

You are not permitted to operate the CENTER under a month-to-month lease without our prior written approval. If you are purchasing the premises for the CENTER, you must submit the contract of sale to us for approval prior to your signing it and you must deliver to us a signed copy of the contract of sale with ten (10) days after execution.

C. <u>CENTER DEVELOPMENT.</u>

You are responsible for developing the CENTER. We will give you mandatory and suggested specifications and layouts for a FASTSIGNS Center, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the Premises and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions. We will not charge you for the cost of the first revision of the plans, but we may charge you for the cost of any additional revisions.

You agree to send us construction plans and specifications for review before you begin constructing the CENTER and all revised or "as built" plans and specifications during construction. We may require you to use an approved or designated architect and/or general contractor to design and construct the CENTER. Plans and modifications to plans not created by an approved or designated architect and/or general contractor must be pre-approved by us.

Because our review is limited to ensuring your compliance with our design requirements, it might not assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with these laws are your responsibility. We may inspect the Premises while you are developing the CENTER.

You agree to do the following, at your own expense, to develop the CENTER at the Premises:

(1) secure all financing required to develop and operate the CENTER;

(2) obtain all required building, utility, sign, health, sanitation, business, EPA and other permits and licenses;

(3) construct all required improvements to the Premises and decorate the CENTER according to approved plans and specifications;

(4) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services;

(5) purchase or lease, and install, all required fixtures, furniture, equipment (including a required or recommended computer, facsimile, and point-of-sale information system), furnishings, and signs (collectively, "**Operating Assets**") for the CENTER; and

(6) purchase an opening inventory of authorized and approved products, materials, and supplies to operate the CENTER.

D. **OPERATING ASSETS.**

You agree to use in operating the CENTER only those Operating Assets that we approve for FASTSIGNS Centers as meeting our specifications and standards for quality, design, appearance, function, and performance. You agree to place or display at the Premises (interior and exterior) only the signs, emblems, lettering, logos, and display materials that we approve from time to time. You agree to purchase or lease brands, types, or models of Operating Assets only from suppliers that meet our

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specifications (which may include or be limited to us and/or our affiliates) or suppliers you choose that meet our criteria and specifications.

E. **<u>COMPUTER SYSTEM.</u>**

You agree to obtain and use the computer hardware and/or operating software we specify from time to time (the "**Computer System**"). We may modify specifications for and components of the Computer System. You also agree to use the email system and address we specify. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly.

You agree that we or our affiliates may require the use of proprietary software or technology that we or our affiliates develop or maintain. Upon your signing or accepting of the Software License Agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology, we and our affiliates may charge you a monthly or other fee for access to, maintenance, and support of said software or technology that we or our affiliates have licensed to you during this Agreement's term. We will provide you with one hundred eighty (180) days' prior notice of our decision to initiate charging such a fee.

Despite the fact that you agree to buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

F. CENTER OPENING.

You agree not to open the CENTER until:

(1) we notify you in writing that the CENTER meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that the CENTER complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies);

(2) your required attendees satisfactorily complete training as described in Subsection 4. A. of this Agreement;

- (3) you pay the initial franchise fee and other amounts then due to us;
- (4) you pay for the equipment, furniture and fixtures package then due to us; and
- (5) you give us certificates for all required insurance policies.

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Subject to your compliance with these conditions, you agree to open the CENTER for business within three hundred sixty five (365) days after the Effective Date. You agree to operate and supervise the CENTER and devote your full time, best efforts and constant personal attention to the day-to-day operations of the CENTER for at least six (6) months after the opening.

If you fail to sign a Lease for the Premises within one hundred twenty (120) days after the Effective Date or if you fail to open the CENTER within three hundred sixty five (365) days after the Effective Date, we have the right to terminate this Agreement (see Subsection 14.A.(2) and (3)). If we terminate this Agreement due to your failure to meet one or both of these deadlines, we will refund the initial franchise fee you paid, without interest, less Eighteen Thousand Seven Hundred Fifty Dollars (\$18,750); provided that you comply with all post-termination obligations in Section 15.

3. <u>FEES.</u>

A. **INITIAL FRANCHISE FEE.**

You agree to pay us a nonrecurring and, except as specifically provided in Subsection 2.F. of this Agreement, nonrefundable initial franchise fee of ______ Dollars (\$_____). This fee is due, and fully earned by us, when you sign this Agreement.

B. CONTINUING SERVICE AND ROYALTY FEE.

You agree to pay us, in the manner provided below (or as the Operations Manual otherwise prescribes), a monthly Continuing Service and Royalty Fee (the "Service Fee") equal to three percent (3%) of the CENTER's Gross Sales (defined in Subsection D. below) for the first twelve (12) months that the CENTER is open by the fifteenth (15th) day of the month. Beginning the thirteenth (13th) month through the end of the term of the Agreement you agree to pay us six percent (6%) of the CENTER'S Gross Sales. On or before the fifth (5th) day of the month, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the CENTER's Gross Sales for the preceding calendar month. The method of payment is described in Subsection 3.G. below. In addition, you agree to pay us the Ad Fund contribution as described in Subsection 9.B.

You must be in "Good Standing" (as described in Subsection 3.I. below) to be eligible for the lower three percent (3%) Service Fee each month during the first twelve (12) months the CENTER is open. If you are not in "Good Standing" at any time during this twelve (12) month period, the monthly Service Fee will increase to six percent (6%) in addition to all other remedies available to us.

C. <u>SLIDING SCALE ROYALTY REBATE.</u>

Beginning with your first full calendar year of operation that you are required to pay the six percent (6%) Service Fee and the two percent (2%) Ad Fee, we will recalculate your Service Fee and Ad Fund contributions (described in Subsection 9.B.) paid to us for the preceding calendar year using your annual gross sales for the calendar year as described in the following Sliding Scale Chart below ("Chart"):

On your sales between:		Your Service Fee will be:	Your Ad Fee will be:
\$0	to \$ 810,949	6.0%	2.0%
\$810,950	to \$1,081,265	`5.5%	1.75%
\$1,081,266	to \$2,162,532	5.0%	1.75%
\$2,162,533	to \$3,243,798	4.5%	1.5%
\$3,243,799	to \$4,325,065	4.0%	1.5%
\$4,325,066	to \$5,406,331	3.5%	1.25%
\$5,406,332 and above		3.0%	1.0%

At the conclusion of each calendar year, we will issue a rebate payment ("Rebate Payment") to you based on each increment of your Gross Sales falling within each of the sales bands described above. The Rebate Payment will be paid to you no later than March 31 of each year. All monthly royalty reports must be submitted through December 31 of each year as described in Section 10. of this Agreement in order to receive the Rebate Payment. You must be in "Good Standing" (as described in Subsection 3.I. below) at the end of each calendar year to receive your Rebate Payment. The Rebate Payment will be paid to the owner of the CENTER on December 31 of each year.

At our election, the sales bands described in the Chart above may be adjusted effective the first day of each calendar year based on the most recent Consumer Price Index published by the Bureau of Labor Statistics.

D. **DEFINITION OF "GROSS SALES".**

As used in this Agreement, the term "Gross Sales" means all revenue that you derive from operating the CENTER, including, but not limited to, all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding (1) all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) the amount of any documented refunds, credits, allowances, and charge-backs the CENTER in good faith gives to customers.

E. **INTEREST.**

All amounts which you owe us for any reason, will bear interest accruing as of their original due date at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for late fees and interest. You acknowledge that this Subsection is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the CENTER.

F. APPLICATION OF PAYMENTS.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

G. METHOD OF PAYMENT.

Before the CENTER opens, you agree to sign and deliver to us the documents we require (including **Exhibit "D"**) to authorize us to debit your business checking account automatically for the Service Fee, Ad Fund contributions (described in Subsection 9.B. below), and other amounts due under this Agreement and for your purchases from us, National Advertising Council, Inc. and our affiliates (the

"Electronic Funds Transfer Account" or "**EFTA**"). Additionally, we reserve the right to debit the EFTA for cooperative advertising fees (described in Subsection 9.D. below). We will debit the EFTA for these amounts on their due dates. You agree to ensure that funds are available in the EFTA to cover our withdrawals. If there are insufficient funds in the EFTA to cover any such amount owed (or, if you are paying by check and a check is returned for insufficient funds), you stop payment on the EFTA (or check), close the EFTA, or request we do not process the EFTA we will charge you a processing fee as prescribed in the Operations Manual) per withdrawal or amount to compensate us for our additional administrative expenses. This amount is currently One Hundred Dollars (\$100), but is subject to change.

If you fail to report the CENTER's Gross Sales, we may debit your EFTA for one hundred fifty percent (150%) of the last Service Fee and Ad Fund contribution that we debited. If the amounts that we debit from your EFTA are less than the amounts you actually owe us (once we have determined the CENTER's true and correct Gross Sales), we will debit your EFTA for the balance on the day we specify. If the amounts that we debit from your EFTA are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your EFTA during the following month.

We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (*e.g.*, by check) whenever we deem appropriate, and you agree to comply with our payment instructions.

H. <u>LATE FEE FOR SUBMISSION OF LATE SALES REPORT, LATE</u> <u>SERVICE FEE AND NAC FUND CONTRIBUTION.</u>

If you fail to remit to us any sales report when due as provided in Subsection 10.(a) and/or Service Fee payment or Ad Fund payment when due as provided in Subsection 3.B above, we have the right, in addition to any other remedy available, to charge you a late fee of Fifty Dollars (\$50) for each day such sales report, Service Fee payment or Ad Fund payment is late, reduced, if necessary, to the extent such payment exceeds the amount permitted by applicable law. Said late fee shall be due and payable by you immediately when invoiced.

I. <u>DEFINITION OF "GOOD STANDING"</u>

The term **"Good Standing"** means that you do not owe any Service Fees or Ad Fund contributions or any other monetary obligations to us in excess of thirty (30) days and you are in compliance with all of your other obligations under the Agreement and any other agreement with us, including timely reporting of Gross Sales. You are not in "Good Standing" if you make partial payments to us, but still have amounts outstanding in excess of thirty (30) days.

4. <u>TRAINING AND ASSISTANCE.</u>

A. **INITIAL TRAINING.**

Before the CENTER opens for business, we will train up to three (3) of your representatives on the material aspects of operating a FASTSIGNS Center. We will provide the initial training program at a designated training facility of our choice and/or at an operating FASTSIGNS Center. We will provide initial training for no additional fee for you (if you are an individual) or your Managing Owner (if you are an entity), your graphic designer and your visual communications specialist. Additional people beyond these three (3) may attend initial training. You also agree to pay for all travel and living expenses that your attendees incur and for your employees' wages and workers' compensation insurance while they train at operating FASTSIGNS Centers. Training is conducted at our corporate offices or at such other location determined by us.

You (or your Managing Owner), your graphic designer and your visual communications specialist must satisfactorily complete initial training. If we determine that you (or your Managing Owner) cannot complete initial training to our satisfaction, you may designate a replacement to complete such training.

When the CENTER is ready to open for business, we will, at our own cost, send one of our representatives to the CENTER at a time to be determined by us to assist with its opening. You (or your Managing Owner) also must successfully complete this phase of the initial training program. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living expenses.

B. ONGOING TRAINING.

We may require you (or your Managing Owner) and/or other previously trained and experienced employees to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate. We may charge reasonable registration or similar fees for these courses to defray costs. Besides attending these courses, you agree to attend a designated franchise convention of all FASTSIGNS Center franchise owners at a location we designate at least once in every three (3) year period. You agree to pay all registration fees, charges and costs to attend. In addition, you agree to pay all travel and living expenses which you and your employees incur during all training courses and programs.

You will designate, in writing, an individual (the "General Manager") who will assist you in the management of the CENTER. The General Manager will devote his full time, best efforts and constant personal attention to the day-to-day operations of the CENTER in the event you do not participate in the full-time operation of the CENTER after the initial six (6) month period the CENTER is open. We may require that your CENTER managers (including the General Manager if you (or your Managing Owner) cease to act as the day-to-day manager of the CENTER) satisfactorily complete our initial and ongoing training programs. We may charge reasonable fees for training managers. If at any time the General Manager, you will promptly notify us and shall designate a replacement General Manager within thirty (30) days after the General Manager ceases to serve. Should a replacement be required for the General Manager, the replacement will be required to attend and complete training.

You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

C. <u>GENERAL GUIDANCE.</u>

We will advise you from time to time regarding the CENTER's operation based on your reports or our inspections and will guide you with respect to: (1) standards, specifications, and operating procedures and methods that FASTSIGNS Centers use; (2) purchasing required and authorized Operating Assets and other items and arranging for their distribution to you; (3) advertising and marketing materials and programs; (4) employee training; and (5) administrative, bookkeeping, accounting, and inventory control procedures.

We will guide you in our manuals ("**Operations Manual**"); in bulletins or other written materials; by electronic media; by telephone consultation; and/or at our office or the CENTER. If you request, and we agree to provide, additional or special guidance, assistance, or training, you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living expenses.

D. **OPERATIONS MANUAL.**

During the Franchise term you will have electronic access to our Operations Manual, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or written materials on a restricted website or extranet. (For purposes of this Agreement, "Website" means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the Internet and World Wide Web home pages). You agree to monitor and access the Website or extranet for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a Website or extranet will be deemed to be part of Confidential Information (defined in Section 6 below). At our discretion, hard copies of certain manuals may be loaned to you at no expense. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules ("System Standards") that we periodically prescribe for operating a FASTSIGNS Center and information on your other obligations under this Agreement. We may modify the Operations Manual periodically to reflect changes in System Standards.

You agree to keep any hard copies of the Operations Manual current and in a secure location at the CENTER. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than CENTER employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy at our then applicable charge.

E. **DELEGATION OF PERFORMANCE.**

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

5. <u>MARKS.</u>

A. OWNERSHIP AND GOODWILL OF MARKS.

Your right to use the Marks is derived only from this Agreement and limited to your operating the CENTER according to this Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the CENTER under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, or our ownership, of the Marks.

B. <u>LIMITATIONS ON YOUR USE OF MARKS.</u>

You agree to use the Marks as the CENTER's sole identification, except that you agree to identify yourself as its independent owner in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a Website, or (5) in any other manner that we have not expressly authorized in writing.

You may not use any Mark in advertising the transfer, sale, or other disposition of the CENTER or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the CENTER and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs of taking any action that we have asked you to take.

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

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. Any costs incurred by you to comply with any change or modification of any mark will be paid solely by you; however, we may, at our discretion, reimburse a portion of the costs to you. We need not reimburse you for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Subsection D apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

E. **INDEMNIFICATION FOR USE OF MARKS.**

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

6. <u>CONFIDENTIAL INFORMATION.</u>

We 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 FASTSIGNS Centers, including (without limitation):

(1) site selection criteria;

(2) training and operations materials and manuals;

(3) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating FASTSIGNS Centers;

(4) sales, marketing and advertising programs for FASTSIGNS Centers;

(5) knowledge of, specifications for, and suppliers of Operating Assets and other products and supplies;

(6) any computer software or similar technology which is proprietary to us or the Franchise System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

(7) knowledge of the operating results and financial performance of FASTSIGNS Centers other than the CENTER;

(8) graphic designs and related intellectual property; and

(9) the list of customers of the CENTER and other FASTSIGNS Centers and the contact information and other personal information regarding those customers.

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the CENTER during this Agreement's term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you:

(a) will not use Confidential Information in any other business or capacity;

(b) 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 signage and printing industry;

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

(d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to CENTER personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights.

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Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the signage and printing industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the signage and printing industry through publication or communication by others (without violating an obligation to us). However, if we include 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.

All ideas, concepts, techniques, or materials relating to a FASTSIGNS Center, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. To the extent that any item does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

7. <u>EXCLUSIVE RELATIONSHIP.</u>

You acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during this Agreement's term, neither you, any of your owners, nor any of your or your owners' spouses will:

(a) have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(c) recruit or hire any person who is (or has been during the past six (6) months) an employee of us, National Advertising Council, Inc., or any affiliate of ours, without obtaining our written permission;

(d) divert or attempt to divert any actual or potential business or customer of the CENTER to a Competitive Business; or

(e) engage in any other activity which might injure the goodwill of the Marks and Franchise System.

The term "Competitive Business" means (i) any business which markets, produces, installs, offers for sale or provides services related to selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services or (ii) any business granting franchises or licenses to others to

operate the type of business specified in subparagraph (i) (other than a FASTSIGNS Center operated under a franchise agreement with us).

You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

If you violate the covenant in clause (c) above, you must compensate us and/or the National Advertising Council, Inc. for the cost incurred in training such employee. The parties agree that a reasonable estimate of such training costs is two months' salary of the employee, along with any commission and bonus.

8. <u>SYSTEM STANDARDS.</u>

A. <u>CONDITION AND APPEARANCE OF THE CENTER.</u>

You agree that:

(1) you will maintain the condition and appearance of the CENTER, its Operating Assets and the Premises in accordance with System Standards and consistent with the image of a FASTSIGNS Center as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the term of this Agreement: (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at intervals we prescribe; (b) interior and exterior repair of the Premises; and (c) repair or replacement of damaged, worn out or obsolete Operating Assets;

(2) you will place or display at the Premises (interior and exterior) only those signs (including neon), emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve;

(3) if at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Premises of the CENTER or its fixtures, furnishings, equipment or signs does not meet our standards, we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten (10) days after you receive our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, we have the right, in addition to all other remedies, to enter the Premises or the CENTER and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection; and

(4) in an effort to maintain the quality of the system and the FASTSIGNS brand, you agree to remodel, expand, redecorate, and/or refurnish the Premises and the CENTER to reflect changes in the operations of FASTSIGNS Centers which we prescribe and require of new franchisees, however, we will not require you to spend more than Twenty Thousand Dollars (\$20,000) in any five (5) year period on material modernizations of the CENTER. We will provide you with one hundred and eighty (180) days' prior notice of this requirement. This Twenty Thousand Dollar (\$20,000) cap shall not apply to the purchase of equipment and/or other items necessary to offer new, current or additional products or services from the CENTER.

B. **PRODUCTS AND SERVICES SOLD AT THE CENTER.**

You agree that: (1) the CENTER will offer for sale all products and services that meet our specifications; (2) the CENTER will offer and sell products and services only in the manner we have prescribed; (3) you will not offer for sale or sell at the CENTER, the Premises or any other location any products or services that do not meet our specifications; (4) all products will be offered and sold only at and from the Premises, unless approved otherwise by us (including sales you make from the System Website as approved by us); and (5) you will discontinue selling and offering for sale any products or services that we at any time decide (in our sole discretion) do not meet our specifications.

C. NATIONAL ACCOUNTS.

We or the National Advertising Council, Inc. (defined in Subsection 9.B.) may obtain accounts from regional or national companies that fulfill their needs for signs on a local basis and from a centrally coordinated service ("National Accounts"). We or the National Advertising Council, Inc. will negotiate and execute agreements with National Accounts customers (the "Customers") and will organize and administer the National Accounts Program. The National Accounts Program acts as a central access point through which you can effectively meet the needs of the Customers. The National Accounts Program conforms to the individual needs of each Customer by designing a Customer-tailored system for the Customer's ordering, production, distribution, and invoicing. You may participate in the National Accounts Program; provided, you meet and comply with the criteria and standards for participating in such a program (which include being in compliance with the terms of this Agreement), execute such form of participation agreement and other documents we require, and agree to provide the services under the terms and conditions negotiated by us or the National Advertising Council, Inc. We do not represent that we or the National Accounts Program will obtain any national accounts in your Territory. If, however, we or the National Accounts Program do obtain such accounts, we or the National Accounts Program will advise you of the terms of such participation and offer you the option to participate. Your participation in the National Accounts Program is voluntary. We or you may terminate your participation in the National Accounts Program in accordance with the terms of the participation agreement.

D. APPROVED PRODUCTS, DISTRIBUTORS AND SUPPLIERS.

We have developed or may develop standards and specifications for types, models and brands of required Operating Assets, other products, materials and supplies. We reserve the right from time to time to approve specifications or suppliers and distributors of the above products that meet our reasonable standards and requirements. If we do so, you may be required to purchase only such products meeting those specifications.

We and our affiliates may receive payments from suppliers on account of such suppliers' dealings with you and other franchise owners, and may use any amounts so received without restriction and for any purpose we and our affiliates deem appropriate.

E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the CENTER and operate the CENTER in full compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The CENTER must in all dealings with its customers, suppliers, us and the public adhere to

the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other FASTSIGNS Centers. You must notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the CENTER and of any notice of violation of any law, ordinance, or regulation relating to the CENTER.

F. MANAGEMENT OF THE CENTER/CONFLICTING INTERESTS.

Except as provided below, you (if you are an individual) or your Managing Owner (if you are an entity) must be the direct, on-premises supervisor of the CENTER and devote your full-time, best efforts to the day-to-day operations of the CENTER for at least the first six (6) months the CENTER is open for business. If, after the first six (6) months of operations (or at any time thereafter), you or your appointed owner cease to be responsible for day-to-day management of the CENTER, you must appoint a General Manager to be the direct, on-premises supervisor of the CENTER. The original and any replacement General Manager must: (1) devote his/her full-time, best efforts to the day-to-day operations of the CENTER; (2) satisfactorily complete the initial training program and other required training; and (3) be acceptable to us.

If you (or your Managing Owner) own more than one FASTSIGNS Center, each FASTSIGNS Center must be under the direct on-premises supervision of a General Manager we have approved and who has completed our training programs.

G. **INSURANCE.**

During the term of this Agreement you must maintain in force at your sole expense comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the CENTER's operation, all containing the minimum liability coverage we prescribe from time to time. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the CENTER on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

H. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that operating and maintaining the CENTER according to System Standards are essential to preserve the goodwill of the Marks and all FASTSIGNS Centers. Therefore, you agree at all times to operate and maintain the CENTER according to all of our System Standards, as we periodically modify and supplement them. Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you retain the right to and responsibility for the day-to-day management and operation of the CENTER and implementing and maintaining System Standards at the CENTER.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Subsections 8.A. through 8.G. above:

(1) purchase, storage, preparation, and inventory requirements for products and supplies so that the CENTER may operate at full capacity;

(2) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, and services that you obtain from us and affiliated and unaffiliated suppliers; and our and our affiliates' right not to sell you any products or to provide you with services, or to do so only on a "cash-on-delivery" or other basis, if you are in default under any agreement with us;

(3) sales, marketing, advertising, and promotional programs and materials and media used in these programs;

(4) use and display of the Marks at the CENTER and on labels, forms, paper products, and other supplies;

(5) staffing levels for the CENTER; identifying the CENTER's personnel; and employee qualifications and training (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(6) days and hours of operation;

(7) accepting credit and debit cards, other payment systems, and check verification services;

(8) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and giving us copies of tax returns and other operating and financial information concerning the CENTER;

(9) any other aspects of operating and maintaining the CENTER that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and FASTSIGNS Centers.

You agree that System Standards we prescribe in the Operations Manual, or otherwise communicate to you in writing or another tangible form (for example, via Franchise System extranet or Website), are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified. You agree to comply with the System Standards provided in the then current Operations Manual.

I. MODIFICATION OF SYSTEM STANDARDS.

We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may obligate you to invest additional capital in the CENTER and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling the Premises or any other aspect of

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the CENTER, buying new Operating Assets, adding new products and services, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

9. <u>MARKETING.</u>

A. **INITIAL MARKETING PLAN.**

Before you register for initial training, you must pay Twelve Thousand Five Hundred Dollars (\$12,500) to the National Advertising Council, Inc. The Twelve Thousand Five Hundred Dollars (\$12,500) will be invested in an initial marketing plan implemented during the first several months your CENTER is open that the marketing department will develop for you. The initial marketing plan may include direct marketing programs (including a grand opening mail campaign), public relations efforts, local web search and Internet marketing, local media placement, awareness building and lead generation tools, telemarketing campaigns and initial sales and marketing materials. You agree to comply with our guidelines for this initial marketing plan. We recommend that you invest additional amounts to local marketing during the first year of the CENTER's operations.

B. **ADVERTISING.**

Recognizing the value of advertising and marketing to the goodwill and public image of FASTSIGNS Centers, we have established an advertising fund for the advertising, marketing, promotional and public relations programs and materials we deem appropriate (the "Ad Fund"). You agree to contribute to the Ad Fund one percent (1%) of the CENTER'S Gross Sales for the first twelve (12) months the CENTER is open, payable in the same manner as the Service Fee. Beginning the thirteenth (13th) month through the end of the term of the Agreement, you agree to contribute to the Ad Fund science Sales. The Ad Fund is currently administered by the National Advertising Council, Inc.

You must be in "Good Standing" (as described in Subsection 3.I. above) with your Agreement to be eligible for the lower reduced one percent (1%) Ad Fund contribution each month during the first twelve (12) months the CENTER is open. If you are not in "Good Standing" at any time during this twelve (12) month period, the monthly Ad Fund contribution will increase to two percent (2%) in addition to all other remedies available to us.

The board of directors of the National Advertising Council, Inc. is comprised of us and other members elected by our franchisees in accordance with the National Advertising Council Inc.'s bylaws. All decisions of the National Advertising Council, Inc. are subject to our approval. We, the National Advertising Council, Inc., or our designee will maintain and administer the Ad Fund.

We or the National Advertising Council, Inc. have the right to collect for deposit into the Ad Fund any advertising, marketing, promotional or similar allowances paid to us or the National Advertising Council, Inc. by suppliers who deal with FASTSIGNS Centers and with whom we or the National Advertising Council, Inc. have agreed that we will so deposit these allowances. (These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes and which we and our affiliates therefore may use for any purposes we and they deem appropriate, as provided in Subsection 8.D. above.)

We or the National Advertising Council, Inc. will direct all programs that the Ad Fund finances, with sole control over the creative concepts, materials, testing and endorsements used and their geographic, market, and media placement and allocation. The Ad Fund is used to pay all costs for the formulation, planning, research, testing, development and production of all marketing, advertising, promotional, merchandising, sales, web, public relations and social media activities used to promote and

protect the FASTSIGNS brand. This includes, but is not limited to, executing marketing research, preparing and producing television, video, audio, radio, magazine, newspaper, outdoor, ecommerce, print, promotions, email, e-newsletter, social media, web marketing, website development, website hosting, search engine optimization, pay-per-click advertising, Internet banner and other digital advertising, direct mail, outdoor activities, telephone prospecting, trade shows, sponsorships, sales collateral material, public relations activities, sales development, sales training and all other lead generating and sales building activities. The advertising fund is used for these activities whether through an outside agency or if these functions are executed and developed by marketing staff.

The Ad Fund periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost.

We or the National Advertising Council, Inc. will account for the Ad Fund separately from our or the National Advertising Council Inc.'s other funds and not use the Ad Fund for any of our general operating expenses. However, we or the National Advertising Council, Inc. may use the Ad Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Ad Fund, the Ad Fund's other administrative costs, travel expenses of personnel while they are on Ad Fund business, meeting costs, overhead relating to Ad Fund business, and other expenses that we or the National Advertising Council, Inc. incur in activities reasonably related to administering or directing the Ad Fund and its programs, including, without limitation, conducting market research, public relations activities, preparing advertising, promotion, marketing materials, sales collateral materials and collecting and accounting for Ad Fund contributions.

The Ad Fund will not be our or the National Advertising Council Inc.'s asset. Although the Ad Fund is not a trust, we or the National Advertising Council, Inc. will hold all Ad Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this Subsection. Neither we nor the National Advertising Council, Inc. owe any fiduciary obligation to you for administering the Ad Fund or any other reason. The Ad Fund may spend in any fiscal year more or less than the total Ad Fund contributions in that year, borrow from us, the National Advertising Council, Inc. or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We or the National Advertising Council, Inc. will use all interest earned on Ad Fund contributions to pay costs before using the Ad Fund's other assets.

We or the National Advertising Council, Inc. will prepare an annual, unaudited statement of Ad Fund collections and expenses and give you the statement upon written request. We or the National Advertising Council, Inc. may have the Ad Fund audited, at the Ad Fund's expense, by an independent certified public accountant. We or the National Advertising Council, Inc. may incorporate the Ad Fund or operate it through a separate entity whenever we deem appropriate. The renewal entity will have all of the rights and duties specified in this Subsection.

We and the National Advertising Council, Inc. intend the Ad Fund to maximize recognition of the Marks, patronage of FASTSIGNS Centers and when offered, ecommerce programs. Although we and the National Advertising Council, Inc. will try to use the Ad Fund to develop advertising, marketing, promotional and sales materials and programs that will benefit all FASTSIGNS Centers, neither we nor the National Advertising Council, Inc. ensure that Ad Fund expenditures in or affecting any geographic area are proportionate or equivalent to Ad Fund contributions by FASTSIGNS Centers operating in that geographic area or that any FASTSIGNS Center benefits directly or in proportion to its Ad Fund contribution from the development of materials or the placement of advertising, marketing, promotions or sale related programs.

We and the National Advertising Council, Inc. have the right, but no obligation, to use collection agents and institute legal proceedings to collect Ad Fund contributions at the Ad Fund's expense. We and the National Advertising Council, Inc. also may forgive, waive, settle, and compromise all claims by or against the Ad Fund. Except as expressly provided in this Subsection, neither we nor the National Advertising Council, Inc. assume any direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Ad Fund.

C. **<u>BY YOU.</u>**

If you choose to advertise in a print Yellow Pages directory, you must use our approved form of Yellow Pages telephone directory advertisement. If other FASTSIGNS Centers are located within the directory's distribution area and you are planning to advertise in the same book, we require that you share the advertisement with those other interested FASTSIGNS Centers and pay your share of that collective advertisement.

Your local marketing, advertising and promotion must follow our guidelines. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising. You may speak on behalf of your CENTER to the media, but you must obtain pre-approval to speak to the media on our behalf.

You may engage in social ("Social Media") that references (expressly or by implication) the Marks or the CENTER only if we approve and only in accordance with the standards that we periodically specify. Our Social Media Policy is described in further detail in the Operations Manual.

D. COOPERATIVE ADVERTISING PROGRAMS.

We may designate a market area ("MA") which is a DMA (designated media market area) or a smaller MSA (metropolitan market area) in which two (2) or more FASTSIGNS Centers are located in order to establish a cooperative advertising program ("**Cooperative Program**") for that MA. You are required to participate in the Cooperative Program. Each FASTSIGNS Center in "Good Standing" with both us and the National Advertising Council, Inc., and operating in the MA will have one vote, including FASTSIGNS Centers operated by us or our affiliates.

If a Cooperative Program is established for your MA, we will give you a minimum of one hundred eighty (180) days' prior notice. You will be required to contribute the amounts required by the cooperative; provided, however, you will not be required to contribute more than two percent (2%) of your CENTER's Gross Sales to the Cooperative Program in any calendar month, unless, subject to our approval, members of the cooperative agree in writing to contribute a specific amount each month. No advertising or promotional plans or materials may be used by the Cooperative Program or furnished to its members without our approval.

E. **FRANCHISE SYSTEM WEBSITE.**

At our option, we may establish one or more Websites to advertise, market, and promote FASTSIGNS Centers, the merchandise that they offer and sell, and/or the FASTSIGNS franchise opportunity (each a "**System Website**"). If we establish a System Website, we will list the CENTER on it. We will own all intellectual property and other rights in the System Website, and all information it contains including, without limitation, the log of visitors, and any personal or business data that visitors supply.

We will maintain the System Website, including your listing on it, and may use the Ad Fund's assets to develop, maintain and update the System Website. You acknowledge that we shall control all information on the System Website.

We will maintain a listing of your CENTER on our System Website only while you are in full compliance with this Agreement and all System Standards we implement. If you are in default of any obligation under this Agreement or our System Standards, then we may, in addition to our other remedies, temporarily remove your listing from the System Website until you fully cure the default. We will permanently remove your listing from the System Website upon this Agreement's expiration or termination.

You can have Ecommerce websites that are created through our approved vendor(s) or internally, that may be accessed from your CENTER website. You cannot promote the Uniform Resource Locator ("URL") connected to these Ecommerce websites in Pay-Per-Click or other advertising.

All advertising, marketing, sales and promotional materials that you develop for the CENTER must contain notices of the System Website's domain name in the manner we designate. You may not develop, maintain or authorize any other Website that mentions or describes you or the CENTER or displays any of the Marks. You may not buy a domain name to direct web traffic to your fastsigns.com website or otherwise. Our System Web Policies are described in further detail in the Operations Manual.

F. <u>CENTER TELEPHONE NUMBER(S).</u>

Upon execution of this Agreement or at any time thereafter, you shall, at our option, execute such forms and documents as we deem necessary, including, but not limited to Attachment "J" to this Agreement for the sole purpose of assigning to us all rights to the telephone number(s) of the CENTER and any related and other business listings upon termination or expiration of this Agreement.

10. <u>RECORDS, REPORTS, AND FINANCIAL STATEMENTS.</u>

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. We may require you to use a Computer System to maintain certain sales data and other information. You agree to give us in the manner and format that we prescribe from time to time:

(a) on or before the fifth (5th) day of each month, a report on the CENTER's Gross Sales during the preceding month;

(b) within thirty (30) days after the end of each calendar month, a monthly and year-todate financial statement prepared based on a calendar year and using the accrual basis of accounting and our recommended chart of accounts;

(c) within sixty (60) days following the conclusion of your fiscal year, annual profit and loss statements, and a balance sheet for the Center using the accrual basis of accounting and our recommended chart of accounts;

(d) within sixty (60) days after filing, a copy of your federal tax return; and

(e) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to the CENTER and the Franchise.

You agree to prepare all financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") and to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. Moreover, we may, as often as we deem appropriate (including on a daily basis), access the Computer System and extract or send through the internet all information relating to the CENTER's operation.

You agree to preserve and maintain all records in a secure location at the CENTER for at least seven (7) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during this Agreement's term.

If you fail to provide any the above reports or financial statements when due, we may, in our discretion, charge a late fee of Fifty Dollars (\$50) per day for each day the report or financial statement is late. Any such late fee shall be due and payable when imposed.

11. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT THE CENTER.

To determine whether you and the CENTER are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect the CENTER; (2) photograph the CENTER and observe and videotape the CENTER's operation for consecutive or intermittent periods we deem necessary; (3) remove samples of any products and supplies; (4) interview the CENTER's personnel and customers; and (5) inspect and copy any books, records, data files and documents relating to the CENTER's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the CENTER's operation.

B. OUR RIGHT TO AUDIT.

We may at any time during your business hours, and without prior notice to you, examine your (if you are an Entity) and the CENTER's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of the CENTER's Gross Sales, you agree to pay us, within fifteen (15) days after receiving the examination report, the Service Fee and Ad Fund contributions due on the amount of the understatement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees and representatives. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

A. **<u>BY US.</u>**

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

B. **<u>BY YOU.</u>**

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted you the Franchise in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) the CENTER (or any right to receive all or a portion of the CENTER's profits or losses or capital appreciation related to the CENTER); (iii) substantially all of the assets of the CENTER; (iv) any ownership interest in you (regardless of its size); or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of the CENTER's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

(a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;

(b) merger or consolidation or issuance of additional securities or other forms of ownership interest;

(c) any sale of a security convertible to an ownership interest;

(d) transfer of an interest in you, this Agreement, the CENTER or substantially all of its assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(e) if you, one of your owners, or an owner of one of your owners dies, a transfer of an interest in you, this Agreement, the CENTER or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(f) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the CENTER, or your transfer, surrender, or loss of the CENTER's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the CENTER's assets (not including this Agreement) to a lender that finances your acquisition, development, and/or operation of the CENTER without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice.

C. <u>CONDITIONS FOR APPROVAL OF TRANSFER.</u>

If you (and your owners) are fully complying with this Agreement, then, subject to the other provisions of this Section 12. we will approve a transfer that meets all of the requirements in this Subsection.

If you are an entity, your owners may transfer a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) if: (1) the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and otherwise meet our then applicable standards for FASTSIGNS Center franchise owners (including no ownership interest in or performance of services for a Competitive Business); and (2) you give us prior written notice of the transfer.

For any other proposed transfer (including a transfer of this Agreement, a transfer of a controlling ownership interest in you or one of your owners, or a transfer which is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in you or one of your owners) all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) we have determined that the transferee has sufficient business experience, aptitude, and financial resources to operate the CENTER;

(2) you have paid all Service Fees, Ad Fund and Cooperative Program contributions, and other amounts owed to us, our affiliates, and third party vendors; have submitted all required reports and statements; and have not violated any provision of this Agreement, the Lease, or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee (or its managing owner) satisfactorily completes our training programs;

(5) your landlord allows you to transfer the Lease or sublease the Premises to the transferee;

(6) at our option, the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Service Fee and the Ad Fund and Cooperative Program contributions and a revised Territory; provided, however, that the term of the new franchise agreement will be Twenty (20) years;

(7) you or the transferee pays us a transfer fee in the amount of Fifteen Thousand dollars (\$15,000);

(8) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

(9) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the CENTER;

(10) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the CENTER are subordinate to the transferee's obligation to pay Service Fees, Ad Fund contributions, and other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement;

(11) you and your transferring owners (and you and your owners' spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities proscribed in Subsection 15.D. below; and

(12) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other FASTSIGNS Centers you own and operate) identify yourself or themselves or any business as a current or former FASTSIGNS Center or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a FASTSIGNS Center in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

(13) We pay a "Finder's Fee" to brokers when we award a new franchise to a broker network candidate. In a resale situation if a broker candidate is involved, it is your responsibility to pay this fee. This fee currently could be a flat fee of Seventeen Thousand Five Hundred Dollars (\$17,500) to Twenty Thousand Dollars (\$20,000) or ten percent (10%) of the purchase price. You may be asked to sign a non-exclusive listing agreement with the broker.

We may review all information regarding the CENTER that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the CENTER.

D. <u>TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED</u> <u>LIABILITY COMPANY.</u>

Despite Subsection C. above, if you are fully complying with this Agreement, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than the CENTER and, if applicable, other FASTSIGNS Centers, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the CENTER's assets are owned, and the CENTER's business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. Transfers of ownership interests in the corporation or limited liability company are subject to Subsection C above. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur.

E. **YOUR DEATH OR DISABILITY.**

(1) <u>**Transfer upon Death or Disability**</u>. Upon your or your Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Managing Owner's ownership interest in you, to a third party (which may be your or the Managing Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Subsection 12. A. failure to transfer your interest in this Agreement or the Managing Owner's ownership interest in you within this time period is a breach of this Agreement.

The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Managing Owner from supervising the CENTER's management and operation.

(2) **Operation upon Death or Disability**. Upon your or the Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint a General Manager (unless you or the Managing Owner had previously appointed a General Manager who remains responsible for the day to day operation of the CENTER). The General Manager must complete our standard training program at your expense. If fewer than six (6) months have passed since the opening of the CENTER, then a new Managing Owner acceptable to us also must be appointed as General Manager for the CENTER, and that new Managing Owner must complete our standard training program, within sixty (60) days after the date of death or disability.

If, in our judgment, the CENTER is not being managed properly any time after your or the Managing Owner's death or disability, we may, but need not, assume the CENTER's management (or appoint a third party to assume its management). All funds from the CENTER's operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. We may charge you (in addition to the Service Fee, Ad Fund contributions, and other amounts due under this Agreement) Five Hundred Dollars (\$500) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, if we (or a third party) assume the CENTER's management under this subparagraph. We (or a third party) have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the CENTER incurs, or to any of your creditors for any products, other assets, or services the CENTER purchases, while we (or a third party) manage it.

F. EFFECT OF CONSENT TO TRANSFER.

Our consent to a transfer of this Agreement and the CENTER, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the CENTER's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

G. OUR RIGHT OF FIRST REFUSAL.

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and the CENTER, or an ownership interest in you (except to or among your

current owners, which is not subject to this Subsection), in a transaction that otherwise would be covered by Subsections 12.B. and C. above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and the CENTER. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Subsections B. and C. above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within fifteen (15) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

(1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);

(2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(3) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and

(4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Subsections B. and C. above. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Subsections B. and C. above, you (or your owners) may not move forward with the transfer at all.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the fifteen (15) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

13. EXPIRATION OF THIS AGREEMENT.

A. YOUR RIGHT TO ACQUIRE A RENEWAL FRANCHISE.

If you meet certain conditions, then you will have the option to acquire one renewal franchise term. The renewal term will be twenty (20) years. The qualifications and conditions for the renewal term are described below.

When this Agreement expires:

(1) if you (and each of your owners) have substantially complied with this Agreement during its term; and

(2) if you (and each of your owners) are, both on the date you give us written notice of your election to acquire a renewal franchise (as provided in Subsection 13.B. below) and on the date on which the term of the renewal franchise would commence, in full compliance with this Agreement and all System Standards; and

(3) provided that (a) you maintain possession of and agree (regardless of cost) to remodel and/or expand the CENTER, add or replace improvements and Operating Assets, and otherwise modify the CENTER as we require to comply with System Standards then applicable for new FASTSIGNS Centers, or (b) at your option, you secure a substitute premises that we approve and you develop those premises according to System Standards then applicable for FASTSIGNS Centers,

then you have the option to acquire a renewal franchise term of twenty (20) years commencing immediately upon the expiration of this Agreement. You agree to sign the franchise agreement we then use to grant franchises for FASTSIGNS Centers (modified as necessary to reflect the fact that it is for a renewal franchise). The then-current form of Franchise Agreement may contain provisions that differ materially from any and all of those contained in this Agreement; provided that, in lieu of the initial franchise fee, you will pay a renewal fee in an amount equal to no more than ten percent (10%) of the initial franchise fee then being charged to new franchises under the Franchise System.

If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a renewal franchise and on the date on which the term of the renewal franchise commences, in full compliance with this Agreement and all System Standards, you acknowledge that we need not grant you a renewal franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Subsection 14.B.

B. **GRANT OF A RENEWAL FRANCHISE.**

You agree to give us written notice of your election to acquire a renewal franchise no more than three hundred sixty-five (365) days and no less than two hundred forty (240) days before this Agreement expires. We agree to give you written notice ("**Our Notice**") of our decision:

(1) to grant you a renewal franchise;

(2) to grant you a renewal franchise on the condition that you correct existing deficiencies of the CENTER or in your operation of the CENTER; or

(3) not to grant you a renewal franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term, or were not in full

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compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a renewal franchise.

If applicable, Our Notice will:

(a) describe the remodeling, expansion, improvements, and/or modifications required to bring the CENTER into compliance with then applicable System Standards for new FASTSIGNS Centers; and

(b) state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If we elect not to grant you a renewal franchise, our Notice will describe the reasons for our decision. If we elect to grant you a renewal franchise, your right to acquire a renewal franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If Our Notice states that you must cure certain deficiencies of the CENTER or its operation as a condition to our granting you a renewal franchise, we will give you written notice of our decision not to grant a renewal franchise, based upon your failure to cure those deficiencies, not less than ninety (90) days before this Agreement expires, provided, however, that we need not give you this ninety (90) days' notice if we decide not to grant you a renewal franchise due to your breach of this Agreement during the ninety (90) day period before it expires. If we fail to give you:

(a) notice of deficiencies in the CENTER, or in your operation of the CENTER, within ninety (90) days after we receive your timely election to acquire a renewal franchise (if we elect to grant you a renewal franchise under subparagraphs (2) and (b) above); or

(b) notice of our decision not to grant a renewal franchise at least ninety (90) days before this Agreement expires, if this notice is required,

we may extend this Agreement's term for the time period necessary to give you either reasonable time to correct deficiencies or the ninety (90) days' notice of our refusal to grant a renewal franchise. If you fail to notify us of your election to acquire a renewal franchise within the prescribed time period of ninety (90) days, we need not grant you a renewal franchise.

C. <u>AGREEMENTS/RELEASES.</u>

If you satisfy all of the other conditions for a renewal franchise, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for FASTSIGNS Centers (modified as necessary to reflect the fact that it is for a renewal franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, renewals, and assigns. We will consider your or your owners' failure to sign these agreements and releases and to deliver them to us for acceptance and execution within thirty (30) days after their delivery to you to be an election not to acquire a renewal franchise.

14. <u>TERMINATION OF AGREEMENT BY US.</u>

A. **<u>GROUNDS FOR TERMINATION.</u>**

We may terminate this Agreement, subject to state law, effective upon delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the CENTER;

(2) you do not locate, and sign a Lease or purchase document for, an acceptable site for the Premises within one hundred twenty (120) days after the Effective Date;

(3) you do not open the CENTER for business within three hundred sixty five (365) days after the Effective Date;

(4) you (or your Managing Owner) do not satisfactorily complete the initial training program;

(5) you abandon or fail actively to operate the CENTER for five (5) or more consecutive business days, unless you close the CENTER for a purpose we approve or because of casualty or government order;

(6) you (or your owners) make or attempt to make any transfer in violation of Section 12;

(7) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill in the Marks, or our interest in the Marks;

(8) you fail to maintain proof of the insurance we require and do not correct the failure within thirty (30) days after we deliver written notice of that failure to you;

(9) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects the CENTER's reputation or the goodwill associated with the Marks;

(10) you (or any of your owners) make any unauthorized use of the Marks and do not cure such default within thirty (30) days after we give you notice;

(11) you lose the right to occupy the Premises and fail (a) to begin immediately to look for a substitute site or (b) to locate a substitute site, obtain written approval from us, and begin operating the CENTER from that substitute site, within ninety (90) days;

(12) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(13) you violate any health or safety law, ordinance, or regulation, or operate the CENTER in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours, after you receive notice from us or any other party;

(14) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(15) you fail to pay when due any federal or state income, service, sales, or other taxes due on the CENTER's operation, unless you are in good faith contesting your liability for these taxes;

(16) you understate the CENTER's Gross Sales during this Agreement's term or by more than five percent (5%) for any period;

(17) you (or any of your owners) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(18) you receive three (3) or more material customer complaints within a twelve (12) month period that are reported to us and are not resolved to our complete satisfaction;

(19) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; the CENTER is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or the CENTER is not vacated within thirty (30) days following the order's entry;

(20) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(21) you (or any of your owners) fail to comply with (i) any other provision of this Agreement, (ii) or any System Standard, (iii) any obligation to any advertising cooperative; (iv) any obligation to any supplier; or (v) any provision of any other agreement with us or our affiliates, and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you;

(22) you sell any product or service we have not authorized for sale at the CENTER; or

(23) any other agreement between you (and/or your affiliates) and us (and/or our affiliates) is terminated for any reason.

B. ASSUMPTION OF MANAGEMENT.

We have the right (but not the obligation), under the circumstances described below, to enter the Premises and assume the CENTER's management (or to appoint a third party to assume its management) for any period of time we deem appropriate. If we (or a third party) assume the CENTER's management under subparagraphs (1) and (2) below, you agree to pay us (in addition to the Service Fee, Ad Fund contributions, and other amounts due under this Agreement) Five Hundred Dollars (\$500) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, for up to sixty (60) days after we assume management.

If we (or a third party) assume the CENTER's management, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the CENTER incurs, or to any of your creditors for any supplies, products, or other assets or services the CENTER purchases, while we (or the third party) manage it.

We (or a third party) may assume the CENTER's management under the following circumstances: (1) if you abandon or fail actively to operate the CENTER; (2) if you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or (3) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the CENTER under Subsection 15.E. below.

If we exercise our rights under subparagraphs (1) or (2) above, that will not affect our right to terminate this Agreement under Subsection 14.A. above.

15. <u>OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR</u> <u>EXPIRATION OF THIS AGREEMENT.</u>

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

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us, the Service Fees, Ad Fund contributions, interest, and all other amounts owed to us (and our affiliates) which then are unpaid. In the event you participated in a Cooperative Program, you agree to pay to the Cooperative Program any unpaid cooperative advertising fees.

B. MARKS.

When this Agreement expires or is terminated:

(1) you may not directly or indirectly at any time or in any manner (except with other FASTSIGNS Centers you own and operate) identify yourself or any business as a current or former FASTSIGNS Center or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a FASTSIGNS Center in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(3) you agree to deliver to us within thirty (30) days all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark or otherwise identifying or relating to a FASTSIGNS Center that we request and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from the CENTER;

(4) you agree to notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; to authorize the transfer of these numbers and directory listings to us or at our direction; and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and (5) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

C. <u>POINT-OF-SALE DATABASE</u>

You agree that, when this Agreement expires or is terminated, you will immediately transfer to us, via CD ROM or any other method designated by us, the data that comprises the point-of-sale database. This transfer shall take place as instructed by us. Once this transfer has occurred, and we have verified that you have accurately transferred the data from the point-of-sale to us, you will take immediate measures to erase the data that comprises the point-of-sale, and will destroy all hard copies of this information.

D. <u>CONFIDENTIAL INFORMATION.</u>

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the Franchise System) in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials that we have loaned you, such as records, files (including electronic files), graphic files, customer lists, point-of-sale databases, instructions, and correspondence.

E. <u>ALTERATIONS TO CENTER.</u>

If we do not exercise our option to purchase the CENTER under Subsection G. below, you agree, when this Agreement expires or is terminated, to make all modifications or alternations to the CENTER to de-identify the appearance of the CENTER, and make such specific additional changes as we may reasonably request for that purpose. In the event you fail or refuse to comply with the requirements of this Subsection 15.E., we have the right to enter upon the premises where the CENTER was operated, without being guilty of trespass or tort, for the purpose of making or causing changes to be made as may be required, at your expense, which expense you agree to pay upon demand.

F. <u>COVENANT NOT TO COMPETE.</u>

Upon termination (regardless of cause) or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Subsection begin to comply with this Subsection, whichever is later, neither you nor any of your owners will have any direct or indirect interest (e.g., through a spouse) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (as defined in Section 7 above) located or operating:

- (a) at the Premises;
- (b) within a ten (10) mile radius of the Premises;

(c) within ten (10) miles of any other FASTSIGNS Center in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Subsection begin to comply with this Subsection.

These restrictions also apply after transfers, as provided in Subsection 12.C.(12) above. If any person restricted by this Subsection refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You and

your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Subsection will not deprive you of your personal goodwill or ability to earn a living.

G. <u>OUR RIGHT TO PURCHASE CERTAIN ASSETS OF THE CENTER.</u>

Upon termination of this Agreement, or upon expiration of this Agreement without renewal, you will, at our option, assign to us or our designee your interest in any lease of the Premises and your interest in any lease for equipment used in the operation of the CENTER. Also, upon termination of this Agreement, or expiration of this Agreement without renewal, we shall have the right and option, but not the obligation, to purchase the inventory, equipment, fixtures, furnishings, and any and all items bearing the Marks at your cost or fair market value, whichever is less. In determining the fair market value of the assets, we and you will not include any value for goodwill, the Franchise rights granted by this Agreement, or expiration in the network of FASTSIGNS Centers. If we elect to exercise this option, we will deliver written notice to you of our election within thirty (30) days after the date of termination or expiration of this Agreement. We will have the right to inspect the Premises and assets at any time during this thirty day period. If we elect to purchase any of these assets, we will be entitled to, and you must provide, all customary warranties and representations relating to the asset purchase, including, without limitation, representations and warranties as to maintenance, function, condition and your good title (including that you own the assets free and clear of any liens and encumbrances).

H. <u>CONTINUING OBLIGATIONS.</u>

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. <u>RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.</u>

A. **INDEPENDENT CONTRACTORS.**

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

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the CENTER's operation or the business you conduct under this Agreement.

C. <u>TAXES.</u>

In addition to any sales, use, excise, privilege or other transaction taxes that we are required or permitted by law to collect from you for the sale, lease or other provision of goods or services under this Agreement, you shall pay to us an amount equal to all federal, state, local or foreign (i) sales, use, excise,

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privilege, occupation or any other transactional taxes, or (ii) any other taxes or similar exactions no matter how designated (excluding only taxes imposed on us for the privilege of conducting business and calculated with respect to our net income, capital, net worth, gross receipts, or some other basis or combination thereof, but not excluding any gross receipts taxes imposed on us for your payments intended to reimburse us for expenditures incurred for the benefit and on behalf of you), that are imposed on us or required to be withheld by you in connection with the receipt or accrual of Service Fees or any other amounts payable by you to us under this Agreement or any related agreement. Any additional required payment pursuant to the preceding sentence shall be made in an amount necessary to provide us with after tax receipts (taking into account any additional payments required hereunder), equal to the same amounts we would have received under the provisions of this Agreement if such additional tax liability or withholding had not been imposed or required.

D. **INDEMNIFICATION.**

You will defend, indemnify and hold harmless us and our affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "Indemnified Parties") from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the operation of the CENTER, your conduct of business under this Agreement or your breach of this Agreement. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice shall not release you from your indemnification obligations under this Section except to the extent you are actually and materially prejudiced by such failure. You shall have the right, upon written notice delivered to the Indemnified Party within fifteen (15) days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (i) the Indemnified Party shall have been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available you and, in the reasonable opinion of the Indemnified Party, your counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, or (ii) you do not assume responsibility for such Losses in a timely manner or you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party shall have the right to employ counsel of its own choosing and you shall pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, shall have the right to participate in such claim and to retain its own counsel at such party's own expense. You or the Indemnified Party (as the case may be) shall keep you or the Indemnified Party (as the case may be) reasonably apprised of, and shall respond to any reasonable requests concerning, the status of the defense of any claim and shall cooperate in good faith with each other with respect to the defense of any such claim. You shall not, without the prior written consent of the Indemnified Party, (a) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (b) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by you. No claim which is being defended in good faith by you in accordance with the terms of this Section shall be settled by the Indemnified Party without your prior written consent. Notwithstanding anything to the contrary herein, if a claim involves the Proprietary Marks, you agree that we shall have the exclusive right to assume the defense of such claim, at your expense with counsel selected by us, but reasonably satisfactory to you.

You have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions.

For purposes of this Section, "Losses" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

Your obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section.

17. <u>ENFORCEMENT.</u>

A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

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, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

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 renewal 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 other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision in its entirety. You agree 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.

B. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other FASTSIGNS Centers; the existence of franchise agreements for other FASTSIGNS Centers which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Service Fees or Ad Fund and Cooperative contributions due afterward.

C. COSTS AND ATTORNEYS' FEES.

If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, collection agency fees, attorneys', arbitrators', and related fees.

D. **<u>RIGHTS OF PARTIES ARE CUMULATIVE.</u>**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

E. **ARBITRATION.**

We and you agree that, except for controversies, disputes, or claims related to or based on improper use of the Marks or Confidential Information, all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between you and us;
- (2) our relationship with you;
- (3) the validity of this Agreement or any other agreement between you and us; 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 Subsection 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 within ten (10) miles of our principal place of business in Dallas County, Texas. The arbitrator shall have no authority to select a hearing or locale other than as described in the previous sentence. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

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 Subsection 17.H. below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Subsection 17.H. below, any right to or claim for any punitive or exemplary damages against the other).

We and you 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 this Agreement, whichever expires earlier. We and you 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 you or us.

We and you agree that arbitration will be conducted on an individual, not a class wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between us and any other person.

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

The provisions of this Subsection are intended to benefit and bind certain third party nonsignatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

F. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 <u>ET</u> <u>SEQ.</u>). 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 <u>ET</u> <u>SEQ.</u>), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY TEXAS LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SUBSECTION.

G. CONSENT TO JURISDICTION.

SUBJECT TO SUBSECTION 17.E. ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION IN DALLAS, TEXAS, AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR THE CENTER IS LOCATED.

H. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SUBSECTION 16.D., AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

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

I. **BINDING EFFECT.**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

J. LIMITATIONS OF CLAIMS.

Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or our relationship with you 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.

K. <u>CONSTRUCTION.</u>

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in

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Subsections 4.D., 8, and 17.I. above), constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or the CENTER (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent Disclosure Document (including exhibits and amendments) that we delivered to you or your representative.

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in Subsections 16.D. and 17.E., 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.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

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

If two (2) or more persons are at any time the owners of the Franchise and the CENTER, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and the CENTER or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or the CENTER and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a "controlling ownership interest" in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

"Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term "CENTER" includes all of the assets of the FASTSIGNS Center you operate under this Agreement, including its revenue and the Lease.

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

18. <u>NOTICES AND PAYMENTS.</u>

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

(a) at the time delivered by hand;

(b) at the time delivered via electronic mail and, in the case of the Service Fee, Ad Fund contributions, and other amounts due, at the time we actually receive payment via the EFTA;

(c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;

(d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or

(e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice to us must be sent to the address specified on the first page of this Agreement, although we may change this address for notice by giving you notice of the new address. Any notice that we send to you may be sent only to the one (1) person identified on **Exhibit "B"**, even if you have multiple owners, at the email or postal address specified on **Exhibit "B"**. You may change the person and/or address for notice only by giving us thirty (30) days' prior notice by any of the means specified in subparagraphs (a) through (e) above.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

19. <u>COMPLIANCE WITH ANTI-TERRORISM LAWS.</u>

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 14.B.(18) above.

20. <u>LIMITED LIABILITY.</u>

You agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours shall have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement, (ii) any claim against us

based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on any alleged unlawful act or omission by us.

21. <u>ACKNOWLEDGMENTS.</u>

You acknowledge:

(1) That you have independently investigated the FASTSIGNS Center franchise opportunity and recognize that, like any other business, the nature of the business a FASTSIGNS Center conducts may, and probably will, evolve and change over time.

(2) That an investment in a FASTSIGNS Center involves business risks that could result in the loss of a significant portion or all of your investment.

(3) That your business abilities and efforts are vital to your success.

(4) That attracting customers for your CENTER will require you to make consistent marketing efforts in your community through various methods, outside sales, including media advertising, sales and direct mail advertising, and display and use of in-store promotional materials.

(5) That retaining customers for your CENTER will require you to have a high level of customer service and adhere strictly to the Franchise System and our System Standards and that you are committed to maintaining System Standards.

(6) That you have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a FASTSIGNS Center, except as described in our Franchise Disclosure Document.

(7) That in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

(8) That you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise.

(9) That you have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each FASTSIGNS Center, and to protect and preserve the goodwill of the Marks.

(10) That we have the right to restrict your sources of other goods and services, as provided in various sections of this Agreement, including Subsection 8.C. below.

(11) That we have not made any representation, warranty, or other claim regarding this FASTSIGNS Center franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(12) That you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the FASTSIGNS Center franchise opportunity.

(13) That you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or waived your right to do so.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

FASTSIGNS INTERNATIONAL, INC., a Texas corporation

By:_____

Name: _____

Title:

DATED*:

(*Effective Date of this Agreement)

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By:

[signature of person signing on behalf of entity]

Title of Signator:

DATED:

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name:_____

DATED:

[signature of individual franchisee]

Print Name:_____

DATED:

EXHIBIT "A"

TO THE FRANCHISE AGREEMENT

THE PREMISES AND TERRITORY

1. The Premises of the CENTER will be located at:

2. The Territory shall be:

"Will be defined and delineated in black on a map attached hereto once the CENTER site is selected and a lease is signed."

EXHIBIT "B"

TO THE FRANCHISE AGREEMENT

Effective Date: This Exhibit B is current and complete as of ______, 20___

You and Your Owners

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

(b) <u>Corporation, Limited Liability Company, or Partnership</u>. (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:

Name of Each Director/Officer

Position(s) Held

2. <u>**Owners**</u>. 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 (1) 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)				
(u)				
	3.	Name and Address of Person to	o Recei	ve Notice for Franchise Owner.
(a)	Name			
(b)	Postal	Address:		
(c)	E-mai	Address:		
	4.			our Managing Owner as of the Effective Date is you (if you are an individual
) or one of your owners (if you ar ior written approval (see Subsectio	e an en	ity). You may not change the Managing Owner
	The gr	aphic designer is		
	The vi	sual communications specialist is		·

The General Manager (if different than the Managing Owner) is ______.

[Signatures on following page.]

FASTSIGNS INTERNATIONAL, INC., a Texas corporation

By:_____

Name:

Title:

DATED*:

(*Effective Date of this Agreement)

FRANCHISE OWNER:

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By:_______[signature of person signing on behalf of entity]

Title of Signator:

DATED:_____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name:_____

DATED:

[signature of individual franchisee]

Print Name:_____

DATED:_____

EXHIBIT "C"

TO THE FRANCHISE AGREEMENT

REQUIRED LEASE TERMS

REQUIRED LEASE TERMS

This Addendum to Lease ("Addendum") is attached hereto and made part hereof of the Lease (the "Lease") dated ______ by and between ______ (as "Landlord") and ______ (as "Tenant") for the premises as more fully described in the Lease (the "Premises"). In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

1. Use of Premises.

During the term of Tenant's franchise agreement ("Franchise Agreement") or the term of the Lease, whichever is the last to expire, the Premises may be used only for the operation of a sign business under the FASTSIGNS mark or other mark approved by FASTSIGNS International, Inc. ("Franchisor"). The FASTSIGNS business shall specialize in the selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services. Tenant shall be permitted to use all equipment and machines typical of other FASTSIGNS centers. If any equipment or machines require ventilation systems, Tenant shall be permitted to install such systems, with Landlord's approval, not to be unreasonably withheld, conditioned or delayed, Landlord acknowledges that the foregoing use does not violate any zoning restrictions, restrictive covenants or existing exclusive uses granted to any other tenant or occupant of the shopping center.

2. Exclusive Use.

During the term of this lease or any renewal or extension, so long as Tenant is not in default under its terms after expiration of applicable notice and cure periods, Landlord, its successors and assigns, hereby agree that they will not lease to any individual or entity, or allow the use of any premises within the shopping center or on property adjacent to the shopping center which is owned, controlled by or under common control with Landlord, its successors or assigns, for the purpose of selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complimentary products and services.

3. Signs and Graphics.

Subject to applicable zoning laws and regulations, and any applicable restrictive covenants which Landlord has provided to Tenant prior to execution of this Lease:

A. Tenant shall be permitted to install on the outside of the Premises a red, white and blue FASTSIGNS fascia sign or awning.

B. Tenant shall be permitted from time to time to place a banner in the front, side or fascia of the Premises.

C. Tenant shall be permitted to install the typical FASTSIGNS graphics package which includes 4 color window graphics on the storefront glass of the Premises.

D. Should a pylon and/or monument sign exist or be erected for the Premises, Tenant shall have the right to utilize the pylon and/or monument at no additional charge.

4. Operating Covenant

Provided Tenant continues pay minimum rent and all other charges due under the Lease, Tenant shall have the right during the term of the Lease and any option periods to cease the operation of its FASTSIGNS business. In addition, in no event shall Tenant be required to maintain any specified shopping center hours.

5. Quiet Enjoyment

Landlord warrants and represents that Landlord is the owner of the leased Premises, has full authority and right to lease the Premises and enter into this Lease. Landlord will defend Tenant's right to quiet enjoyment of the leased Premises from the claims of all persons during the lease term. Notwithstanding any federal, state or local law to the contrary, in the event any mortgage holder or other party acquires the right and title to Landlord's interest in the shopping center whether through purchase, foreclosure or deed in lieu of, it is expressly agreed and understood that the Lease and Tenant's rights hereunder shall by protected and the acquiring party shall be bound by all terms and covenants of Landlord under this Lease as though the acquiring party had actually entered into the Lease with Tenant.

6. Assignment and Sublet.

Landlord and Tenant recognize FASTSIGNS International, Inc. ("Franchisor") and Tenant have entered into a Franchise Agreement to open a FASTSIGNS in the Premises. Upon Tenant's default or termination of the Franchise Agreement and/or Tenant's default under the Lease, Franchisor shall be permitted to assume this Lease from Tenant with all of the rights and obligations of Tenant provided Franchisor gives Landlord written notice of Franchisor's intent to assume the Lease and cures any of Tenant's defaults within fifteen days of the expiration of Tenant's time period for curing such defaults under the Lease. Franchisor may assign or sublease the Premises to any franchisee that meets Franchisor's standard qualifications. Upon Franchisor assigning the Lease to such a franchisee, Franchisor shall be released as Tenant on the following conditions: (i) the use of the Premises remains the same; and (ii) such franchisee has a tangible net worth of at least three hundred thousand dollars (\$300,000). If Franchisor is the Tenant under this Lease, Tenant may transfer all or part of its interest in this Lease or all or part of the Premises without Landlord's consent to: (i) any entity controlling, under common control with or controlled by Tenant; (ii) any entity in which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation: or (iii) any entity succeeding to all or substantially all of Tenant's assets. Further, if Franchisor is the Tenant under this Lease, the direct or indirect change of control of Franchisor shall not constitute an assignment of this Lease.

7. Franchisor's Rights

Franchisor shall have the right to enter the Premises to make any reasonable modification or reasonable alteration necessary to protect Franchisor's interest in the FASTSIGNS business and proprietary marks or to cure any default under the Franchise Agreement or any development agreement entered into by Franchisor and Tenant or under the Lease, and Landlord agrees that Franchisor shall not be liable for trespass or any other crime or tort.

8. Lease Renewal, Amendments and other Assignments.

Landlord agrees that Tenant shall not otherwise amend, assign, renew or extend the term of the Lease without prior written consent of Franchisor.

9. Waiver of Landlord Lien.

Notwithstanding anything to the contrary in this Lease, Landlord expressly waives any and all liens it may have or acquire pursuant to the Lease or by law with respect to Tenant's fixtures, equipment and other personal property. Landlord acknowledges and agrees that <u>Tenant's or Franchisor's lender (the "Equipment Lender"</u>) may own/hold a security interest senior to that of Landlord in all such fixtures, equipment and personal property.

Landlord shall permit <u>Equipment Lender</u> to enter the Premises to remove such fixtures, equipment and personal property in the event Tenant defaults under the Lease, vacates, abandons or otherwise surrenders the Premises, or upon mutual cancellation of the Lease, or otherwise jeopardizes <u>Equipment Lender's</u> security interest in the fixtures, equipment and personal property.

10. Financing.

This Lease shall be expressly conditioned upon Tenant securing adequate financing. Tenant shall give Landlord notice upon obtaining such financing.

11. Parking and Common Areas.

Subject to local code restrictions, Landlord shall make two (2) parking spaces in front of the Premises reserved for Tenant's exclusive use for the term of the Lease. Tenant shall have the non-exclusive right to utilize all remaining parking spaces and common areas serving the Premises.

12. Environmental

Landlord agrees to remove all hazardous materials from the Premises prior to the date on which it delivers possession of the Premises to Tenant (the "Possession Date"). Tenant shall_indemnify Landlord for any and all loss, costs, claims or damages (including attorney's fees) as a result of hazardous materials brought to the shopping center or the Premises by Tenant or its agents, employees or contractors, and Landlord shall indemnify Tenant for all any and all loss, costs, claims or damages (including attorney's fees) as a result hazardous materials at the Premises or the shopping center prior to the Possession Date or brought to the shopping center or the Premises by anyone other than Tenant, its agents, employees or contractors. Landlord shall provide to Tenant prior to the Possession Date copies of any and all environmental assessments, tests, evaluations or studies conducted on the shopping center or the Premises. If any such reports indicate that there is contamination or if Landlord fails to deliver such reports, Tenant may terminate the Lease.

13. Affiliates.

Landlord agrees that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of Franchisor will have any liability for: (i) any of Franchisor's obligations or liabilities relating to or arising from this Lease; (ii) any claim against Franchisor based on, in respect of, or by reason of, the relationship between Landlord and Franchisor; or (iii) any claim against Franchisor based on any alleged unlawful act or omission.

14. Notices.

Landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises, at the same time that such letters and notices are sent to Tenant. Landlord further agrees that, if it intends to terminate the Lease, the Landlord will give Franchisor thirty (30) days advance written notice of such intent, specifying in such notice all defaults that are the cause of the proposed termination. Franchisor shall have after the expiration of the period during which Tenant may cure such default, an additional fifteen (15) days (or if there is no cure period, at least fifteen (15) days) to cure, at its sole option, any such default. If neither Tenant nor Franchisor cures all such defaults

within said time periods (or such longer cure period as may be specifically permitted by the Lease), then the Landlord may terminate the Lease, reenter the Premises and exercise all of its other post termination rights as set forth in the Lease.

All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first class postage prepaid, electronic mail (provided that the sender receives confirmation that the e-mail has been delivered), facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after 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.

If directed to Tenant, the notice shall be addressed to:

Attention:

If directed to Landlord, the notice shall be addressed to:

Attention:_____ Facsimile:_____

If directed to FII, the notice shall be addressed to: FASTSIGNS International, Inc. 2542 Highlander Way Carrollton, Texas 75006-2333 Attention: Legal Department Facsimile: (214) 346-5793

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by electronic mail, telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day.

The terms of this Addendum will supersede any conflicting terms of the Lease.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the day and year set forth in the Lease.

WITNESS	LANDLORD
WITNESS	TENANT

<u>EXHIBIT "D"</u> <u>TO THE FRANCHISE AGREEMENT</u> AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

FASTSIGNS INTERNATIONAL, INC./NATIONAL ADVERTISING COUNCIL, INC./PAYEE

BANK NAME

ACCOUNT #

ABA

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "**debits**") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by Depositor. It is further agreed that if any such debt is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository:

Name of Depositor:

Designated Bank Acct.:
(Please attach <u>one voided check</u> for the above account)
Center Location:
Center #:
For information call:
Address:
Phone #:
Fax #:
Name of Franchisee/Depositor (please print)
By:
Signature and Title of Authorized Representative
Date:

FAREV4.14

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EXHIBIT "E" TO FRANCHISE AGREEMENT AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT RENEWAL BY FRANCHISEE

THE FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT between ("you" or "your") and FASTSIGNS International, Inc., a Texas corporation ("we, us, or our") dated ______ day of ______ (the "Renewal Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

I. Certain provisions contained in the Renewal Franchise Agreement are amended to be consistent with your renewal of an existing Center.

II. INCORPORATION OF TERMS OF AGREEMENT

This Amendment shall amend and supplement the Renewal Franchise Agreement simultaneously executed by the parties herein. The terms, covenants, and conditions of this Amendment are incorporated into the Renewal Franchise Agreement, and with respect to any conflict between the two agreements, the terms of this Amendment shall be controlling with respect to the subject matter thereof.

III. AMENDMENTS TO THE RENEWAL FRANCHISE AGREEMENT

The Renewal Franchise Agreement shall be amended as follows:

1. Preambles, Acknowledgments, and Grant of Franchise

The first sentence of Subsection 1.C. of the Renewal Franchise Agreement shall be deleted in its entirety.

The following shall be deleted from the first sentence of Subsection 1.D. of the Renewal Franchise Agreement:

After you select an approved location and we designate it as the Premise,"

2. Site Selection, Lease of Premises, and Development and Opening of Center

Any provisions set forth in Subsections 2. A., B., C. and F. of the Renewal Franchise Agreement that pertain to the opening of a new Center shall be deleted in their entirety.

3. Fees

Subsection 3.A. of the Renewal Franchise Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

Upon execution of this Agreement, you agree to pay to us a renewal fee of Dollars (\$_____) which shall be deemed fully earned and nonrefundable upon execution of this Agreement in consideration of the administrative and other expenses incurred by us in renewing the franchise hereunder.

Subsection 3.B. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

You agree to pay us, in the manner provided below (or as the Operations Manual otherwise prescribes), a monthly Continuing Service and Royalty Fee (the "Service Fee") equal to six percent (6%) of the CENTER's Gross Sales (defined in Subsection D. below) by the fifteenth (15^{th}) day of the month. On or before the fifth (5^{th}) day of the month, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the CENTER's Gross Sales for the preceding calendar month. The method of payment is described in Subsection 3.G. below. In addition, you agree to pay us the Ad Fund contribution as described in Subsection 9.B.

The phrase "Before the CENTER opens, you agree to sign and deliver" shall be deleted from the first sentence of Subsection 3.G. of the Renewal Franchise Agreement and replaced with "You previously signed and delivered".

4. Initial Training

Subsection 4.A. of the Renewal Franchise Agreement shall be deleted in its entirety.

5. System Standards

Subsection 8.A. of the Renewal Franchise Agreement shall be supplemented by the addition of the following paragraph as if it were an original part of the Renewal Franchise Agreement:

(5) Upon execution of the Agreement, you agree to renovate and modernize the facilities and equipment used in the Center to our then-current standards for FASTSIGNS centers under the System no later than six (6) months after execution of this Agreement.

6. Initial Marketing

Subsection 9.A. of the Renewal Franchise Agreement shall be deleted in its entirety.

The first two (2) paragraphs of Subsection 9.B. shall deleted in their entirety and the following shall be substituted in lieu thereof:

Recognizing the value of advertising and marketing to the goodwill and public image of FASTSIGNS Centers, we have established an advertising fund for the advertising, marketing, and public relations programs and materials we deem appropriate (the "Ad Fund"). You agree to contribute to the Ad Fund two percent (2%) of the CENTER's Gross Sales, payable in the same manner as the Service Fee. The Ad Fund is currently administered by the National Advertising Council, Inc.

7. Termination of Agreement by Us

Subsection 14.A.(2) - (4) of the Renewal Franchise Agreement shall be deleted in its entirety.

8. Acknowledgments

Section 21. of the Renewal Franchise Agreement shall be supplemented by the addition of the following paragraph as if it were an original part of the Renewal Franchise Agreement:

(14) Unless otherwise agreed in writing by us, all amounts owed to us or our affiliates in accordance with the franchise agreement dated ______ between you and us and all other agreements and documents incorporated in that franchise agreement for the Center will be transferred to the amounts owed as reflected in this Renewal Franchise Agreement.

IN WITNESS WHEREOF, you acknowledge that you have read and understand the contents of this Amendment, that you have had an opportunity to obtain the advice of counsel, and that you intend to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Renewal Franchise Agreement on

FASTSIGNS INTERNATIONAL, INC. a Texas corporation

By:	
Name:	
Title:	
Dated:	
[Effective Date of Amendment]	
FRANCHISEE:	
[Name of Entity}	
By:	
Name of person signing on behalf of entit	y]
Name:	-
Title:	
Dated:	

[IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY]

P	x 7	•	
\mathbf{D}	y	•	_

[signature of individual franchisee]	
Name:	
Dated:	

EXHIBIT "F" TO FRANCHISE AGREEMENT AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT TRANSFER OF INTEREST

THE FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT between ("you" or "your") and FASTSIGNS International, Inc., a Texas corporation ("we, us, or our") dated _____ day of _____, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

I. Certain provisions contained in the Agreement are amended to be consistent with your purchase of an existing Center.

II. INCORPORATION OF TERMS OF AGREEMENT

This Amendment shall amend and supplement the Agreement simultaneously executed by the parties herein. The terms, covenants, and conditions of this Amendment are incorporated into the Agreement, and with respect to any conflict between the two agreements, the terms of this Amendment shall be controlling with respect to the subject matter thereof.

III. AMENDMENTS TO THE AGREEMENT

The Agreement shall be amended as follows:

1. Site Selection, Lease of Premises, and Development and Opening of Center

Subsections 2.A., B., C. and F. of the Agreement shall be deleted in their entirety.

2. Fees

Subsection 3.A. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

Transferor or Transferee agree to pay us a transfer fee of Fifteen Thousand Dollars (\$15,000) which shall be deemed fully earned and nonrefundable upon execution of this Agreement in consideration of the costs and expenses associated with reviewing the transfer and training cost for the Transferee.

Subsection 3.B. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

You agree to pay us, in the manner provided below (or as the Operations Manual otherwise prescribes), a monthly Continuing Service and Royalty Fee (the "Service Fee") equal to six percent (6%) of the CENTER's Gross Sales (defined in Subsection D. below) by the fifteenth (15^{th}) day of the month. On or before the fifth (5^{th}) day of the month, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the CENTER's Gross Sales for the preceding calendar month. The method of payment is described in Subsection 3.G. below. In addition, you agree to pay us the Ad Fund contribution as described in Subsection 9.B.

3. Training and Assistance

The phrase "When the CENTER is ready to open for business," in the last paragraph of Subsection 4.A. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

"Upon your possession of the Center,"

4. Marketing

Subsection 9.A. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

A. You agree to pay Eight Thousand Five Hundred Dollars (\$8,500) upon execution of the Agreement payable to the National Advertising Council, Inc. This will be administered by the marketing department on behalf of the National Advertising Council, Inc. The marketing department will use this to develop and implement an initial marketing plan for you that may include marketing programs (including a grand opening mail campaign), public relations efforts, local web search and Internet marketing, awareness building and lead generation tools, telemarketing campaigns, and initial sales and marketing materials. You agree to comply with our guidelines for this initial marketing plan. We recommend that you invest additional amounts to local marketing during your first year of operating the CENTER.

The first two (2) paragraphs of Subsection 9.B. shall deleted in their entirety and the following shall be substituted in lieu thereof:

Recognizing the value of advertising and marketing to the goodwill and public image of FASTSIGNS Centers, we have established an advertising fund for the advertising, marketing, and public relations programs and materials we deem appropriate (the "Ad Fund"). You agree to contribute to the Ad Fund two percent (2%) of the CENTER's Gross Sales, payable in the same manner as the Service Fee. The Ad Fund is currently administered by the National Advertising Council, Inc.

5. Construction

The first line in Section 17. of the Franchise Agreement shall have the phrase "and Agreement and Consent" inserted after the word "Agreement".

IN WITNESS WHEREOF, the you acknowledge that you have read and understand the contents of this Amendment, that you have had an opportunity to obtain the advice of counsel, and that you intend to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____.

FASTSIGNS INTERNATIONAL, INC. a Texas corporation

By:
Name:
Title:
Dated:
[Effective Date of Amendment]
FRANCHISEE:
[Name of Entity]
By:
[Name of person signing on behalf of entity]
Name:
Title:
Dated:
[IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY] By:
[signature of individual franchisee]
Name:
Dated:

EXHIBIT "G" TO FRANCHISE AGREEMENT AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT CONVERSION FRANCHISE

THE FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT between ("you" or "your") and FASTSIGNS International, Inc., a Texas corporation ("we, us, or our") dated the _____ day of ______, 20__, (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

WHEREAS, you operate an existing sign business (the "Conversion Franchise"); and

WHEREAS, you desire to establish a franchise relationship with us; and

WHEREAS, you desire to obtain the right to convert its existing sign business to a FASTSIGNS Center and to operate the Center pursuant to the System in accordance with the terms and conditions of the Agreement as amended herein; and

WHEREAS, the parties acknowledge that, unless otherwise defined in this Amendment, all capitalized defined terms used in this Amendment shall have the same meaning as that attributed to such terms in the Agreement;

NOW, THEREFORE, in consideration of the undertakings and commitments of each party to the other party set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

I. INCORPORATION OF TERMS OF AGREEMENT

This Amendment shall amend and supplement the Agreement simultaneously executed by the parties herein. The terms, covenants, and conditions of this Amendment are incorporated into the Agreement, and with respect to any conflict between the two agreements, the terms of this Amendment shall be controlling with respect to the subject matter thereof.

II. AMENDMENTS TO THE AGREEMENT

The Agreement shall be amended as follows:

1. Territorial Rights

Subsection 1.D. of the Agreement shall be amended as follows:

The minimum business count for the Territory of a Conversion Franchise may encompass an area that is less than the minimum business count of four thousand (4,000) required for a new Center. This will be determined in our sole discretion. We will designate and describe your Territory in Exhibit "A". We may redetermine the size of your Territory if there is an increase of at least fifty percent (50%) in the Business Count in your Territory and locate another FASTSIGNS Center in your former Territory.

2. Site Selection

Subsection 2.A. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

You agree to bear the cost and expense for making all alterations, modifications and improvements as we may deem necessary to convert your existing Conversion Franchise to a FASTSIGNS Center. You acknowledge and agree that approving you to operate a FASTSIGNS Center at the Conversion Franchise premises does not constitute a representation, promise, warranty, or guarantee by us that a Center operated at that site will be profitable or otherwise successful.

3. Lease of Premises

The first two (2) paragraphs of Subsection 2.B. of the Agreement shall be deleted in their entirety.

4. Center Development

Subsection 2.C. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

Within forty-five (45) days of your execution of this Agreement and the Amendment, you agree to make all alterations, modifications and improvements to the Conversion Franchise premises as reasonably requested by us, which shall include, but not be limited to, replacing any and all signage, menu boards and window striping with signage, menu boards and window striping meeting the current standards of the FASTSIGNS System; replacing all stationery, forms, invoices, business cards and all other written materials used in the sign business with materials meeting our standards for such items; obtaining and replacing such computer hardware, software and other equipment (at your option), meeting our specifications and standards necessary to operate the Conversion Franchise under the System; and to cancel and/or replace all advertising, including Yellow Page advertising, under the _______ name and substitute advertising approved by us using the Proprietary Marks.

We will contribute up to a maximum of Seven Thousand Five Hundred Dollars (\$7,500) if your Conversion Franchise had a gross sales level of Three Hundred Fifty Thousand Dollars (\$350,000) to Four Hundred Ninety Nine Thousand Nine Hundred Ninety Nine Dollars (\$499,999) and Fifteen Thousand Dollars (\$15,000) if your Conversion Franchise had a gross sales level of Five Hundred Thousand Dollars (\$500,000) or higher for the most recent twelve (12) month period prior to signing the Agreement ("Contribution") towards "allowable costs" that you incur converting to a FASTSIGNS Center. Allowable costs are defined as costs for output equipment, décor enhancements, furniture, signage, point-of-sale system software, construction and business forms. The initial Franchise Fee and working capital are not included in the allowable costs. The Contribution will not apply if you finance your Franchise Fee through our direct financing program for Conversion Franchises.

In order to be eligible for the Contribution you need to: (1) submit a valid receipt or purchase order to us; (2) you need to be in compliance of your Agreement and all required marketing programs; (3) you must submit a copy of your Conversion Franchise's profit and loss statement and balance sheet for the most recent twelve (12) month period prior to signing the Agreement; and (4) purchases are made from our recommended suppliers or suppliers of your choice. Once you commence operation as a FASTSIGNS Center, there will be no additional reimbursements of allowable costs.

You shall be responsible for obtaining and maintaining all zoning classifications and clearances which may be required by state, provincial, or local laws, ordinances, or regulations or which may be necessary or advisable as a result of any restrictive covenants relating to the Conversion Franchise's premises. You agree to obtain and maintain all permits, licenses and certifications required for the lawful operation of the Conversion Franchise. You will certify in writing to us that the insurance coverage specified in Subsection 8.G. of this Agreement is in full force and effect and that all required approvals, clearances, permits, and certifications related thereto have been obtained within thirty (30) days of your execution of this Agreement and the Amendment. Upon request, you agree to promptly provide to us additional copies of your insurance policies or certificates of insurance and copies of all of the foregoing approvals, clearances, permits, licenses and certifications.

5. Operating Assets

Subsection 2.D. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

With respect to the existing inventory, products, supplies and other materials currently in use at the Conversion Franchise, we will inspect such items and advise you within thirty (30) days of the execution of this Agreement and the Amendment whether such items meet our standards and specifications. Within forty-five (45) days after execution of this Agreement and the Amendment, you agree to cease rendering services and remove all products, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies and other materials that do not conform with the standards and specifications prescribed by us for use under the System, unless such services or other items are otherwise approved in writing by us.

6. Computer System

Subsection 2.E. of the Agreement shall be supplemented by the addition of the following as the last paragraph of the Section as if it were an original part of the Agreement:

With respect to a Conversion Franchise, we will inspect the existing Computer System currently used at the Conversion Franchise, and advise you within thirty (30) days of the execution of this Agreement and the Amendment whether such items meet our standards and specifications. If the computer system does not meet our standards and specifications, you agree to obtain and use the Computer System we specify within forty-five (45) days of your execution of this Agreement and Amendment.

7. Center Opening

Subsection 2.F. of the Agreement shall be supplemented by the addition of the following as the last paragraph of the Section as if it were an original part of the Agreement:

With respect to a Conversion Franchise, you acknowledge that time is of the essence. Subject to your compliance with the pre-opening obligations described in Section 4. you agree to complete conversion and commence operating the business under the FASTSIGNS System within ninety (90) days following the date of execution of this Agreement and the Amendment unless you obtain an extension of such time period from us. We will inspect the Conversion Franchise prior to opening to determine whether you have complied with our specifications and standards for conversion to a FASTSIGNS Center. We have the right to prohibit you from commencing operation of the Conversion Franchise in the event you fail to comply with such pre-opening obligations.

8. Continuing Service and Royalty Fee

Subsection 3.B. of the Agreement shall be shall be deleted in its entirety and the following shall be substituted in lieu thereof:

(a) In the event your existing sign business had an annual gross sales level in excess of Two Hundred Fifty Thousand Dollars (\$250,000) for the previous twelve (12) months prior to signing the Agreement, you agree to pay us, in the manner provided below (or as the Operations Manual otherwise prescribes), the monthly Continuing Service and Royalty Fee (the "Service Fee").

(b) Effective the first of the month following ninety (90) days after the Effective Date of this Agreement or the first of the month following commencement of operation as a Conversion Franchise; whichever occurs first, through the end of sixth (6^{th}) month of operation, you shall pay to us a Service Fee equal to two percent (2%) of the CENTER'S Gross Sales (defined in Subsection D. below); from the seventh (7th) month through the twelfth (12th) month of operation of the CeNTER'S Gross Sales (defined in Subsection D. below); and beginning the thirteenth (13th) month of operation of the Center's Gross Sales (defined in Subsection D. below); and beginning the thirteenth (13th) month of operation of the Center's Gross Sales (defined in Subsection D. below); subsection D. below); and beginning the thirteenth (13th) month of operation of the Center's Gross Sales (defined in Subsection D. below); and beginning the thirteenth (13th) month of operation of the Center's Gross Sales (defined in Subsection D. below); subsection D. below); subsection D. below); subsection D. below); subsection franchise through the end of the term of the Agreement, you shall pay to us a Service Fee equal to six percent (6%) of the CENTER'S Gross Sales (defined in Subsection D. below). Service Fee payments are due by the fifteenth (15th) day of the following month.

(c) In the event you have not commenced operation as a Conversion Franchise within ninety (90) days following the date of execution of this Agreement, effective on the first of the month after the ninety (90) days referenced in Subsection 8.(b) above and until commencement of operation of the Conversion Franchise, you will begin paying a minimum monthly service fee of Two Thousand Five Hundred Dollars (\$2,500) or the specified service and royalty fee on reported sales from ______.

(d) The Sliding Scale Royalty Rebate described in Subsection 3.C. of the Agreement does not apply until the first full calendar year that you are required to pay a Service Fee equal to six percent (6%) of the CENTER's Gross Sales.

(e) You agree to provide us with your year-end financial statements and other information for the previous twelve (12) month period prior to signing the Agreement for your existing sign business to verify your gross sales level in order to qualify for the above Service Fee schedule.

(f) In the event your existing sign business had an annual gross sales level of less than Two Hundred Fifty Thousand Dollars (\$250,000) for the twelve (12) months prior to signing the Agreement, you agree to pay us a Service Fee equal to six percent (6%) of the CENTER'S Gross Sales (defined in Subsection D. below) by the fifteenth (15th) day of the month.

(g) On or before the fifth (5^{th}) day of the month, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the Conversion Franchise's Gross Sales for the preceding calendar month. The method of payment is described in Subsection 3.G. below. In addition, you agree to pay to us the Ad Fund contribution as described in Subsection 9.B.

9. Marketing

Subsection 9.A. of the Agreement shall be deleted in its entirety and following shall be substituted in lieu thereof:

A. **INITIAL MARKETING**

Prior to registration of initial training, you must pay Eight Thousand Five Hundred Dollars (\$8,500) to the National Advertising Council, Inc. The Eight Thousand Five Hundred Dollars (\$8,500) will be invested in an initial marketing plan implemented during the first several months your Conversion Franchise is operating as a FASTSIGNS Center. The initial marking plan may include direct marketing programs (including a grand opening mail campaign), public relations efforts, local web search and Internet marketing materials. You agree to comply with our guidelines for this initial marketing plan. We recommend that you invest additional amounts to local marketing during the first year of the Conversion Franchise's operation.

The following sentence shall be added to the end of the first paragraph in Subsection 3 B. of the Agreement:

The Sliding Scale Royalty Rebate described in Subsection 3.C. of the Agreement does not apply until the first full calendar year that you are required to pay an Ad Fund contribution equal to two percent (2%) of the CENTER's Gross Sales.

10. Records, Reports, and Financial Statements

The Agreement shall be supplemented by the addition of the following paragraph to the end of Section 10. as if it was an original part of the Agreement.

If we determine that the form and manner which you maintain the books and records of the Conversion Franchise are not consistent with those prescribed by us under the System, you agree to prepare all books and records in the form and manner prescribed by us upon commencing operations as a FASTSIGNS Center.

11. Termination of Agreement

Subsection 14.A. (2) and (3) of the Agreement shall be deleted in its entirety (and section numbers renumbered) and the following shall be substituted in lieu thereof:

(2) If you fail to convert your Conversion Franchise to a FASTSIGNS Center in accordance with the terms of the Amendment within ninety (90) days of the date of execution of this Agreement and the Amendment;

Subsection 14.A. of the Agreement shall be supplemented by the addition of the following subsection (23) as if it were an original part of the Agreement:

(23) If you fail to comply with any of the terms and conditions of the Amendment.

12. Acknowledgments

Section 21. of the Agreement shall be supplemented by the addition of the following subsections (14), (15), and (16) as if they were an original part of the Agreement:

- (14) Except for you, no other person, firm, corporation, or other entity has any right, title, interest in or to you; that your business has not been mortgaged, pledged or assigned; and there are not judgments, liens, executions or proceedings pending which may alter, decrease or remove your interest in such business;
- (15) You acknowledge that the information submitted and representations made to us as an inducement for us to enter into this Agreement and the Amendment are complete, true and correct;
- (16) You acknowledge that by virtue of the terms and conditions of this Agreement and the Amendment the manner and operation of its business must be in strict compliance with the System.

IN WITNESS WHEREOF, You acknowledge that you have read and understand the contents of this Amendment, that you have had an opportunity to obtain the advice of counsel, and that you intend to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ______, 20____.

FASTSIGNS INTERNATIONAL, INC. a Texas corporation

By:	
Name:	
Title:	
Dated:	
Effective Date of Amendment]	
-	

[Name of Entity]	
By:	
[Name of person signing on behalf of entity]	
Name:	
Title:	
Dated:	

[IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY]

By:____

[signature of individual franchisee]	
Name:	
Dated:	

EXHIBIT "H" TO FRANCHISE AGREEMENT AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT CO-BRAND FRANCHISE

THIS AMENDMENT IS ADJUSTED BASED ON THE TYPE OF CORE BUSINESS THAT IS CO-BRANDED WITH THE CO-BRAND CENTER

THE FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT between ("you" or "your") and FASTSIGNS International, Inc., a Texas corporation ("we, us, or our") dated the _____ day of ______, 20__, (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

WHEREAS, you operate a _____ business under the name of ______');

WHEREAS, you desire to establish a franchise relationship with us;

WHEREAS, you desire to obtain the right to co-brand with us and open a FASTSIGNS Center in ______ and to operate the Center pursuant to the System in accordance with the terms and conditions of the Agreement as amended herein ("Co-Brand CENTER");

WHEREAS, the parties acknowledge that, unless otherwise defined in this Amendment, all capitalized defined terms used in this Amendment shall have the same meaning as that attributed to such terms in the Agreement;

NOW, THEREFORE, in consideration of the undertakings and commitments of each party to the other party set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

I. INCORPORATION OF TERMS OF AGREEMENT

This Amendment shall amend and supplement the Agreement simultaneously executed by the parties herein. The terms, covenants, and conditions of this Amendment are incorporated into the Agreement, and with respect to any conflict between the two agreements, the terms of this Amendment shall be controlling with respect to the subject matter thereof.

II. AMENDMENTS TO THE AGREEMENT

The Agreement shall be amended as follows:

1. Preamble

"(including small format, large format and grand format)" in the seventh line of Subsection A.(1) of the Agreement shall be deleted and replaced with "(including wide/grand format)".

The following shall be inserted after the first sentence of Subsection A.(1) of the Agreement:

Wide/grand format printing is described as anything printed on a range of substrates that are 15 inches by 27 inches or larger, whether or not they are finished to a smaller size ("WIDE/GRAND FORMAT PRINTING"). The products produced using wide/grand format printing include; but are not limited to, indoor and outdoor banners, floor graphics, window graphics, wall graphics, wall coverings, vehicle wraps, vehicle decals, signs, stickers, labels and other graphics or printed textiles.

2. Territorial Rights

Subsection 1.D. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

The Territory for the Co-Brand CENTER will be a defined trade area around the location as determined by us. We will designate and describe your Territory in Exhibit "A". We may redetermine the size of your Territory if there is an increase of at least fifty percent (50%) in the Business Count in the Territory and locate another FASTSIGNS Center in your former Territory.

3. Site Selection

Subsection 2.A. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

You agree to bear the cost and expense for making all alterations, modifications and improvements as we may deem necessary to co-brand with the Co-Brand CENTER. You acknowledge and agree that approving you to operate a Co-Brand CENTER at the premises of does not constitute a representation, promise, warranty, or guarantee by us that a Co-Brand CENTER operated at that site will be profitable or otherwise successful.

4. Lease of Premises

The first two (2) paragraphs of Subsection 2.B. of the Agreement shall be deleted in their entirety.

5. Center Development

Subsection 2.C. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

Within forty-five (45) days of your execution of this Agreement and the Amendment, you agree to make all alterations, modifications and improvements to the Co-Brand CENTER premises as reasonably requested by us, which shall include, but not be limited to, adding signage, menu boards and window striping with signage meeting the current standards of the FASTSIGNS System; using/creating stationery, forms, invoices, business cards and all other written materials used in the sign business with materials meeting our standards for such items; obtaining and replacing such computer hardware, software and other equipment (at your option), meeting our specifications and standards necessary to operate the Co-Brand CENTER under the System.

You shall be responsible for obtaining and maintaining all zoning classifications and clearances which may be required by state, provincial, or local laws, ordinances, or regulations or which may be necessary or advisable as a result of any restrictive covenants relating to the Co-Brand CENTER'S premises. You agree to obtain and maintain all permits, licenses and certifications required for the lawful operation of the Co-Brand CENTER. You will certify in writing to us that the insurance coverage specified in Subsection 8.G. of this Agreement is in full force and effect and that all required approvals, clearances, permits, and certifications related thereto have been obtained within thirty (30) days of your execution of this Agreement and the Amendment. Upon request, you agree to promptly provide to us additional copies of your insurance policies or certificates of insurance and copies of all of the foregoing approvals, clearances, permits, licenses and certifications. You agree to install a dedicated telephone line(s) and listing(s) for the Co-Brand CENTER that will be effective upon opening of the Co-Brand CENTER. Exhibit "J" To Franchise Agreement, Collateral Assignment of Telephone Numbers and Listings shall apply to any dedicated telephone line(s) and listing(s) for the Co-Brand CENTER.

6. Computer System

Subsection 2.E. of the Agreement shall be supplemented by the addition of the following as the last paragraph of the Section as if it were an original part of the Agreement:

With respect to ______, you are required to purchase our current point-of-sale software system and hardware to operate the Co-Brand CENTER.

7. Center Opening

Subsection 2.F. of the Agreement shall be supplemented by the addition of the following as the last paragraph of the Section as if it were an original part of the Agreement:

With respect to the Co-Brand CENTER, you acknowledge that time is of the essence. Subject to your compliance with the pre-opening obligations described in Section 4. you agree to complete construction and commence operating the business under the FASTSIGNS System within ninety (90) days following the date of execution of this Agreement and the Amendment unless you obtain an extension of such time period from us. We will inspect the Co-Brand CENTER prior to opening to determine whether you have complied with our specifications and standards for operating a Co-Brand CENTER. We have the right to prohibit you from commencing operation of the Co-Brand CENTER in the event you fail to comply with such pre-opening obligations.

8. Continuing Service and Royalty Fee

Subsection 3.B. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

(a) Effective the first of the month following ninety (90) days after the Effective Date of this Agreement or the first of the month following commencement of operation as a Co-Brand CENTER; whichever occurs first, through the end of the sixth (6^{th}) month of operation, you shall pay to us a monthly Continuing Service and Royalty Fee ("Service Fee") equal to two percent (2%) of the Co-Brand CENTER'S Gross Sales (defined in Subsection D. below). From the seventh (7^{th}) month through the twelfth (12th) month of operation of the Co-Brand CENTER, you shall pay to us a Service Fee equal to four percent (4%) of the Co-Brand CENTER'S Gross Sales (defined in Subsection D. below). From the seventh (7^{th}) month defined in Subsection D. below). From the seventh (7^{th}) month through the twelfth (12th) month of operation of the Co-Brand CENTER'S Gross Sales (defined in Subsection D. below). From the thirteenth (13^{th}) month of operation of the Co-Brand CENTER'S Gross Sales (defined in Subsection D. below). From the thirteenth (13^{th}) month of operation of the Co-Brand CENTER through the end of the term of the Agreement, you shall pay to us a Service Fee equal to six percent (6%) of the Co-Brand CENTER'S Gross Sales (defined in Subsection D. below). Service Fee payments are due by the fifteenth (15^{th}) day of the following month.

(b) In the event you have not commenced operation as a Co-Brand CENTER within ninety (90) days following the date of execution of this Agreement, effective on the first of the month after the ninety (90) days referenced in Subsection 8.(a) above until commencement of operation of the Co-Brand CENTER, you will begin paying a minimum monthly service fee of Two Thousand Five Hundred Dollars (\$2,500) or the specified service and royalty fee on reported sales from ______.

(c) The Sliding Scale Royalty Rebate described in Subsection 3.C. of the Agreement does not apply until the first full calendar year that you are required to pay a Service Fee equal to six percent (6%) of the Co-Brand CENTER'S Gross Sales.

(d) On or before the fifth (5^{th}) day of the month, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the Co-Brand CENTER'S Gross Sales for the preceding calendar month. The method of payment is described in Subsection 3.G. below. In addition, you agree to pay to us the Ad Fund contribution as described in Subsection 9.B.

(e) You agree to provide us with your year-end financial statements and other information for the previous twelve (12) month period prior to signing the Agreement for your existing business.

9. Definition of "Gross Sales"

Subsection 3.D. of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

As used in this Agreement, the term "**Gross Sales**" means all revenue that you derive from operating the Co-Brand CENTER, including, but not limited to, all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding (1) all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (2) revenues from offset printing or ______; and (3) the amount of any documented refunds, credits, allowances, and charge-backs the Co-Brand CENTER in good faith gives to customers.

10. Exclusive Relationship

"(including small format, large format and grand format) in the sixth line of the second paragraph of Section 7. of the Agreement shall be deleted and replaced with "(including wide/grand format)".

The following shall be added to the end of the first paragraph of Section 7. of the Agreement:

Wide/grand format printing is described as anything printed on a range of substrates that are 15 inches by 27 inches or larger, whether or not they are finished to a smaller size. The products produced using wide/grand format printing include; but are not limited to, indoor and outdoor banners, floor graphics, window graphics, wall graphics, wall coverings, vehicle wraps, vehicle decals, signs, stickers, labels and other graphics or printed textiles.

11. Marketing

Subsection 9.A. of the Agreement shall be deleted in its entirety and following shall be substituted in lieu thereof:

A. **INITIAL MARKETING**

Prior to registration for initial training, you must pay Eight Thousand Five Hundred Dollars (\$8,500) to the National Advertising Council, Inc. The Eight Thousand Five Hundred Dollars (\$8,500) will be invested in an initial marketing plan implemented during the first several months your Co-Brand CENTER is operating. The initial marketing plan may include direct marketing programs (including a grand opening mail campaign), public relations efforts, local web search and Internet marketing, awareness building and lead generation tools, telemarketing campaigns, and initial sales and marketing materials. You agree to comply with our guidelines for this initial marketing plan. We recommend that you invest additional amounts for local marketing during the first year of the Co-Brand CENTER'S operation.

The following sentence shall be added to the end of the first paragraph in Subsection 3 B. of the Agreement:

The Sliding Scale Royalty Rebate described in Subsection 3.C. of the Agreement does not apply until the first full calendar year that you are required to pay an Ad Fund contribution equal to two percent (2%) of the Co-Brand CENTER's Gross Sales.

12. By You

The following shall be added to the end of Subsection 9.C. of the Agreement:

You must follow our marketing, advertising and promotion guidelines for your Co-Brand CENTER as stated in our Co-Brand Guidelines.

13. Inspections and Audits

Section 11. of the Agreement shall be supplemented by the addition of the following Subsection:

C. We have the right to audit your entire business operation, including ______.

14. Termination of Agreement

Subsection 14.A. (2) and (3) of the Agreement shall be deleted in its entirety (and section numbers renumbered) and the following shall be substituted in lieu thereof:

(2) If you fail to convert your Co-Brand CENTER to a FASTSIGNS Center in accordance with the terms of the Amendment within ninety (90) days of the date of execution of this Agreement and the Amendment;

Subsection 14.A. of the Agreement shall be supplemented by the addition of the following subsection (23) as if it were an original part of the Agreement:

- (23) If you fail to comply with any of the terms and conditions of the Amendment.
- 15. Acknowledgments

Section 21. of the Agreement shall be supplemented by the addition of the following subsections (14), (15), and (16) as if they were an original part of the Agreement:

- (14) Except for you, no other person, firm, corporation, or other entity has any right, title, interest in or to you; that your business has not been mortgaged, pledged or assigned; and there are not judgments, liens, executions or proceedings pending which may alter, decrease or remove your interest in such business;
- (15) You acknowledge that the information submitted and representations made to us as an inducement for us to enter into this Agreement and the Amendment are complete, true and correct;
- (16) You acknowledge that by virtue of the terms and conditions of this Agreement and the Amendment the manner and operation of its business must be in strict compliance with the System.

IN WITNESS WHEREOF, You acknowledge that you have read and understand the contents of this Amendment, that you have had an opportunity to obtain the advice of counsel, and that you intend to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ______, 20___.

FASTSIGNS INTERNATIONAL, INC. a Texas corporation

By:	
Name:	
Title:	
Dated:	

FRANCHISEE:

By:		
Name:		
Title:		
Dated:		

<u>EXHIBIT "I"</u> <u>AMENDMENT TO FASTSIGNS INTERNATIONAL, INC.</u> <u>FRANCHISE AGREEMENT</u> <u>SBA AMENDMENT</u>

THIS AMENDMENT (AMENDMENT) is made and entered into on ______, 20____, by FASTSIGNS International, Inc., a Texas corporation located at 2542 Highlander Way, Carrollton, Texas 75006-2333 (Franchisor), and ______, located at ______, located at ______

<u>Recitals.</u> Franchisor and Franchisee entered into a Franchise (or License) Agreement on ______, 20___, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at ______ designated by Franchisor as Unit #______ (Unit). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Amendment as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured as of the date hereof.

2. Section 12.G of the Franchise Agreement provides that Franchisor (or any third party assignee of the Franchisor) may elect pursuant to its right of first refusal to exercise said option when Franchisee decides to sell partial interest(s) in the business. This section is hereby amended by adding the following at the end of Section 12.G :

However, the Franchisor may not exercise a right of first refusal:

- (a) If a proposed Transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed Transfer, have an ownership interest in the Franchisee or the Franchise, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the United States Small Business Administration ("SBA") (Owner/Guarantors); or
- (b) If a proposed Transfer involves a Person other than an Owner/Guarantor and the proposed Transfer involves a noncontrolling ownership interest in the Franchisee or the Franchise, unless such noncontrolling interest: (1) represents less than a 20% ownership interest in the Franchisee or in the Franchise, or (2) the Franchisor (in combination with the Franchisee) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.

The Franchisor's right to approve or to disapprove a proposed Transfer or transferee, or to exercise its right of first refusal with respect to a Transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions. If the Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that the Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

3. If Franchisor must operate the business under Sections 12.E or 14.B of the Franchise Agreement, Franchisor will operate the business for up to a ninety (90) day renewable term, renewable as necessary for up to one (1) year and Franchisor will periodically discuss the status with Franchisee or its heirs.

4. Under Section 12.B of the Franchise Agreement, Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee that requires Franchisor's consent.

5. If the Franchise Agreement is terminated and the Unit or its contents are to be sold under Section 12.G of the Franchise Agreement and the parties are unable to agree as to a purchase price and terms, the fair market value of such premises and property shall be determined by three appraisers chosen in the following manner. Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties.

6. Franchisor may have the right to assume Franchisee's lease pursuant to Section 2.B of the Franchise Agreement, and such right may not be recorded against the real estate. Any recording done in contravention of this Addendum must be subordinated to any SBA-financed loan and may not include any attornment language.

7. Notwithstanding anything to the contrary in Section 8.B of the Franchise Agreement, the Franchisee shall have discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by Franchisor for its franchise system; or (2) is at or above any minimum price threshold programs established by Franchisor for its franchise for its franchise system; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the franchisor for its franchise system.

8. This Addendum automatically terminates on the earliest to occur of the following: (i) a termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) the SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Amendment as of the day and year first above written.

FRANCHISOR: FASTSIGNS International, Inc.,

FRANCHISEE:

FASTSIGNS International, Ir a Texas corporation

By:	By:
Print Name:	Print Name:
Title:	Title:

<u>EXHIBIT "J" TO FRANCHISE AGREEMENT</u> COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

FOR VALUE RECEIVED, _______ ("Assignor") hereby assigns, transfers and sets over unto _______ ("Assignee"), all of Assignor's right, title and interest in and to the telephone numbers and regular, classified or other telephone directory listings (collectively, the "Telephone Numbers and Listings") associated with the Marks and used from time to time in connection with the operation of the CENTER (all initial capitalized terms used but not defined in this Assignment shall have the meanings set forth in the Franchise Agreement dated as of _______, 20___ between Assignee and Assignor (the "Franchise Agreement")). This Assignment is only effective upon the conditions specified herein, and Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Assignee shall notify the telephone company and/or the listing agencies with which Assignor has placed telephone directory listings (all such entities are collectively referred to herein as the "Telephone Company") to effectuate the assignment pursuant to the terms hereof.

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

Assignor acknowledges and agrees that as between Assignee and Assignor, upon termination or expiration of the Franchise Agreement (without renewal or extension), Assignee shall have the sole right to and interest in the Telephone Numbers and Listings, and Assignor appoints Assignee as Assignor's true and lawful attorney-in-fact to direct the Telephone Company to assign same to Assignee (or to the party Assignee designates) and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Assignor shall immediately notify the Telephone Company to assign the Telephone Numbers and Listings to Assignee (or Assignee's designee). If Assignor fails to promptly direct the Telephone Company to assign the Telephone Numbers and Listings to Assignee (or Assignee's designee), Assignee may direct the Telephone Company to effectuate the assignment contemplated hereunder to Assignee (or Assignee's designee). The parties agree that the Telephone Company may accept Assignee's written direction, the Franchise Agreement or this Assignment as conclusive proof of Assignee's exclusive rights in and to the Telephone Numbers and Listings upon such termination or expiration (without renewal or extension) and that such assignment shall be made automatically and immediately effective upon Telephone Company's receipt of such notice from Assignee or Assignor. The parties further agree that if the Telephone Company requires that the parties execute the Telephone Company's assignment forms or other documentation at the time of termination or expiration (without renewal or extension) of the Franchise Agreement, Assignee's execution of such forms or documentation on behalf of Assignor shall effectuate Assignor's consent and agreement to the assignment. The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration (without renewal or extension) of the Franchise Agreement.

ASSIGNOR:

ASSIGNEE:

By:	By:	
Name:	Name:	
Title:	Title:	
DATED:	DATED:	

FASTSIGNS INTERNATIONAL, INC. FRANCHISE FEE ACKNOWLEDGEMENT

TO FASTSIGNS INTERNATIONAL, INC:

I understand that my application for the grant of a franchise to operate a FASTSIGNS Center in the general area of_______, has been approved and I have received a Franchise Agreement for execution. To continue the process of obtaining a license to operate a FASTSIGNS Center, I am submitting this Franchise Agreement, this Franchise Fee Acknowledgement (this "Acknowledgement") and my deposit in the amount of \$______ to FASTSIGNS International, Inc. ("Franchisor").

In connection with my deposit, I understand and acknowledge the following:

My entire deposit of \$_____ will be applied toward the initial franchise fee payable under the Franchise Agreement.

Upon my submission of the signed Franchise Agreement, this Acknowledgement and my deposit to Franchisor, my deposit in the amount of \$______ will be immediately non-refundable. This amount will be deemed earned by Franchisor for processing of my Franchise Agreement and for services performed following the effective date of my Franchise Agreement.

If I am unable to obtain the balance of my funds for the franchise fee from my 401(k), IRA or other qualified retirement account roll-over, I will so notify Franchisor.

Franchisor will have no obligation to return my franchise fee deposit, regardless of whether I or Franchisor performs any services or obligations following submission of my franchise fee deposit.

Franchisor's obligations with respect to my franchise fee deposit are those of a debtor and not a trustee and Franchisor may maintain my deposit separate and apart from Franchisor's general funds or may comingle my deposit with its general funds.

I have received Franchisor's Franchise Agreement, including this Acknowledgement, more than fourteen (14) calendar days before the date of my execution hereof.

Executed at _____, this ____day of _____, 20__.

FRANCHISEE:

By:_____

Name:_____

Title:_____

DEPOSIT RECEIVED SUBJECT TO ABOVE TERMS AND CONDITIONS:

DAREV4.14

FRANCHISOR: FASTSIGNS International, Inc., a Texas corporation

Dated:

By:_____

Its:_____

EXHIBIT "L" TO FRANCHISE AGREEMENT FASTSIGNS INTERNATIONAL, INC. SUMMARY OF ACKNOWLEDGEMENTS

Franchisee:

State of Formation:

Residence Addresses of Guarantors:

Indicate your acknowledgement of the following by signing below:

Franchisee acknowledges that it is not a domiciliary or a resident of any other state.

Franchisee acknowledges that it has received the Franchise Disclosure Document ("FDD") as follows:

FDD with an effective date of:

Franchisee acknowledges that it has received the appropriate FDD(s) at least fourteen (14) calendar days before execution of the franchise agreement or before paying any fees to FASTSIGNS International, Inc.

Franchisee has signed and returned to FASTSIGNS International, Inc. the "Acknowledgement of Receipt" for each FDD.

Franchisee acknowledges that it has had an opportunity to read each FDD and that no representations have been made to Franchisee which is inconsistent with information presented in the FDD(s), and Franchisee has not relied upon any representations inconsistent with or not contained in the FDD(s).

Franchisee acknowledges that it has had the opportunity to conduct an independent investigation of the franchised business offered and to seek independent counsel concerning the franchised business.

Franchisee acknowledges that the franchised business, as any business venture, involves risks, and the success of the franchised business will depend largely upon the ability of Franchisee.

Franchisee acknowledges that it has not received any warranty or guarantee, express or implied, as to the actual or potential volume, earnings, profits, or success of the franchised business, other than the financial performance representation provided in Item 19 of the FDD(s) received by Franchisee.

Acknowled	iged by:	
Title:		
Date:		

Each of the undersigned has read this Summary of Acknowledgements and each individually acknowledges and states that each statement described above is true and correct:

FRANCHISEE'S GUARANTOR

Date:	

FRANCHISEE'S GUARANTOR

Name_		
Date:		

* If a corporation, include the name and title of the officer signing on behalf of the corporation.

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of ______, 20

By (list each guarantor):

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by FASTSIGNS International, Inc. ("us," "we," or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that ______

("**Franchisee**") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of 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 the non-competition, confidentiality, transfer, and arbitration requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we 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 (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we shall be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

Subject to the arbitration obligations above and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in the state or federal court of general jurisdiction in Dallas, Texas, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

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

Signatures of Each Guarantor

Percentage of Ownership in Franchisee

0/_0
0/0
 0/_0
 0/_0
 0%

FASTSIGNS INTERNATIONAL, INC.

DEVELOPMENT AGREEMENT

EXHIBIT "C"

DEVELOPMENT AGREEMENT

 THIS
 DEVELOPMENT
 AGREEMENT
 between

 ("Developer"), and FASTSIGNS International, Inc., a Texas corporation ("we", "us," or "our") is dated

 _______day of _______, 20___ ("Agreement").

WHEREAS, Developer desires to obtain the right to develop FASTSIGNS centers ("Centers") within a defined geographic area as described in this Agreement;

WHEREAS, the parties will enter into a Franchise Agreement ("Franchise Agreement") for each Center;

WHEREAS, the parties acknowledge that, unless otherwise defined in this Agreement, all capitalized defined terms used in this Agreement shall have the same meaning as that attributed to such terms in the Franchise Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual undertakings, obligations and commitments contained herein, it is agreed between the parties as follows:

I. **INTERPRETATION**

This Agreement shall amend and supplement any Franchise Agreement executed by the parties. The terms, covenants, and conditions of this Agreement are incorporated into the Franchise Agreement and, if there is any conflict between this Agreement and the Franchise Agreement, the terms of this Agreement shall be controlling with respect to the subject matter thereof. If the numbering of the provisions of the Franchise Agreement changes, any references herein to specifically numbered Franchise Agreement.

II. TERMS AND CONDITIONS

1. Grant of Development Rights

A. We grant to Developer, upon the terms and subject to the conditions of this Agreement, the right and obligation to develop (_____) Centers solely within the geographic area described in Attachment "A" attached hereto and made a part hereof ("Development Area") in accordance with the development schedule ("Development Schedule") set forth in Attachment "A."

B. Each Center shall be established and operated pursuant to a separate Franchise Agreement.

C. Except as otherwise provided, so long as Developer is in compliance with the terms of this Agreement, we shall not establish, nor authorize anyone other than Developer to establish a Center in the Development Area during the term of this Agreement. Notwithstanding the above, we or any person or entity authorized by us may, at any time, use the Proprietary Marks to advertise or promote the System or fulfill customer orders in the Development Area and we otherwise reserve the rights described in Section 1.E. of the Franchise Agreement.

2. <u>Prerequisites to Obtaining Franchises</u>

Developer understands and agrees that this Agreement does not confer upon Developer a right to obtain a franchise for any Center, but is intended by the parties to set forth the terms and conditions which, if fully satisfied, shall entitle Developer to obtain such franchises for Centers located within the Development Area. These terms and conditions are the following:

A. If we, in the exercise of our sole discretion, have granted Developer operational, financial and legal approval, then we will grant Developer a franchise for a Center developed pursuant to Section 2. As used herein, we will give Developer "operational", "financial" and "legal" approval under the criteria set forth in the Manuals. Manuals are defined in the Franchise Agreement.

3. <u>Term</u>

Unless sooner terminated in accordance with the provisions of this Agreement, the term of this Agreement and all rights granted hereunder shall commence on the date this Agreement is executed by us and shall end on the date specified in the Development Schedule.

4. **Development and Initial Franchise Fees**

In consideration of the development rights granted herein, Developer shall pay us upon A. of Agreement nonrefundable development fee execution this а of Dollars (\$) (the "Development Fee"). The Development Fee shall represent the payment of Dollars) for each Center to be developed pursuant to the Development Schedule. The (\$ Development Fee for each Center shall be credited to the initial franchise fee for each Center as described above. The Development Fee shall be deemed fully earned by us upon execution of this Agreement for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

B. The franchise fee for each Center to be developed by Developer shall be ______ Dollars (\$______) less the portion of the Development Fee described in 4.A.

5. **Execution of Franchise Agreement**

A. Developer shall execute and deliver to us the then-current Franchise Agreement for each Center within three hundred sixty five (365) days prior to the opening date of the Center.

B. Following execution of each Franchise Agreement in accordance with 5.A., Developer shall select a site for the applicable Center in accordance with the terms of the Franchise Agreement relating to such Center.

C. Developer must meet our staffing and training requirements for a new Center as set forth in the Franchise Agreement.

D. This Agreement does not grant Developer any right to license others to operate a Center. Only Developer may open and operate a Center and only under a Franchise Agreement with us. This Agreement is not a franchise agreement and does not grant Developer the right to engage in the business of offering, selling or distributing goods and services under the Marks or to use the Marks in any manner.

6. **Default and Termination**

A. Developer shall be deemed to be in default and we may, in our sole discretion, terminate Developer's rights granted hereunder, without affording Developer any opportunity to cure such default, effective immediately upon written notice to Developer upon the occurrence of any of the following events, each of which shall be deemed to be a material event of default:

(1) If Developer fails to comply with the Development Schedule set forth in Attachment "A" hereto; or

(2) If Developer is not in good standing under any Franchise Agreement between Developer and us. "Good Standing" means that Developer does not owe any Service Fees or Advertising Fees or any other monetary obligations to us in excess of thirty (30) days and Developer is in compliance with all of Developer's other obligations under any Franchise Agreement and any other agreement with us.

7. Pay-Per-Click Program in the Development Area

You may market in the Development Area using a Pay-Per-Click web search campaign ("PPC Program") during the term of this Agreement. In the event you use a PPC Program to market in the Development Area, it must be facilitated through our approved agency vendor. You must spend the greater amount of either the minimum monthly PPC Program country average or a budget sufficient to be live no less than six (6) daytime business hours each week day. The PPC Program average and the budget are both determined by our Marketing Department. In the event you opt not to have a PPC Program in the Development Area, or do not comply with the PPC Program requirements or with the Development Schedule set forth in Attachment "A" hereto, you will no longer have PPC Program exclusivity in the Development Area and other franchisees may do a PPC Program in the Development Area.

8. Assignment

Developer acknowledges that we are granting rights under this Agreement because of our perception of Developer's individual and collective character, skill, business acumen, financial capability and ability to operate Centers according to our standards. These rights are personal to Developer. Therefore, Developer may not assign this Agreement or any ownership interests without our prior written approval, which we may grant or withhold for any or no reason. We may assign this Agreement or any of our ownership interests without restriction.

9. Entire Agreement; Modification

This Agreement contain the full and entire understanding of the parties with respect to the subject matter hereof. No modification of the terms, conditions and provisions of this Agreement shall be effective unless in writing and signed by us and Developer.

IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Agreement, that Developer has had an opportunity to obtain the advice of counsel, and that it intends to comply with this Agreement and be bound thereby. The parties have duly executed and delivered this Agreement on ______.

FASTSIGNS INTERNATIONAL, INC., a Texas corporation

DEVELOPER

By:	By:
Name:	<u> </u>
Title:	
	Title of Signator:
Dated*:	
(*Effective Date of this Agreement)	Dated:
· _ · ·	

ATTACHMENT "A" TO AGREEMENT

Development Area and Development Schedule

Development Area

The Development Area, as defined in Section 1. of this Agreement, is defined as follows:

The Development Area is further defined as the area encompassed within the map attached hereto as Exhibit 1.

Development Schedule

Developer shall open Centers by the dates specified below:

<u>Center</u>	Date by which the Franchise Agreement must be executed	Date by which the Center must be open and in operation		
Center #				
Center #				
Center #				

FASTSIGNS INTERNATIONAL, INC., a DEVELOPER **Texas corporation**

By: Name:	By:
Title:	Title of Signator:
Dated*:(*Effective Date of this Agreement)	Dated:

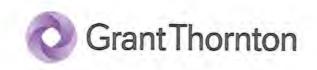
FASTSIGNS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

EXHIBIT "D"

Financial Statements and Report of Independent Certified Public Accountants FASTSIGNS International, Inc. and Subsidiary

December 31, 2013 and 2012



Report of Independent Certified Public Accountants

Grant Thornton LLP 1717 Main Street, Suite 1500 Dallas, TX 75201-4667

Board of Directors FASTSIGNS International, Inc. and Subsidiary T 214.561.2300 F 214.561.2370 GrantThornton.com linkd.in/GrantThorntonUS twitter.com/GrantThorntonUS

We have audited the accompanying consolidated financial statements of FASTSIGNS International, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, the related consolidated statements of income, changes in shareholder's equity and comprehensive income, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 entity'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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 FASTSIGNS International, Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cont Thit IP

Dallas, Texas April 16, 2014

> Grant Thornton LLP U.S. member firm of Grant Thornton International Ltd

CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS	2013	2012
Current assets Cash and cash equivalents Accounts receivable, net of allowance of \$ 187,667 and	\$ 5,092,086	\$ 1,401,795
\$743,088, respectively Current portion of notes receivable, net of allowance of \$48,943	2,267,151	2,546,454
and \$116,262, respectively	39,293	60,723
Amounts due from affiliates	291,359	190,077
Other current assets	502,363	288,952
Deferred income taxes	668,821	713,098
Total current assets	8,861,073	5,201,099
Fixed assets, net of accumulated depreciation of		
\$2,665,866 and \$2,387,531, respectively	1,994,798	1,718,989
Other intangible assets, net of accumulated amortization of \$20,225,443 and \$18,698,979, respectively	75,880	1,602,344
Goodwill	17,592,876	17,592,876
Notes receivable, less current portion, net of allowance of \$31,291	17,552,070	17,372,070
and \$0, respectively	366,789	20,043
Deferred income taxes noncurrent	289,234	-
Other assets	42,145	61,123
Total assets	\$ <u>29,222,795</u>	\$ <u>26,196,474</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 802,728	\$ 305,790
Accrued liabilities	2,978,631	2,259,406
Deferred revenue	649,786	591,500
Income taxes payable	1,685,853	1,282,734
Total current liabilities	6,116,998	4,439,430
Deferred income taxes		252,089
Total liabilities	6,116,998	4,691,519
Commitments		
Shareholder's equity Common stock, \$1.00 par value Authorized shares – 100,000, issued and		
outstanding shares – 1,000	1,000	1,000
Additional paid-in capital	24,731,449	24,700,199
Accumulated other comprehensive income, net of tax	84,890	129,438
Retained earnings	25,601,035	20,286,441
Receivable from parent company	50,418,374 <u>(27,312,577</u>)	45,117,078 (23,612,123)
Total shareholder's equity	23,105,797	21,504,955
Total liabilities and shareholder's equity	\$ <u>29,222,795</u>	\$ <u>26,196,474</u>

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

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,

	2013	2012
Revenues		
Franchise sales	\$ 1,177,141	\$ 826,041
Royalties	20,024,948	18,803,077
Other revenue	119,087	299,888
	21,321,176	19,929,006
Costs and expenses		
Selling, general, and administrative	11,388,673	10,975,600
Depreciation and amortization	<u>2,066,691</u>	2,449,719
	<u>13,455,364</u>	<u>13,425,319</u>
Operating income	7,865,812	6,503,687
Other income (expense)		
Interest income	9,268	19,336
Foreign currency exchange	(32,383)	2,855
Total other income (expense), net	(23,115)	22,191
Income before taxes	7,842,697	6,525,878
Income tax expense	2,528,103	2,728,277
Net income	\$ <u>5,314,594</u>	\$ <u>3,797,601</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME

Years ended December 31, 2013 and 2012

		<u>on stock</u> <u>Amount</u>	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Receivable from Parent company	Total
Balance at January 1, 2012	1,000	\$1,000	\$24,657,613	\$102,248	\$16,488,84 0	\$(18,523,708)	\$22,725,993
Net advances to Parent company Share-based compensation	-	-	-	-	_	(5,088,415)	(5,088,415)
expense	-	-	42,586	-	-	-	42,586
Comprehensive income: Net income Foreign currency	-	-	-	-	3,797,601	-	3,797,601
translation adjustment, net of tax Total comprehensive income				27,190			<u> </u>
Balance at December 31, 2012	1,000	1,000	24,700,199	129,438	20,286,441	(23,612,123)	21,504,955
Net advances to Parent company Share-based compensation	-	-	-	-	-	(3,700,454)	(3,700,454)
expense Comprehensive income:	-	-	31,250	-	-	-	31,250
Net income Foreign currency	-	-	-	-	5,314,594	-	5,314,594
translation adjustment, net of tax Total comprehensive income				<u>(44,548</u>)			<u>(44,548</u>) <u>5,270,046</u>
Balance at December 31, 2013	<u>1,000</u>	\$ <u>1,000</u>	\$ <u>24,731,449</u>	\$ <u>84,890</u>	\$ <u>25,601,035</u>	\$ <u>(27,312,577)</u>	\$ <u>23,105,797</u>

The accompanying notes are an integral part of this consolidated financial statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2013	2012
Operating activities		
Net income	\$ 5,314,594	\$ 3,797,601
Adjustments to reconcile net income to net cash provided		
by operating activities		
Bad debt expense	132,903	125,478
Depreciation	540,227	423,255
Amortization of other intangible assets	1,526,464	2,026,464
Loss on disposal of fixed assets	795	-
Deferred income taxes	(497,046)	(561,521)
Share-based compensation expense	31,250	42,586
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	(178,916)	(248,878)
Amount due to/from affiliate	(101,282)	(1,042,169)
Other assets	(194,433)	73,110
Income taxes payable	403,119	(2,394,127)
Accounts payable	496,938	(178,407)
Accrued liabilities	719,225	436,479
Deferred revenue	<u> </u>	236,182
Net cash provided by operating activities	8,252,124	2,736,053
Investing activities		
Capital expenditures	(816,831)	(564,965)
Financing activities		() /
Net advances to Parent	(3,700,454)	<u>(5,088,415)</u>
	<u>(-,,</u>)	<u>(-,,</u>)
Effect of exchange rate changes on cash and		27 400
cash equivalents	(44,548)	27,190
Net (decrease) increase in cash and cash equivalents	3,690,291	(2,890,137)
Cash and cash equivalents at beginning of year	1,401,795	4,291,932
Cash and cash equivalents at end of year	\$ <u>5,092,086</u>	\$ <u>1,401,795</u>
Supplemental disclosure of noncash activities:		
Cash paid during the year for:		
Income taxes	\$ <u>1,281,493</u>	\$ <u>2,570,400</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A - ORGANIZATION

FASTSIGNS International Inc. ("FII") sells franchises for the operation of retail establishments known as FASTSIGNS Centers in the United States, Canada, and the United Kingdom. The franchises operate primarily in the United States. FASTSIGNS International Pty Ltd ("FIP"), a wholly-owned Australian subsidiary, sold franchises for the operation of retail establishments known as SIGNWAVE in Australia through December 19, 2013. On December 19, 2013, FII entered into a Master Franchising Agreement with Ideal signs Pty Ltd. ("Ideal Signs"). Ideal Signs will serve as the Master Franchisor in Australia and will incur all expenses and liabilities associated with franchises located in Australia. In exchange FII received \$50,000 in cash and a \$250,000 note from Ideal Signs payable over the ensuing five years. Additionally, Ideal Signs will pay FII a 2% royalty percentage in accordance with the Master Franchising Agreement. FIP is responsible for existing liabilities and expenses up to the date of sale and Ideal Signs is responsible thereafter. Ideal Signs will sell SIGNWAVE establishments under their Master Franchise Agreement. In addition, there are franchises in Brazil and Mexico. The FASTSIGNS franchise business specializes in in selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, exhibits and displays, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format and grand format), advertising and promotional products (including wearables), electronic or digital signage, 3D printing, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services. As of December 31, 2013 and 2012, there were 549 and 530 franchised stores, respectively, in operation, both nationally and internationally.

Fastsigns Holding Corporation, a Georgia corporation ("Holding"), was incorporated on August 11, 2003 for the purpose of acquiring Saldon Holdings Corporation ("Saldon"). On October 1, 2003, Holding acquired all of the outstanding shares of Saldon, which wholly owns all of the outstanding stock of FII. Holding and its wholly-owned subsidiaries, including FIP, FII and Saldon are hereafter referred to as the Company.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements.

Basis of Presentation/Principles of Consolidation

These consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). These consolidated financial statements include the balances of FII and FIP. All intercompany accounts and the effects of intercompany activity have been eliminated in consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company maintains cash in financial institutions, which at times may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on such accounts. At December 31, 2013 and 2012, cash and cash equivalents includes \$877,374 and \$580,616, respectively, held in foreign bank accounts.

Financial Instruments

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of accounts and notes receivable related to royalties owed by franchisees. Credit risks with respect to royalty receivables are limited due to the large number of franchisees comprising the Company's franchisee base. The Company performs ongoing evaluations of the franchisees' financial condition and maintains allowances for potential credit losses which, when incurred, have been within the range of management expectations.

Accounts Receivable

Accounts receivable consist primarily of royalty billings to franchisees and are due within 30 days. Accounts receivable are stated at amounts net of an allowance for doubtful accounts. In order to estimate and assess the collectibility of accounts receivable, FII and FIP monitors the current creditworthiness of each franchisee and analyzes the aging of related past due balances. The allowance requirements are based on current facts, and the estimates are reevaluated and adjusted as additional information is obtained. Accounts receivable are written off through the allowance account when it is determined the receivable will not be collected. Accounts receivable may also be converted to notes receivable due from franchisees at the discretion of FII and FIP.

Changes in FII and FIP's combined allowance for doubtful accounts are as follows:

	Decem	December 31,		
	2013	2012		
Beginning balance	\$ 743,088	\$ 632,889		
Bad debt expense	132,903	125,478		
Reallocate to (from) notes receivable reserve	(2,673)	163,507		
Write-offs	<u>(685,651</u>)	<u>(178,786</u>)		
Ending balance	\$ <u>187,667</u>	\$ <u>743,088</u>		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Notes Receivable

Notes receivable are due from franchisees and bear interest at rates per annum ranging from 6% to 10%. The notes are generally secured by the assets of the related FASTSIGNS stores. The allowance for notes receivable was \$80,234 and \$116,262 as of December 31, 2013 and 2012.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is determined using the straight-line method over the shorter of the term of the lease or the estimated useful lives of the assets for financial reporting purposes. Maintenance and repairs are charged to expense as incurred.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the tangible and intangible net assets acquired. Intangible assets are recorded at their fair value at the date of acquisition. Under Accounting Standards Codification ("ASC") 350, *Intangibles, Goodwill and Other* (ASC 350), the Company determines if intangibles have a finite future life and should continue to be amortized, or an indefinite life not subject to amortization. Franchise agreements are being amortized using the straight-line method over their estimated average life of 10 years and are presented as other intangible assets in the accompanying financial statements.

Impairment of Goodwill

In accordance with ASC 350, the Company evaluates goodwill for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of goodwill exceeds its fair value. If it is determined that impairment has occurred, the goodwill is written down to its estimated net realizable value. No impairment was determined to have occurred during 2013 or 2012.

Income Taxes

The Company and Holding file a consolidated Federal tax return. The financial statements have been prepared as if the Company was a stand-alone tax payer.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Penalties and interest incurred are recognized in income tax expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Uncertain Tax Positions

The Company adopted new accounting principles on accounting for uncertain tax provisions in 2009. Under these principles, tax positions are evaluated in a two-step process. The Company first determines whether it is more-likely-than-not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not threshold it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense with a greater than 50 percent likelihood of being realized upon ultimate settlement.

Revenue Recognition

Royalty revenue is recognized based upon the reporting of gross sales to the Company by franchisees. Franchise agreements entered into during 2012 specify that royalty fees paid by franchisees are based upon 3% of gross sales for the first year of operations, and 6% of gross sales thereafter in almost all cases.

The Company recognizes revenue from sales of franchises when the Company substantially completes its obligations under the franchise agreement. Amounts received from the franchisees prior to completion of its obligations under the franchise agreement are recorded as deferred revenue.

FII may grant the right to operate FASTSIGNS stores in a specific geographic territory. FIP may grant the right to operate SIGNWAVE stores in a specific geographic territory. The fee for this right is recognized as revenue ratably as stores within the territory are opened.

Training fees are recognized as revenue once the training seminar has been completed.

Advertising Costs

The Company expenses the costs of advertising when incurred. Advertising expense was \$437,538 and \$346,478 for the years ended December 31, 2013 and 2012, respectively.

Foreign Currency Transactions and Translations

The Company has franchises operating in foreign countries. The functional currency of FII is the United States dollar ("USD"), while the functional currency of FIP is the Australian dollar.

Foreign currency transactions are recorded at the exchange rate prevailing on the dates of transaction and the resulting exchange gains and losses on those foreign currency transactions are included in determining earnings for the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets and liabilities of foreign operations denominated in local currencies are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average rate of exchange during the applicable period. Adjustments resulting from translating foreign functional currency financial statements into USD are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income in shareholder's equity. There has been no significant fluctuation in exchange rate for a conversion to USD after the balance sheet date.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting for Share-Based Compensation

In accordance with ASC 718, *Compensation – Stock Compensation* ("ASC 718"), FII measures all share-based payments to employees, including employee stock options and stock appreciation rights (SARs), at their grant date fair values and recognizes the fair value as compensation expense in the applicable period. Because the stock options are provided by Holding to employees of FII, the compensation charge is included within FII's financial statements and all disclosures are provided as if these stock option plans were those of FII.

Contingencies

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management, based on consultation with counsel, that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

Subsequent Events

The Company evaluated its December 31, 2013 financial statements for subsequent events through April 16, 2014 the date the financials were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE C - RECEIVABLE FROM PARENT COMPANY

The receivable from the parent company is unsecured, bears no interest and is due on demand. The receivable is presented as a reduction of shareholder's equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

	2013	2012
Furniture and equipment (3-5 years)	\$ 3,680,159	\$ 3,186,790
Leasehold improvements (life of lease)	980,505	919,730
	4,660,664	4,106,520
Less: accumulated depreciation	<u>(2,665,866</u>)	<u>(2,387,531</u>)
Fixed assets, net	\$ <u>1,994,798</u>	\$ <u>1,718,989</u>

NOTE E - OTHER INTANGIBLE ASSETS

Other intangible assets consist of the following as of December 31:

		2013		2012
Franchise agreements Less: accumulated amortization),301,323), <u>225,443</u>)		0,301,323 8,698,979)
Other intangibles, net	\$ <u></u>	75,880	\$ <u> </u>	1,602,344
Expected amortization for the years ending December 31, are as follows:				
2014 2015 2016 2017				\$18,531 16,569 13,842 11,350
2018				15,588

2018	15,588
Total amortization	\$ <u>75,880</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE F - COMMITMENTS

Operating Leases

The Company leases office space and training facilities under various noncancelable operating lease agreements. Rent expense under these and other leases was \$607,059 and \$577,557 for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013, future minimum payments under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

2014 2015 2016 Thereafter	\$ 555,355 400,027 316,695
Total payments	\$ <u>1,272,077</u>

As of December 31, 2013, Saldon had outstanding under a credit agreement and subordinated note purchase agreements, approximately \$43,776,025. FII and FIP guarantee the credit agreement and subordinated note purchase agreements and substantially all assets serve as collateral under the terms of all agreements.

NOTE G - INCOME TAXES

The expense (benefit) for income taxes consists of the following for the years ended December 31:

	2013	2012
Current: Federal State Foreign	\$2,155,411 762,432 <u>107,306</u>	\$2,601,214 183,584 505,000
Total current	3,025,149	3,289,798
Deferred: Federal State	(475,271) (21,775)	(471,972) (89,549)
Total deferred	(497,046)	(561,521)
Income tax expense	\$ <u>2,528,103</u>	\$ <u>2,728,277</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE G - INCOME TAXES - Continued

The tax effect of temporary differences that gave rise to deferred tax assets and liabilities consist of the following as of December 31:

	2013	2012
Deferred tax assets		
Allowance for doubtful accounts	\$ 99,877	\$ 326,549
Accrued compensation	252,495	201,023
Accrued management fees	226,863	39,717
Intangible Assets	22,285	-
Share-based compensation	177,768	166,755
Deferred rent	96,182	138,999
Deferred revenue	242,248	231,037
Total deferred tax assets	1,117,718	1,104,080
Deferred tax liabilities:		
Intangible assets	-	(559,075)
Depreciation	(142,633)	(66,490)
Other	(17,030)	(17,506)
Total deferred tax liabilities	(159,663)	<u>(643,071</u>)
Net deferred tax assets	\$ <u>958,055</u>	\$ <u>461,009</u>
Net current deferred tax assets	\$ 668,821	\$ 713,098
Net long-term deferred tax assets (liabilities)	289,234	(252,089)
Total net deferred tax assets	\$ <u>958,055</u>	\$ <u>461,009</u>

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before taxes primarily due to state and foreign tax obligations, including the provision for uncertain tax positions, as described below.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company adopted the provisions for accounting for uncertainty in income taxes on January 1, 2009. As of December 31, 2013 and 2012, the Company has accrued approximately \$931,000 and \$1,265,000, respectively, to reserve for uncertain tax positions. As of December 31, 2013, the reserve for uncertain tax positions is inclusive of penalties and interest of approximately \$540,000. During 2013, the Company settled approximately \$440,000 of the liability related to uncertain tax positions in Australia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE H - RELATED PARTY TRANSACTIONS

FII performs certain bookkeeping and administrative services and allocates facility and supply resources to an advertising cooperative. Amounts reimbursed at cost related to these services were \$361,005 in 2013 and \$326,219 in 2012. For both 2013 and 2012, FII earned royalty revenue of 6% of the advertising cooperative's sales to parties other than FASTSIGNS franchises (the national accounts program or NAP). Royalty revenue earned from the cooperative under the NAP was \$483,845 in 2013 and \$508,573 in 2012. This advertising cooperative is for the sole benefit of the FASTSIGNS franchisees. Amounts receivable from the advertising cooperative were \$289,740 and \$273,290 at December 31, 2013 and 2012, respectively.

Holding has a management advisory and consulting services agreement with an affiliate of the Company. This agreement provides for consulting fees of \$504,000 in 2013 and \$460,800 in 2012, payable quarterly. The Company had accrued, but not yet paid, \$608,520 and \$104,520 of consulting fees as of December 31, 2013 and 2012, respectively.

NOTE I - SHARE-BASED COMPENSATION

Holding maintains a share-based payment plan ("Stock Option Plan") established in 2006. Holding has allotted a total of 1,500,000 shares to be issued under the Stock Option Plan. Holding granted 750,000 non-qualified stock options in 2006 and 250,000 non-qualified stock options in 2009 to certain employees. The 2009 option grant was replaced by a 2010 grant for the same number of stock options. Option grants have a contractual life of ten years, subject to certain conditions, and typically vest over 5 years based upon service and financial based thresholds. 20% of the service-based options typically vest each year over a five year period, and of the financial performance-based options, 20% are subject to vesting each year

Information with respect to options under these plans is as follows:

	Outstanding Options	Weighted Average Exercise Price
Total Options outstanding, December 31, 2011 Vested Exercised Forfeited	359,907 59,375 (15,000) <u>(61,219</u>)	\$0.59
Total Options outstanding, December 31, 2012 Vested Exercised	343,063 31,250 <u>(101,625</u>)	\$0.72
Total Options outstanding, December 31, 2013	272,688	\$0.88

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

NOTE I - SHARE-BASED COMPENSATION - Continued

The weighted-average exercise price and remaining contractual life of the 272,688 vested options outstanding at December 31, 2013 was \$0.88 and 5.64 years, respectively.

The estimated fair value of options is amortized to compensation expense on the straight-line basis over the options' vesting period. FII's pre-tax compensation cost for share-based employee compensation was approximately \$31,000 (\$22,000 after tax effects) and \$38,000 (\$27,000 after tax effects) for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013, FII has approximately \$31,250 of total unrecognized compensation cost related to nonvested awards granted under the Stock Option Plan that FII expects to recognize per a weighted-average period of 2 years.

NOTE J - EMPLOYEE BENEFIT PLAN

FII has a defined contribution plan structured under Section 401(k) of the Internal Revenue Code. Under the plan, contributions are made by eligible employees. The employees can elect to contribute up to 20% of their salary or \$17,500 in 2013 and \$17,000 in 2012. FII's contributions are discretionary each year. During 2009, FII discontinued its policy to match employee contributions, which continued throughout 2010. Participants vest in FII's contributions according to the following schedule.

	Vesting
Years of service	percentages
1	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

The Company currently offers no other postretirement or postemployment benefits to its employees.

Financial Statements and Report of Independent Certified Public Accountants FASTSIGNS International, Inc. and Subsidiary

December 31, 2012 and 2011



Report of Independent Certified Public Accountants

Grant Thornton LLP 1717 Main Street, Suite 1500 Dallas, TX 75201-4667

Board of Directors FASTSIGNS International, Inc. and Subsidiary T 214.561.2300 F 214.561.2370 GrantThornton.com linkd.in/GrantThorntonUS twitter.com/GrantThorntonUS

We have audited the accompanying consolidated financial statements of FASTSIGNS International, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, the related consolidated statements of income, changes in shareholder's equity and comprehensive income, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 entity'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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 FASTSIGNS International, Inc. and Subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gat State LIP

Dallas, Texas April 1, 2013

CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS	2012	2011
Current assets Cash and cash equivalents Accounts receivable, net of allowance of \$743,088 and \$632,889, respectively Current portion of notes receivable, net of allowance of \$116,252 Amounts due from affiliates Other current assets Deferred income taxes, net	\$ 1,401,795 2,546,454 60,723 190,077 288,952 713,098	\$ 4,291,932 2,482,613 16,253 - - - 324,026 1,192,485
Total current assets	5,201,099	8,307,309
Fixed assets, net of accumulated depreciation of \$2,387,531 and \$2,016,195, respectively Other intangible assets, net of accumulated amortization of \$18,698,979 and \$16,672,515, respectively Goodwill Notes receivable, less current portion, net Other assets	1,718,989 1,602,344 17,592,876 20,043 61,123	1,577,279 3,628,808 17,592,876 4,954 99,159
Total assets	\$ <u>26,196,474</u>	\$ <u>31,210,385</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities Accounts payable Accrued liabilities Amounts due to affiliates Deferred revenue Income taxes payable Total current liabilities	\$ 305,790 2,259,406 - - 591,500 <u>1,282,734</u> 4,439,430	\$ 484,197 1,822,927 852,092 355,318 <u>3,676,861</u> 7,191,395
Deferred income taxes	252,089	1,292,997
Total liabilities	4,691,519	8,484,392
Commitments		
Shareholder's equity Common stock, \$1.00 par value Authorized shares – 100,000, issued and outstanding shares – 1,000 Additional paid-in capital Accumulated other comprehensive income, net of tax Retained earnings Receivable from parent company	1,000 24,700,199 129,438 <u>20,286,441</u> 45,117,078 (23,612,123)	1,000 24,657,613 102,248 <u>16,488,840</u> 41,249,701 <u>(18,523,708</u>)
Total shareholder's equity	21,504,955	22,725,993
Total liabilities and shareholder's equity	\$ <u>26,196,474</u>	\$ <u>31,210,385</u>

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

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,

	2012	2011
Revenues		
Franchise sales	\$ 826,041	\$ 949,581
Royalties	18,803,077	17,298,160
Other revenue	<u>299,888</u>	<u>15,996</u>
	19,929,006	18,263,737
Costs and expenses		
Selling, general, and administrative	10,975,600	10,975,959
Depreciation and amortization	2,449,719	2,369,485
-	<u>13,425,319</u>	<u>13,345,444</u>
Operating income	6,503,687	4,918,293
Other income (expense)		
Interest income	19,336	24,574
Foreign currency exchange	2,855	(15,758)
Total other income (expense), net	22,191	8,816
Income before taxes	6,525,878	4,927,109
Income tax expense	2,728,277	1,698,074
Net income	\$ <u>3,797,601</u>	\$ <u>3,229,035</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME

Years ended December 31, 2012 and 2011

		<u>on stock</u> Amount	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Receivable from Parent <u>company</u>	Total
Balance at January 1, 2011	1,000	\$1,000	\$24,551,363	\$ 93,877	\$13,259,805	\$(13,508,824) \$	5 24,397,221
Net advances to Parent company Share-based compensation	-	-	-	-	-	(5,014,884)	(5,014,884)
expense	-	-	106,250	-	-	-	106,250
Comprehensive income: Net income	-	-	-	-	3,229,035	-	3,229,035
Foreign currency translation adjustment, net of tax Total comprehensive income				<u> </u>			<u> </u>
Balance at December 31, 2011	1,000	1,000	24,657,613	102,248	16,488,840	(18,523,708)	22,725,993
Net advances to Parent company Share-based compensation	-	-	-	-	-	(5,088,415)	(5,088,415)
expense Comprehensive income:	-	-	42,586	-	-	-	42,586
Net income	-	-	-	-	3,797,601	-	3,797,601
Foreign currency translation adjustment, net of tax Total comprehensive income				<u> 27.190</u>			<u> </u>
Balance at December 31, 2012	<u>1,000</u>	\$ <u>1,000</u>	\$ <u>24,700,199</u>	\$ <u>129,438</u>	\$ <u>20,286,441</u>	\$ <u>(23,612,123</u>) §	5 <u>21,504,955</u>

The accompanying notes are an integral part of this consolidated financial statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2012	2011
Operating activities		
Net income	\$ 3,797,601	\$ 3,229,035
Adjustments to reconcile net income to net cash provided	. , ,	. , ,
by operating activities		
Bad debt expense	125,478	442,837
Depreciation	423,255	343,022
Amortization of other intangible assets	2,026,464	2,026,464
(Gain)/loss on disposal of fixed assets	-	(4,647)
Deferred income taxes	(561,521)	(1,270,068)
Share-based compensation expense (benefit)	42,586	106,250
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	(248,878)	(163,743)
Amount due to/from affiliate	(1,042,169)	463,411
Other assets	73,110	(95,106)
Income taxes payable	(2,394,127)	1,320,281
Accounts payable	(178,407)	293,052
Accrued liabilities	436,479	(213,920)
Deferred revenue	236,182	162,936
Net cash provided by operating activities	2,736,053	6,639,804
Investing activities		
Capital expenditures	(564,965)	(826,251)
	(002,000)	(040,401)
Financing activities Net advances to Parent	(5,088,415)	(5,014,884)
	<u>(010001110</u>)	<u>(0101 1100 1</u>)
Effect of exchange rate changes on cash and		
cash equivalents	27,190	8,371
Net (decrease) increase in cash and cash equivalents	(2,890,137)	807,040
Cash and cash equivalents at beginning of year	4,291,932	3,484,892
Cash and cash equivalents at end of year	\$ <u>1,401,795</u>	\$ <u>4,291,932</u>
Supplemental disclosure of noncash activities:		
Cash naid during the year for		
Cash paid during the year for: Income taxes	\$ <u>2,570,400</u>	\$ <u>1,647,861</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - ORGANIZATION

FASTSIGNS International Inc. ("FII") sells franchises for the operation of retail establishments known as FASTSIGNS Centers in the United States, Canada, and the United Kingdom. The franchises operate primarily in the United States. FASTSIGNS International Pty Ltd ("FIP"), a wholly-owned Australian subsidiary, sells franchises for the operation of retail establishments known as SIGNWAVE in Australia. In addition, there are franchises in Brazil and Mexico. The FASTSIGNS franchise business specializes in providing visual communication solutions including signage, graphics, and promotional products, and related marketing and consulting services. As of December 31, 2012 and 2011, there were 530 and 523 franchised stores, respectively, in operation, both nationally and internationally.

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These consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). These consolidated financial statements include the balances of FII and FIP. All intercompany accounts and the effects of intercompany activity have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company maintains cash in financial institutions, which at times may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on such accounts. At December 31, 2012 and 2011, cash and cash equivalents includes \$580,616 and \$1,257,840, respectively, held in foreign bank accounts.

Financial Instruments

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of accounts and notes receivable related to royalties owed by franchisees. Credit risks with respect to royalty receivables are limited due to the large number of franchisees comprising the Company's franchisee base. The Company performs ongoing evaluations of the franchisees' financial condition and maintains allowances for potential credit losses which, when incurred, have been within the range of management expectations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable consist primarily of royalty billings to franchisees and are due within 30 days. Accounts receivable are stated at amounts net of an allowance for doubtful accounts. In order to estimate and assess the collectibility of accounts receivable, FII and FIP monitors the current creditworthiness of each franchisee and analyzes the aging of related past due balances. The allowance requirements are based on current facts, and the estimates are reevaluated and adjusted as additional information is obtained. Accounts receivable are written off through the allowance account when it is determined the receivable will not be collected. Accounts receivable may also be converted to notes receivable due from franchisees at the discretion of FII and FIP.

Changes in FII and FIP's combined allowance for doubtful accounts are as follows:

	December 31,	
	2012	2011
Beginning balance	\$ 632,889	\$ 403,285
Bad debt expense	125,478	442,837
Reallocate to (from) notes receivable reserve	163,507	(62,874)
Write-offs	<u>(178,786</u>)	<u>(150,359</u>)
Ending balance	\$ <u>743,088</u>	\$ <u>632,889</u>

Notes Receivable

Notes receivable are due from franchisees and bear interest at rates per annum ranging from 6% to 10%. The notes are generally secured by the assets of the related FASTSIGNS stores. The allowance for notes receivable was \$116,262 and \$234,605 as of December 31, 2012 and 2011.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is determined using the straight-line method over the shorter of the term of the lease or the estimated useful lives of the assets for financial reporting purposes. Maintenance and repairs are charged to expense as incurred.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the tangible and intangible net assets acquired. Intangible assets are recorded at their fair value at the date of acquisition. Under Accounting Standards Codification ("ASC") 350, *Intangibles, Goodwill and Other* (ASC 350), the Company determines if intangibles have a finite future life and should continue to be amortized, or an indefinite life not subject to amortization. Franchise agreements are being amortized using the straight-line method over their estimated average life of 10 years and are presented as other intangible assets in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Impairment of Goodwill

In accordance with ASC 350, the Company evaluates goodwill for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of goodwill exceeds its fair value. If it is determined that impairment has occurred, the goodwill is written down to its estimated net realizable value. No impairment was determined to have occurred during 2012 or 2011.

Income Taxes

The Company and Holding file a consolidated Federal tax return. The financial statements have been prepared as if the Company was a stand-alone tax payer.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Penalties and interest incurred are recognized in income tax expense.

Uncertain Tax Positions

The Company adopted new accounting principles on accounting for uncertain tax provisions in 2009. Under these principles, tax positions are evaluated in a two-step process. The Company first determines whether it is more-likely-than-not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not threshold it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense with a greater than 50 percent likelihood of being realized upon ultimate settlement.

Revenue Recognition

Royalty revenue is recognized based upon the reporting of gross sales to the Company by franchisees. Prior to 2011, royalty fees are stipulated by the franchise agreement and paid by franchisees based upon 5.5% to 6.0% of monthly gross sales, in almost all cases. Franchise agreements entered into during 2011 and 2012 specify that royalty fees paid by franchisees are based upon 3% of gross sales for the first year of operations, and 6% of gross sales thereafter in almost all cases.

The Company recognizes revenue from sales of franchises when the Company substantially completes its obligations under the franchise agreement. Amounts received from the franchisees prior to completion of its obligations under the franchise agreement are recorded as deferred revenue.

FII may grant the right to operate FASTSIGNS stores in a specific geographic territory. FIP may grant the right to operate SIGNWAVE stores in a specific geographic territory. The fee for this right is recognized as revenue ratably as stores within the territory are opened.

Training fees are recognized as revenue once the training seminar has been completed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising Costs

The Company expenses the costs of advertising when incurred. Advertising expense was \$346,478 and \$474,039 for the years ended December 31, 2012 and 2011, respectively.

Foreign Currency Transactions and Translations

The Company has franchises operating in foreign countries. The functional currency of FII is the United States dollar (USD), while the functional currency of FIP is the Australian dollar.

Foreign currency transactions are recorded at the exchange rate prevailing on the dates of transaction and the resulting exchange gains and losses on those foreign currency transactions are included in determining earnings for the period.

Assets and liabilities of foreign operations denominated in local currencies are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average rate of exchange during the applicable period. Adjustments resulting from translating foreign functional currency financial statements into USD are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income in shareholder's equity. There has been no significant fluctuation in exchange rate for a conversion to USD after the balance sheet date.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting for Share-Based Compensation

In accordance with ASC 718, *Compensation – Stock Compensation* (ASC 718), FII measures all share-based payments to employees, including employee stock options and stock appreciation rights (SARs), at their grant date fair values and recognizes the fair value as compensation expense in the applicable period. Because the stock options are provided by Holding to employees of FII, the compensation charge is included within FII's financial statements and all disclosures are provided as if these stock option plans were those of FII.

Contingencies

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management, based on consultation with counsel, that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

The Company evaluated its December 31, 2012 financial statements for subsequent events through April 1, 2013 the date the financials were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE C - RECEIVABLE FROM PARENT COMPANY

The receivable from the parent company is unsecured, bears no interest and is due on demand. The receivable is presented as a reduction of shareholder's equity.

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

	2012	2011
Furniture and equipment (3-5 years)	\$ 3,186,790	\$ 2,672,956
Leasehold improvements (life of lease)	<u>919,730</u>	<u>920,518</u>
-	4,106,520	3,593,474
Less: accumulated depreciation	<u>(2,387,531</u>)	<u>(2,016,195</u>)
Fixed assets, net	\$ <u>1,718,989</u>	\$ <u>1,577,279</u>

NOTE E - OTHER INTANGIBLE ASSETS

Other intangible assets consist of the following as of December 31:

	2012	2011
Franchise agreements Less: accumulated amortization	\$ 20,301,323 <u>(18,698,979</u>)	\$ 20,301,323 <u>(16,672,515</u>)
Other intangibles, net	\$ <u>1,602,344</u>	\$ <u>3,628,808</u>

Expected amortization for the years ending December 31, are as follows:

2013	\$1,526,466
2014	18,531
2015	16,569
2016	13,842
2017	<u>26,936</u>
Total amortization	\$ <u>1,602,344</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE F - COMMITMENTS

Operating Leases

The Company leases office space and training facilities under various noncancelable operating lease agreements. Rent expense under these and other leases was \$577,557 and \$486,999 for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012, future minimum payments under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

2013 2014 2015 2016	\$ 537,531 480,802 375,184 316,695
Thereafter	

 Total payments
 \$1,710,212

As of December 31, 2012, Saldon had outstanding under a credit agreement and subordinated note purchase agreements, approximately \$45,073,615. FII and FIP guarantee the credit agreement and subordinated note purchase agreements and substantially all assets serve as collateral under the terms of all agreements.

NOTE G - INCOME TAXES

The expense for income taxes consists of the following for the years ended December 31:

	2012	2011
Current: Federal State Foreign	\$2,601,214 183,584 <u>505,000</u>	\$ 3,117,748 (149,606)
Total current	3,289,798	2,968,142
Deferred: Federal State	(471,972) (89,549)	(1,136,393) <u>(133,675</u>)
Total deferred	<u>(561,521</u>)	<u>(1,270,068</u>)
Income tax expense	\$ <u>2,728,277</u>	\$ <u>1,698,074</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE G - INCOME TAXES - Continued

The tax effect of temporary differences that gave rise to deferred tax assets and liabilities consist of the following as of December 31:

	2012	2011
Deferred tax assets		
Allowance for doubtful accounts	\$ 326,549	\$ 315,964
Accrued compensation	201,023	89,968
Accrued management fees	39,717	428,003
Other accrued liabilities	-	148,500
Share-based compensation	166,755	125,049
Deferred rent	138,999	160,174
Deferred revenue	<u>231,037</u>	<u>210,050</u>
Total deferred tax assets	1,104,080	1,477,708
Deferred tax liabilities:		
Intangible assets	(559,075)	(1,318,616)
Depreciation	(66,490)	(167,782)
Otĥer	(17,506)	(37,829)
State and local taxes		<u>(53,993</u>)
Total deferred tax liabilities	<u>(643,071</u>)	<u>(1,578,220</u>)
Net deferred tax assets (liabilities)	\$ <u>461,009</u>	\$ <u>(100,512</u>)
Net current deferred tax assets	\$ 713,098	\$ 1,192,485
Net long-term deferred tax liabilities	(252,089)	<u>(1,292,997</u>)
Total net deferred tax assets (liabilities)	\$ <u>461,009</u>	\$ <u>(100,512</u>)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before taxes primarily due to state and foreign tax obligations, including the provision for uncertain tax positions, as described below.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company adopted the provisions for accounting for uncertainty in income taxes on January 1, 2009. As of December 31, 2012 and 2011, the Company has accrued approximately \$1,265,000 and \$720,000, respectively, to reserve for uncertain tax positions. As of December 31, 2012, the reserve for uncertain tax positions is inclusive of penalties and interest of approximately \$508,000. The Company has not yet settled any portion of the liability originally recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE H - RELATED PARTY TRANSACTIONS

FII performs certain bookkeeping and administrative services and allocates facility and supply resources to an advertising cooperative. Amounts reimbursed at cost related to these services were \$326,219 in 2012 and \$335,502 in 2011. For both 2012 and 2011, FII earned royalty revenue of 6% of the advertising cooperative's sales to parties other than FASTSIGNS franchises (the national accounts program or NAP). Royalty revenue earned from the cooperative under the NAP was \$508,573 in 2012 and \$442,667 in 2011. This advertising cooperative is for the sole benefit of the FASTSIGNS franchisees. Amounts receivable from the advertising cooperative were \$273,290 and \$270,472 at December 31, 2012 and 2011, respectively.

Holding has a management advisory and consulting services agreement with an affiliate of the Company. This agreement provides for consulting fees of \$460,800 in 2012 and \$461,202 in 2011, payable quarterly. The Company had accrued, but not yet paid, \$104,520 and \$1,126,335 of consulting fees as of December 31, 2012 and 2011, respectively.

NOTE I - SHARE-BASED COMPENSATION

Holding maintains a share-based payment plan ("Stock Option Plan") established in 2006. Holding has allotted a total of 1,500,000 shares to be issued under the Stock Option Plan. Holding granted 750,000 non-qualified stock options in 2006 and 250,000 non-qualified stock options in 2009 to certain employees. The 2009 option grant was replaced by a 2010 grant for the same number of stock options. Option grants have a contractual life of ten years, subject to certain conditions, and typically vest over 5 years based upon service and financial based thresholds. 20% of the service-based options typically vest each year over a five year period, and of the financial performance-based options, 20% are subject to vesting each year

Information with respect to options under these plans is as follows:

	Outstanding Options	Weighted Average Exercise Price
Total Options outstanding, December 31, 2010 Vested Exercised Forfeited	253,657 106,250 	\$0.42
Total Options outstanding, December 31, 2011 Vested Exercised Forfeited	359,907 59,375 (15,000) <u>(61,219</u>)	\$0.59
Total Options outstanding, December 31, 2012	<u>343,063</u>	\$ <u>0.72</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE I - SHARE-BASED COMPENSATION - Continued

The weighted-average exercise price and remaining contractual life of the 343,063 vested options outstanding at December 31, 2012 was \$0.72 and \$5.80 years, respectively.

The estimated fair value of options is amortized to compensation expense on the straight-line basis over the options' vesting period. FII's pre-tax compensation cost for share-based employee compensation was approximately \$38,000 (\$27,000 after tax effects) and \$106,250 (\$67,873 after tax effects) for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2012, FII has approximately \$50,000 of total unrecognized compensation cost related to nonvested awards granted under the Stock Option Plan that FII expects to recognize per a weighted-average period of 2 years.

NOTE J - EMPLOYEE BENEFIT PLAN

FII has a defined contribution plan structured under Section 401(k) of the Internal Revenue Code. Under the plan, contributions are made by eligible employees. The employees can elect to contribute up to 20% of their salary or \$16,500 in 2012 and 2011. FII's contributions are discretionary each year. During 2009, FII discontinued its policy to match employee contributions, which continued throughout 2010. Participants vest in FII's contributions according to the following schedule.

<u>Years of service</u>	Vesting <u>percentages</u>
1	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

The Company currently offers no other postretirement or postemployment benefits to its employees.

FASTSIGNS INTERNATIONAL, INC.

LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2013

EXHIBIT E

<u>EXHIBIT E</u>

LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2013

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Tonya Tomono Gary Tomono T & G, Inc. 1430 NW Glisan Portland, OR 97209 (503) 221-3917

Mark Smith Erin Preston Graymerson, Inc. 2290 Commercial St. SE, Suite 101 Salem, OR 97302 (503) 588-3278

Steve Brennock Brennock, Inc. 11525 SW Pacific Hwy. Tigard, OR 97223 (503) 244-8813

Pennsylvania

Jeff Wenck Kevin Wenck JES Enterprises, Inc. 700 North 13th Street Allentown, PA 18102 (610) 434-7353

Kevin Mengel K. Mengel Enterprises, Inc. 312 West Swedesford Road Berwyn, PA 19312 (610) 296-0400

Ernest Wright E. A. Wright, Inc. 1940 Main Avenue Conshohocken, PA 19428 (610) 834-8403 Steve Nave Lauren Nave Lindsay Nave Laurelind Corp. 620 N. Main St. Doylestown, PA 18901 (215)230-4737

Naomi Stutzman Daniel Stutzman Sign Here, Inc. 144 W. 12th St. Erie, PA 16501-1780 (814)453-6711

Kevin Mengel K. Mengel Enterprises, Inc. 307 E. Lincoln Hwy. Exton, PA 19341 (610) 280-6100

Pete Sepe PLS Signs, LLC 110 Lincoln Highway, Suite 9 Fairless Hills, PA 19030 (215) 269-1400

Jim Jubert Annette Jubert ATM Jubert Corporation 6044 Route 30 W., Suite 800 Greensburg, PA 15601 (724)691-0779

Jay Sensenig Lois Sensenig Decals and More, Inc. 10 E. Walter Ave. Greencastle, PA 17225 (717)593-0668

Angie Eddy Todd Taylor Signs Fast, LLC 4315 Johnstown Rd. Harrisburg, PA 17109 (717) 657-3800 Arthur Wynne Dianna Wynne Wynne Enterprises, LLC 121 Centerville Road Lancaster, PA 17603 (717) 569-7606

Ryan Bowman Brad Bruner B & B Signs & Graphics, Inc. 4713 Carlisle Pike Mechanicsburg, PA 17050 (717) 737-4467

Stephanie Carleton James T. Carleton Star Organization, Inc. 4051 William Penn Hwy. Monroeville, PA 15146 (412) 374-1420

Steve Nave Lauren Nave Lindsay Nave Laurelind Corp. 411 Doylestown Rd. Montgomeryville, PA 18936 (215) 368-5800

Sang Lee Hee-Sun Lee Creato Signs, Inc. Four Penn Center, Suite 104 1600 JFK Blvd Philadelphia, PA 19103 (215) 563-5254

Barb Belle-Plutko Norm Belle Sylvia Belle NMB Signs, Inc. 3021 Banksville Road Pittsburgh, PA 15216 (412) 344-5700

Robert Krohmaly Patricia Krohmaly 7425 Washington Ave. Pittsburgh, PA 15218 (412)271-4234 Bill Wellen Wellen Corporation 180 Shoemaker Rd., Unit B Pottstown, PA 19464 (484)624-4874

Alvaro Arnal Mary Jo Arnal Koroteo Investments, Inc. 205 Scranton Carbondale Hwy. Scranton, PA 18508 (570) 342-4422

Christopher Junkin C. R. Junkin, Inc. 164 Baltimore Pike Springfield, PA 19064 (610)543-7446

Brenda Stipanovich Ron Stipanovich Smart Signs and Graphics, Inc. 140 Morgantown St. Uniontown, PA 15401 (724)430-7446

Kevin Charapp Clykz Rose Marketing, Inc. 12029 Perry Hwy. Wexford, PA 15090 (724)933-6999

Adam Levine Michelle Levine GR8 Signs, Inc. 763 Kidder St. Wilkes Barre, PA 18702 (570) 824-7446

Lou Miele Rosemarie Miele L & M Music Company, Inc. 535 E. Third St. Williamsport, PA 17701 (570)567-7131 Clint Ehlers Christina Ehlers 100 Acre Ranch, LLC 1019-A Easton Road Willow Grove, PA 19090 (215) 830-9960

Lou Silverblank Silverhill, Inc. 5 E. Wynnewood Rd. Wynnewood, PA 19096 (610)642-7446

Jon Toy Crystal Toy Martin Rodgers Marguerite Rodgers Two Toys, Inc. 2801 East Market St York, PA 17402 (717)840-6400

Puerto Rico

Jose Corujo Teresa Cabellero Juan Rivera P.O.P. @ Your Needs, Corp. Ave. Degetau D-8 Caguas, PR 00725 (787)961-6446

Jose Corujo Teresa Cabellero Juan Rivera P.O.P. @ Your Needs, Corp. 136 Carr #2 KM 7.2 Guaynabo, PR 00966 (787)966-7446

South Carolina

Karen Miller Vision Quest of Charleston, Inc. 1655 Savannah Hwy., Ste. E Charleston, SC 29407 (843) 763-9400 Jim Bonniville 7124 Two Notch Road Columbia, SC 29223 (803) 736-7446

Gerry Brossard The Brossard Group, Inc. 252A Harbison Blvd. Columbia, SC 29212 (803) 781-9469

Rick Lenz Maria Lenz RAME Investments, Inc. 541 Haywood Rd. Greenville, SC 29607-1223 (864) 292-5000

Wes Snyder Snyder Enterprises, LLC 685 Robert M Grissom Parkway Myrtle Beach, SC 29577 (843) 916-4116

Ben Knight Elizabeth Knight Ben Knight & Associates South, LLC 2026 Cherry Rd. Rock Hill, SC 29732 (803) 980-7446

Peter Brushaber Constance Brushaber JMS Signs Co., Inc. 876 E. Main St. Spartanburg, SC 29302 (864) 585-7777

South Dakota

Sam Ryman Ash Grove Holdings, Inc. 709 S Minnesota Ave. Sioux Falls, SD 57104 (605) 357-0018

Tennessee

Scott Snoyer Snoyer Signs, LLC 5358 Mt. View Road Antioch, TN 37013 (615) 731-3700

Phil Bacon Cindy Bacon Bacon Enterprises, Inc. 3763 Powers Ct. Chattanooga, TN 37416 (423) 499-2227

Lincoln Barnard Connie Barnard B3 Company, LLC 2141 Wilma Rudolph, Suite H Clarksville, TN 37040 (931)919-2200

Mike Grosklaus KJ Ventures, Inc. 770-B S. Jefferson Cookeville, TN 38501 (931)854-9007

Larry Taylor TaylorMade Signs, Inc. 112 Saundersville Rd., Suite C-302 Hendersonville, TN 37075 (615)590-7526

Ric Davenport FSJC, Inc. 2708 North Roan Rd. Johnson City, TN 37601 (423) 282-4229

David Harter 7013 Kingston Pike Knoxville, TN 37919 (865) 558-0180

Chris Rose Rose Management Group, Inc. 834 Mount Moriah Rd. Memphis, TN 38117 (901) 682-3366 Chris Rose Rose Management Group, Inc. 1641 Union Avenue Memphis, TN 38104 (901) 725-7446

Bob Schneider Terry Schneider Look South Graphics, LLC 833 Memorial Blvd., Unit I Murfreesboro, TN 37129 (615)893-2888

Ron Dickson Dickson Enterprises, Inc. 2010 Glen Echo Road Nashville, TN 37215 (615) 385-3278

Texas

Michael & Laurie Goff Jerry Walker Corp. 2921 I-40 W., Suite 500 Amarillo, TX 79109 (806) 354-8788

Mayra Phillips Daniel Phillips Simda Service Corp. 1140 W Bardin Rd Ste 100 Arlington, TX 76017 (817) 557-1191

Chris Taylor Jean-Ann Taylor C.J. Taylor, Ltd. 2301 N. Collins, Suite 112 Arlington, TX 76011 (817) 261-3027

Luis Esocobar Karen Escobar SignCo Service Corporation 3010 S. Lamar, Suite B Austin, TX 78704 (512) 445-4220 Ron Felt Joy Felt Allsigns, a Texas partnership 8820 Burnet Road, Suite 504 Austin, TX 78757 (512) 454-9956

Ron Felt Joy Felt Allsigns, a Texas partnership 13497 N. Hwy. 183, Suite 301 Austin, TX 78750 (512) 258-5523

Russell Fontana DBT, Inc. 4108 N. Dowlen Beaumont, TX 77706 (409) 892-2300

Mark Glenn Shawn Glenn Glenn Equities, Inc. 2717 E. Beltline Rd. Suite 113 Carrollton, TX 75006 (972) 418-6779

Ron Felt Joy Felt 200 S. Bell Blvd., Suite E-3 Cedar Park, TX 78613 (512)335-7446

Kevin Brightwell Kristi Brightwell KB & KB Enterprises, Inc. 404 University Dr. E, Suite C College Station, TX 77840 (979) 764-7446

Chris Farr Lisa Farr Farrz, Inc. 206-H South Loop 336 W Conroe, TX 77304 (936) 539-3278 Bill & Beth Stockley BK-Stock, Inc. 1220 Airline Road Suite 170 Corpus Christi, TX 78412 (361) 991-7991

Bill Becker Mr. Sign, Inc. 2629 Oak Lawn Ave. Dallas, TX 75219 (214) 526-7446

Bill Becker Mr. Sign, Inc. 1305 Ross Ave., Suite 125 Dallas, TX 75202 (214) 880-7446

Bill Becker Mr. Sign, Inc. 7017 John W Carpenter Frwy Dallas, TX 75247 (214) 267-0600

Dustin Eshelbrenner David Eshelbrenner Eshel, Inc. 3107 Camp Wisdom Road Suite 210 Dallas, TX 75237 (214) 467-8200

April Gilliland Lane Harris Miriam Karp Signwave Corp. 10225 N. Central Expwy. Dallas, TX 75231 (214) 890-4444

Sarosh Nayar Janus Signs, Inc. 9203 Skillman, Suite 120 Dallas, TX 75243 (214) 503-1333 Chris Taylor Jean-Ann Taylor G. P. Taylor Enterprises, Ltd. 5920 Belt Line Rd., Suite 300 Dallas, TX 75254 (972) 239-7446

Chris Taylor Jean-Ann Taylor CTMM Management, LLC 2119 Sadau Ct. Denton, TX 76210 (940) 383-1785

Anna Duchene Steve Duchene Sand Signs, Inc. 4224 North Mesa, Suite F El Paso, TX 79902 (915) 532-2211

Monica Velasco Robert & Marie Hein Love Ewe, Inc. 1201 Airway, Suite D-3 El Paso, TX 79925 (915) 772-5700

Dan Boykin Sign It, Inc. 5601 Locke Ave., Suite 131 Ft. Worth, TX 76107 (817) 732-3278

Dan Boykin Sign It, Inc. 4947 S Hulen St. Ft. Worth, TX 76132 (817) 361-7997

Dan Boykin Sign It, Inc. 2400 Westport Parkway, Suite 900 Ft. Worth, TX 76177 (817) 439-1170 Rose Snell Roderick Snell 1611 South 77 Sunshine Strip Harlingen, TX 78550 (956) 428-0007

Richard Helmey RMH Asset Management, LLC 4810 Calhoun Rd., Suite 170 Houston, TX 77004 (713)741-5200

Joe Schrodi Peggy Schrodi Joey Schrodi Dominion Signs, Inc. 12817-D Gulf Freeway Houston, TX 77034 (281) 484-7007

Glenn & Martha Dodd Philip Dodd Helen & Scott Kutach Dodd Signs, Ltd. 10622 Northwest Frwy. Houston, TX 77092 (713) 680-1000

Glenn & Martha Dodd Philip Dodd Helen & Scott Kutach Signmart, Ltd. 6115 Westheimer Houston, TX 77057 (713) 914-9999

Dale Jackson Signmakers, Inc. 10612 Westheimer Houston, TX 77042 (713) 784-7446

Rajesh and Romola Parikh Graphic Signs, Inc. 3895-A Southwest Frwy Houston, TX 77027 (713) 942-9420 Rajesh Parikh Romola Parikh Nayana Bhakta Just Designs, Inc. 2929A Milam St. Houston, TX 77006 (713) 228-7446

Bob Heckeroth Bobby Heckeroth BTB Signs, Inc. 4650 FM 1960 West Houston, TX 77069 (281) 440-7446

David Tait 8373 Southwest Frwy. Houston, TX 77074 (713) 771-5586

Aman Khan Uzma Khan HRMR, LLC 258 FM 1960 E #A Humble, TX 77338 (281) 446-8500

Jeff Youngblood Cory Merchant Outstanding Graphic Solutions, Inc. 4070 N. Belt Line Rd., Suite 114 Irving, TX 75038 (972) 255-2022

Bob Heckeroth Bobby Heckeroth BTB Signs, LP 22511 Katy Freeway Katy, TX 77450 (281) 599-1111

Mitch Levine MLC Signs, LP 1306 W. Main St. Lewisville, TX 75067 (972) 420-8770 Kent Bilnoski Susan Bilnoski Gregg Sign Company 1713 NW Loop 281 Longview, TX 75604 (903) 291-8888

Mike Walker Jerry Walker Ben Leser Walker and Walker Enterprises, Inc. 4210 82nd St., #206 Lubbock, TX 79423 (806) 793-9796

Rose Snell Rod Snell Huntington Sky Production, Ltd. 4117 North 10th Street McAllen, TX 78504 (956) 618-1800

Greg Bass Margaret Bass Festivus Enterprises, Inc. 401 S Central Expy., Suite 101 McKinney, TX 75070 (469)742-0425

Jim Cochran Chris Taylor JCCT Management, LLC 1765 N. Town East Blvd. #153 Mesquite, TX 75150 (972) 613-1111

Michael Hogue Lana Hogue Hogue Partnership, LP 4410 North Midkiff Rd., Suite C-3 Midland, TX 79705 (432) 520-0491

Imran Khan Ayaz Khan I.K. Enterprises, Inc. 6832-B Spencer Hwy. Pasadena, TX 77505 (281)487-9000 Stephen J. Palmer S. J. Palmer & Co., Inc. 1915 N. Central Expy., #900 Plano, TX 75075 (972) 881-7446

Stephen J. Palmer S.J. Palmer & Co., Inc. 8100 Dallas Parkway #109 Plano, TX 75024 (972) 712-7500

Dan Boykin Sign Works, Inc. 3100 Handley Ederville Rd., Ste. C Richland Hills, TX 76118 (817) 589-9988

Rosalinda Martinez Mario Martinez 334 W. Highland Blvd. San Angelo, TX 76903 (325)227-4826

Christine Knight Knight Ventures, Inc. 10029 San Pedro Ave. San Antonio, TX 78216 (210) 348-5629

Larry Nelson Caroline Nelson LCN Signs, LLC 10008 Wurzbach Road San Antonio, TX 78230 (210) 697-7446

Melanie Upton Tony Upton 10008 Wurzbach Rd. San Antonio, TX 78230 (210)697-7446

Ron West Virginia West Ronvac Corporation 5253 Walzem Road #3 San Antonio, TX 78218 (210) 655-3278 Todd Bass Jessica Bass THYKE, Inc. 1916 N. Grand Ave. Sherman, TX 75090 (903)893-7446

Steve Miller Millers' Sign, Inc. 2315 E Southlake Blvd. Suite 102 Southlake, TX 76092 (817) 329-5544

David Tait 13444 Southwest Frwy., Suite 3 Sugar Land, TX 77478 (281) 491-7446

Keith Maynard Sharon Maynard 3745 Mall Dr. Texarkana, TX 75501 (903)831-7446

Daniel Nichols Charles Nichols CDSigns of the Woodlands, Inc. 26311 Interstate 45 The Woodlands, TX 77380 (281)292-6059

Kristin McCarty Richard B. McCarty, Inc. 1813 Capital Dr., Suite 400 Tyler, TX 75701 (903)561-5300

Brent Huse Michelle Huse Red Bird Digital Media, LLC 5184 West Waco Dr. Waco, TX 76710 (254)751-7446 Joe Schrodi Peggy Schrodi Joey Schrodi Dominion Signs, Inc. 563 West Bay Area Blvd. Webster, TX 77598 (281) 338-6800

<u>Utah</u>

Mark Kramer Angela Kramer Signs of Fortune, LLC 6570 S State Street Murray, UT 84107 (801) 261-3000

Mike Bennion Stephanie Bennion 5376 S. Freeway Park Dr. Ogden, UT 84405 (801)668-5215

Asher Henrie Hayley Henrie Hayash, LLC 255 W. 1230 N Provo, Utah 84604 (801) 373-0600

Mark Kramer Angela Kramer Signs of Fortune, LLC 675 E. 2100 South St. Salt Lake City, UT 84106 (801) 467-9944

<u>Virginia</u>

Howard Newman Positive Signs, LLC 7611-A Richmond Highway Alexandria, VA 22306 (703) 768-7446

Hank Bharmal Amera Bharmal Danzo, LLC 5852 Washington Blvd., Suite 4 Arlington, VA 22205 (703) 532-8602 Joseph Smith Dwiggins Corporation 1424 N. Battlefield Blvd. Chesapeake, VA 23320 (757) 366-0066

James Burke Cleopatra Burke Today's Signs, Inc. 9974 Main Street Fairfax, VA 22031 (703) 352-6200

Ed Fagenson William Sroka Signrush, Inc. 4500 Plank Rd., Suite 1020 Fredericksburg, VA 22407 (540) 548-0028

Chuck Manns Lori Manns Riverland, Inc. 13968 Park Center Road Herndon, VA 20171 (703) 435-8807

Noor Jarral Asma Sultana T.J. Business Solutions, Inc. 7612 Stream Walk Lane Manassas, VA 20109 (703)392-7446

Chuck Manns Lori Manns Riverland, Inc. 1980 Chain Bridge Road McLean, VA 22102 (703) 760-9300

Roger Noack Jean Noack JNR Partners 2000 Colonial Ave., Unit 11 Norfolk, VA 23517 (757) 274-3344 Ed Fagenson William Sroka Signrush, Inc. 10869 W. Broad Street Richmond, VA 23060 (804) 270-7446

Ed Fagenson William Sroka SignRush, Inc. 532 E. Main Street Richmond, VA 23219 (804) 644-7446

Ed Fagenson William Sroka Signrush, Inc. 10435 Midlothian Turnpike Richmond, VA 23235 (804) 272-7446

Ed Fagenson William Sroka Signrush, Inc. 6213 W. Broad St. Richmond, VA 23230 (804) 282-7446

Bill Jones Mary Ann Jones J & A, Inc. 3232 Electric Road SW, Suite 402 Roanoke, VA 24018 (540) 989-7874

Bill Jones Mary Ann Jones J & A, Inc. 146 W. 4th St. Salem, VA 24153-5035 (540) 389-6691

Randall Belknap Ridgemont, LLC 6715-B Backlick Rd. Springfield, VA 22150 (703)913-5300 Bill Forbes Sharon Forbes W & S Forbes, Inc. 2716 Virginia Beach Blvd. Virginia Beach, VA 23452 (757) 498-7446

Roger Noack Jean Noack JNR Partners 4724 Virginia Beach Blvd. Virginia Beach, VA 23462 (757) 499-3344

Bryan Quick Tracey Quick Quick Designs, LLC 2605 S. Pleasant Valley Rd. Suite 100 Winchester, VA 22601 (540)450-0750

Patricia Crouch George Crouch Barbara Hope Gourmet Kitchen Tools, Inc. 1215H Geo Washington Mem. Hwy. Suite H Yorktown, VA 23693 (757) 595-3278

Washington

Scott Juetten Rochelle Juetten SR Ventures, Inc. 13279 NE 20th Street Bellevue, WA 98005 (425) 746-4151

Timothy Harlow Karen Harlow Joy Berry Timkar Enterprises, Inc. 7404 Evergreen Way, Suite A Everett, WA 98203 (425) 438-9350 Claudia Mizukami Hayai Kanban, Inc. 34930 Enchanted Pkwy., #170 Federal Way, WA 98003 (253) 835-9450

Jeff Lembcke Debra Lembcke 1409 N. Pittsburgh, Suite A Kennewick, WA 99336 (509) 735-0708

Sam Spiller Gina Spiller Spiller Corporation 7825 S. 180th St. Kent, WA 98032 (206) 575-2110

Gregory Shugarts Barking Dog, Inc. 12004 NE 85th Street Kirkland, WA 98033 (425) 822-6542

John Niemi Linda Niemi Loewen Group, LLC 2921 Alderwood Mall Blvd. Suite 104 Lynnwood, WA 98036 (425)775-9709

Grace Kendall T"N"T Signs, Inc. 4127 Pacific Avenue Olympia, WA 98503 (360) 438-3800

Scott Holmes Holmes Capital, Inc. 12700 Aurora Ave., Suite A Seattle, WA 98133 (206) 368-7331

Lance Holmes Kristin Holmes Holmes LKK, Inc. 1515 9th Ave., Suite 4 Seattle, WA 98101 (206) 682-2129 James Pike Jessica Lee Pike-Lee Investment Properties, LLC 6323 35th Ave. SW Seattle, WA 98126 (206)577-4077

Jackie Jones Kyle Jones Harold Kimball KJJ Enterprises, Inc. 9460 Silverdale Way Silverdale, WA 98383-8343 (360) 692-1660

Richard Cole Dina Cole Graphic Art Productions, Inc. 4808 E. Sprague Ave., Suite 200 Spokane, WA 99212 (509)536-3278

Kyle Jones Jackie Jones Harold Kimball KJJ Enterprises, Inc. 2520 South 38th Street Tacoma, WA 98409 (253) 474-6607

Teresa Kung Barry Leung A Good Sign, LLC 14415 SE Mill Plain Blvd., Suite 114B Vancouver, WA 98684 (360)567-3313

West Virginia

Kent Harwell Rosemary Harwell Harwell Properties, Inc. 5137 MacCorkle Ave SW South Charleston, WV 25309 (304) 766-9280

Wisconsin

Douglas and Linda Brauer Brauer and Brauer, Inc. 135 S. Casaloma Dr. Appleton, WI 54914 (920) 954-9778

Ross Marchand Doug Brauer Wes Snyder BSM of Green Bay, Inc. 2815 South Oneida Street Green Bay, WI 54304 (920) 490-9800

Patrick Yates Yates & Associates, LLC N91W17271 Appleton Ave., Suite #3 Menomonee Falls, WI 53051 (262) 253-0799

Dave Dushek Design Wizards, LLC 6101 Odana Rd. Madison, WI 53719 (608) 276-7446

Al Bolat AN NAS LLC 2831 E. Washington Ave. Madison, WI 53704 (608)238-3525

James Gaulke Susan Gaulke TFG Ventures, Inc. 7444 West Holmes Ave. Milwaukee, WI 53220 (414) 281-2553 Robert Schmit Stacy Schmit Signs One, Inc. 5318 N. Port Washington Milwaukee, WI 53217 (414) 963-4980

Joe Milanowski Karen Milanowski MADA Embroidery & Screen Printing 5533 Clems Way Stevens Point, WI 54482 (714)341-1773

Don Evenson Mary Evenson Evenson Sign Corp. 861 North Mayfair Wauwatosa, WI 53226 (414) 475-7446

EXHIBIT F-1

LIST OF FRANCHISEES THAT HAVE SIGNED A FRANCHISE AGREEMENT BUT HAVE NOT YET OPENED CENTER AS OF DECEMBER 31, 2013

<u>California</u>

*Victoria Lakers-Crane Jason Crane 1200 Broadway New York, NY 10001 (646)339-5497

*Kamran Ravon Next Marketing Solutions Corp. 104 Kathy Ct. Los Gatos, CA 95032 (408)685-3337

*Stan Gray Virginia Gray 4119 Artesia Blvd. Torrance, CA 90504 (645)275-9440

<u>Florida</u>

*Stacey Alexander Ernest Alexander 13720 Springer Lane Tampa, FL 33625 (813)969-3525

Maryland

*Eric Kriemelmeyer 12450 Whisper Creek Ct. Charlotte Hall, MD 20622 (301)848-1294

Massachusetts

*Tony DiSalvo Janette DiSalvo 3 Upland Way Marion, MA 02738 (508)538-1550

New York

*Todd Fitzgerald Shawn Fitzgerald Glenn & Elaine Fitzgerald 300 Plaza Rd. Kingston, NY 12401 (845)331-3141

*Richard Bult 1107 Fair Oaks Ave., #221 S. Pasadena, CA 91030 (518)441-7256

<u>Ohio</u>

*Tob Coss Mary Ann Coss 6015 McClelland Ct. Wadsworth, OH 44281 (330)239-4549

South Carolina

Woody Poole Milton Guerrero United Military Marketing, LLC 2080 Northbrook Blvd. (843)718-3317

South Dakota

*Tom Roberts Lori Roberts 303 E. Sioux Ave., Box 100 Pierre, SD 57501 (605)224-9999

Texas

*Solaman Rasul Mariam Rasul Qayeum Rasul Huma Rasul 943 Mazatlan Dr. Arlington, TX 76002 (817)435-3029

*Lucus Fernandez Imagraphics, LLC 823 Congress, Suite 125 Austin, Tx 78701 (512)328-5373

EXHIBIT F-2

LIST OF FRANCHISEES THAT HAVE CEASED TO DO BUSINESS UNDER THEIR AGREEMENTS OR THAT HAVE OTHERWISE LEFT THE SYSTEM AS OF DECEMBER 31, 2013

<u>Arizona</u>

Jim Sloan Terry Sloan Scottsdale, AZ (480)284-4085

California

Richard Freeborg Victorville, CA (760)559-2905

Ed Koop Amy Cecchini Sacramento, CA (916)749-3399

Maryland

Tony Creamer Elizabeth Creamer New Carrollton, MD (301)627-2637

New Jersey

William J. Courtney William T. Courtney Woodbridge, NJ (908)534-9593

<u>Ohio</u>

Michael Thatcher Lynn Thatcher Hillard, OH (614)861-9092

Texas

Brandon Moore Marvin Thrasher Tyler, TX (214)704-1751

EXHIBIT F-3

LIST OF FRANCHISEES AND DEVELOPERS THAT HAVE LEFT THE SYSTEM DUE TO RESELLING THEIR CENTER AS OF DECEMBER 31, 2013

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

<u>Arizona</u>

David Lamb Karen Lamb Mesa, AZ (480)357-9544

California

James Lee Grace Lee Vista, CA (760)804-9359

<u>Florida</u>

Jeff Herig Joan Herig Tallahassee, FL (850)668-5093

Georgia

Tony Martin Kennesaw, GA (404)422-3958

Indiana

Del Ruesch Indianapolis, IN (317)575-1049

<u>Kansas</u>

Jerry Goldstein Triple Delight, Inc. Overland Park, KS (913)814-0202

Maryland

Ron Sillaman Anne Sillaman Baltimore, MD (410)991-4138

<u>Michigan</u>

Gregory Woelfel Sue Woelfel Framington Hills, MI (313)459-2353

<u>Minnesota</u>

Wayne Dziubinski Minneapolis, MN (952)829-0241

New Jersey

Linda Specht Scott Specht LAS Enterprises, LLC East Hanover, NJ (908)221-0516 Mark Esposito Dean Esposito Marlton, NJ (856) 981-1266

New York

Tristan Welling Dan Ralph Doug Geraci Wappingers Falls, NY (845)565-1288

North Carolina

Steve Moore Wilmington, NC (910)452-2758

<u>Ohio</u>

Wayne Beisner Dayton, OH (937)335-8683

Pennsylvania

Selman Lazofsky Andrea Lazofsky Fairless Hills, PA (215)219-4970

Albert Hall Ann Marie Hall Lancaster, PA (717)333-1565

Mark Hansberry Lillian Hansberry Willow Grove, PA (215)366-5292

South Carolina

AB Morrow Betty Morrow Myrtle Beach, SC (406)202-3997

Tennessee

Michael Torda Karen Torda Johnson City, TN (423)538-0453

Texas

Joseph Johnston Joe Johnston Denton, TX (972)837-4510

FASTSIGNS INTERNATIONAL, INC.

CONFIDENTIALITY AGREEMENT

EXHIBIT "G"

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is made and entered into this _____ day of _____, 20__, between FASTSIGNS International, Inc., a Texas corporation ("Franchisor") and _____ ("Covenantor").

RECITALS

Franchisor has developed comprehensive system for the promotion, development and operation of businesses ("Centers") which specialize in the selling, marketing, producing and installing visual communications including signs (both non-electrical and electrical), graphics, banners, flags, vehicle graphics, vehicle wraps, ADA signage, compliance signs, dimensional letters, dimensional signage, ready-to-apply lettering, decals and labels, exhibits, trade show and other displays, digital imaging, printing (including small format, large format, grand format and 3D), advertising and promotional products (including wearables), electronic or digital signage, 2D barcodes, websites (both regular and mobile-optimized), logo/artwork design and illustration, product wraps and other related graphics, marketing services and complementary products and services that (the "FASTSIGNS System" or "System"), under the marks "FASTSIGNS", "FASTSIGNS", "More Than Fast. More Than Signs.", The One Day Sign & Lettering Experts", "FASTSIGNS, For A Quality Sign That's Right. On Time", "Quality Signs. Done Right. On Time.", "Sign & Graphic Solutions Made Simple", "From Concept To Completion" and other marks and indicia or origin.

Confidential, proprietary information and various trade secrets of Franchisor pertaining to the System and to the establishment and operation of Centers (collectively, "Confidential Information") is included in Franchisor's Operations Manuals (the "Manuals").

The Confidential Information provides economic advantages to Franchisor and its franchisees and developers under the System and is not generally known to, nor readily ascertainable by proper means by, Franchisor's competitors who could obtain economic benefits from knowledge and use of the Confidential Information.

Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information, including, without limitation, controlling access to the Manuals.

Covenantor wishes to acquire, or owns an interest in an entity which wishes to acquire, the right to operate and/or develop one or more Centers and, accordingly, desires to conduct an investigation of the System in order to determine whether to enter into such transaction (the "Transaction") with Franchisor.

Franchisor desires to permit Covenantor to view the Manuals in connection with its investigation of the System for the limited purpose herein stated.

Franchisor and Covenantor agree on the importance of restricting the use, access and dissemination of the Confidential Information contained in the Manuals.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. <u>Confidentiality Agreement</u>. Franchisor shall permit Covenantor to view the Manuals for the sole purpose of investigating the Transaction. In consideration of the opportunity to view the Manuals and obtain access to the Confidential Information, Covenantor hereby agrees

a. That Covenantor shall receive and at all times maintain the Confidential Information in confidence and shall not use the Manuals or the Confidential Information for any purpose except to carry out its investigation of the Transaction. In addition, Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information, nor shall Covenantor make copies of any part of the Manuals or of the Confidential Information.

b. As used herein, "Confidential Information" shall mean the Manuals and all information contained therein.

c. Confidential Information shall not include information that the Covenantor previously obtained from the Franchisor, information that becomes known to the public through no fault of the Covenantor, information that becomes known to the Covenantor from a third party that has a lawful right to disclose the information, information that was public knowledge prior to the disclosure of the information to the Covenantor and information independently created by the Covenantor.

2. <u>Ownership</u>. Covenantor acknowledges that the Manuals and the Confidential Information are solely owned by Franchisor and that this Agreement shall not grant to Covenantor any rights in or to the Manuals or the Confidential Information except the limited right to view the Manuals and the Confidential Information to investigate the Transaction.

3. <u>Miscellaneous</u>.

a. Covenantor agrees that in the event of a breach of this Agreement, Franchisor 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 any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, to a temporary and/or permanent injunction 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.

b. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor in enforcing this Agreement.

c. Any failure by Franchisor to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

d. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT COVENANTOR HEREBY REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES. IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURTS FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING **RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS;** PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE **RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN** ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

e. 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 any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

f. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties. g. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, electronic mail (provided that the sender receives confirmation that the e-mail has been delivered) facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after 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.

If directed to Franchisor, the notice shall be addressed to: FASTSIGNS International, Inc. 2542 Highlander Way Carrollton, Texas 75006-2333 Attn: Law Department Facsimile No. (214) 346-5793

If directed to Covenantor, the notice shall be addressed to:

Attention:		
Facsimile:		

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by electronic mail, telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day.

h. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The obligations of Covenantor hereunder may not be assigned by Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

FASTSIGNS INTERNATIONAL, INC., a Texas corporation

ATTEST:		
	By:	
	Name:	
Witness	Title:	
	COVENANTOR:	
	By:	
Witness	Name:	

FASTSIGNS INTERNATIONAL, INC.

GENERAL RELEASE

EXHIBIT "H"

GENERAL RELEASE

Franchisee releases and discharges Franchisor, all of its corporate affiliates and any and all of its predecessors and assigns from any and all claims, demands, actions and rights of action, suits, debts, covenants, contracts, controversies, promises, claims and demands whatsoever, Franchisee ever had, now has, or may hereafter have arising out of or resulting in any manner from the Franchise Agreement or the conduct of Franchisor or Franchisor's employees, agents or representatives.

Franchisee represents that execution hereof is free and voluntary; that no inducements, threats, representations or influences of any kind were made or exerted by or on behalf of Franchisor.

This shall be binding upon Franchisee and the heirs, legal representatives, successors and assigns of Franchisee.

IN WITNESS WHEREOF, the parties hereto have duly executed this Release on the _____ day of _____, 20__.

Franchisee:

By_____

Title

FASTSIGNS INTERNATIONAL, INC.

PROMISSORY NOTE (INDIRECT FINANCING)

EXHIBIT "I"



U.S. Small Business Administration

SBA Loan #	
SBA Loan Name	
Date	
Loan Amount	
Interest Rate	
Borrower	
Operating Company	
Lender	

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount of

Dollars,

interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

"Collateral" means any property taken as security for payment of this Note or any guarantee of this Note.

"Guarantor" means each person or entity that signs a guarantee of payment of this Note.

- "Loan" means the loan evidenced by this Note.
- "Loan Documents" means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.
- "SBA" means the Small Business Administration, an Agency of the United States of America.

3. PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

4. DEFAULT:

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

- A. Fails to do anything required by this Note and other Loan Documents;
- B. Defaults on any other loan with Lender;
- C. Does not preserve, or account to Lender's satisfaction for, any of the Collateral or its proceeds;
- D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
- E. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
- F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
- G. Fails to pay any taxes when due;
- H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
- I. Has a receiver or liquidator appointed for any part of their business or property;
- J. Makes an assignment for the benefit of creditors;
- K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
- L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
- M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.
- 5. LENDER'S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

- A. Require immediate payment of all amounts owing under this Note;
- B. Collect all amounts owing from any Borrower or Guarantor;
- C. File suit and obtain judgment;
- D. Take possession of any Collateral; or
- E. Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

6. LENDER'S GENERAL POWERS:

Without notice and without Borrower's consent, Lender may:

- A. Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses;
- B. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
- C. Release anyone obligated to pay this Note;
- D. Compromise, release, renew, extend or substitute any of the Collateral; and
- E. Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS:

Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

- A. All individuals and entities signing this Note are jointly and severally liable.
- B. Borrower waives all suretyship defenses.
- C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
- D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
- E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
- F. If any part of this Note is unenforceable, all other parts remain in effect.
- G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. STATE-SPECIFIC PROVISIONS:

11. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.



U.S. Small Business Administration

UNCONDITIONAL GUARANTEE

SBA Loan #	
SBA Loan Name	
Guarantor	
Borrower	
Lender	
Date	
Note Amount	

I. GUARANTEE:

Guarantor unconditionally guarantees payment to Lender of all amounts owing under the Note. This Guarantee remains in effect until the Note is paid in full. Guarantor must pay all amounts due under the Note when Lender makes written demand upon Guarantor. Lender is not required to seek payment from any other source before demanding payment from Guarantor.

2. NOTE:

The "Note" is the promissory note dated ______ in the principal amount of

Dollars,

from Borrower to Lender. It includes any assumption, renewal, substitution, or replacement of the Note, and multiple notes under a line of credit.

3. DEFINITIONS:

"Collateral" means any property taken as security for payment of the Note or any guarantee of the Note.

"Loan" means the loan evidenced by the Note.

"Loan Documents" means the documents related to the Loan signed by Borrower, Guarantor or any other guarantor, or anyone who pledges Collateral.

"SBA" means the Small Business Administration, an Agency of the United States of America.

4. LENDER'S GENERAL POWERS:

Lender may take any of the following actions at any time, without notice, without Guarantor's consent, and without making demand upon Guarantor:

- A. Modify the terms of the Note or any other Loan Document except to increase the amounts due under the Note;
- B. Refrain from taking any action on the Note, the Collateral, or any guarantee;
- C. Release any Borrower or any guarantor of the Note;
- D. Compromise or settle with the Borrower or any guarantor of the Note;
- E. Substitute or release any of the Collateral, whether or not Lender receives anything in return;
- F. Foreclose upon or otherwise obtain, and dispose of, any Collateral at public or private sale, with or without advertisement;
- G. Bid or buy at any sale of Collateral by Lender or any other lienholder, at any price Lender chooses; and
- H. Exercise any rights it has, including those in the Note and other Loan Documents.

These actions will not release or reduce the obligations of Guarantor or create any rights or claims against Lender.

5. FEDERAL LAW:

When SBA is the holder, the Note and this Guarantee will be construed and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Guarantee, Guarantor may not claim or assert any local or state law against SBA to deny any obligation, defeat any claim of SBA, or preempt federal law.

6. RIGHTS, NOTICES, AND DEFENSES THAT GUARANTOR WAIVES:

To the extent permitted by law,

- A. Guarantor waives all rights to:
 - 1) Require presentment, protest, or demand upon Borrower;
 - 2) Redeem any Collateral before or after Lender disposes of it;
 - 3) Have any disposition of Collateral advertised; and
 - 4) Require a valuation of Collateral before or after Lender disposes of it.
- B. Guarantor waives any notice of:
 - 1) Any default under the Note;
 - 2) Presentment, dishonor, protest, or demand;
 - 3) Execution of the Note;
 - 4) Any action or inaction on the Note or Collateral, such as disbursements, payment, nonpayment, acceleration, intent to accelerate, assignment, collection activity, and incurring enforcement expenses;
 - 5) Any change in the financial condition or business operations of Borrower or any guarantor;
 - 6) Any changes in the terms of the Note or other Loan Documents, except increases in the amounts due under the Note; and
 - 7) The time or place of any sale or other disposition of Collateral.
- C. Guarantor waives defenses based upon any claim that:
 - 1) Lender failed to obtain any guarantee;
 - 2) Lender failed to obtain, perfect, or maintain a security interest in any property offered or taken as Collateral;
 - 3) Lender or others improperly valued or inspected the Collateral;
 - 4) The Collateral changed in value, or was neglected, lost, destroyed, or underinsured;

- 5) Lender impaired the Collateral;
- 6) Lender did not dispose of any of the Collateral;
- 7) Lender did not conduct a commercially reasonable sale;
- 8) Lender did not obtain the fair market value of the Collateral;
- Lender did not make or perfect a claim upon the death or disability of Borrower or any guarantor of the Note;
- 10) The financial condition of Borrower or any guarantor was overstated or has adversely changed;
- 11) Lender made errors or omissions in Loan Documents or administration of the Loan;
- 12) Lender did not seek payment from the Borrower, any other guarantors, or any Collateral before demanding payment from Guarantor:
- 13) Lender impaired Guarantor's suretyship rights;
- 14) Lender modified the Note terms, other than to increase amounts due under the Note. If Lender modifies the Note to increase the amounts due under the Note without Guarantor's consent, Guarantor will not be liable for the increased amounts and related interest and expenses, but remains liable for all other amounts;
- 15) Borrower has avoided liability on the Note; or
- 16) Lender has taken an action allowed under the Note, this Guarantee, or other Loan Documents.

7. DUTIES AS TO COLLATERAL:

Guarantor will preserve the Collateral pledged by Guarantor to secure this Guarantee. Lender has no duty to preserve or dispose of any Collateral.

8. SUCCESSORS AND ASSIGNS:

Under this Guarantee, Guarantor includes heirs and successors, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

- A. ENFORCEMENT EXPENSES. Guarantor promises to pay all expenses Lender incurs to enforce this Guarantee, including, but not limited to, attorney's fees and costs.
- B. SBA NOT A CO-GUARANTOR. Guarantor's liability will continue even if SBA pays Lender. SBA is not a coguarantor with Guarantor. Guarantor has no right of contribution from SBA.
- C. SUBROGATION RIGHTS. Guarantor has no subrogation rights as to the Note or the Collateral until the Note is paid in full.
- D. JOINT AND SEVERAL LIABILITY. All individuals and entities signing as Guarantor are jointly and severally liable.
- E. DOCUMENT SIGNING. Guarantor must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
- F. FINANCIAL STATEMENTS. Guarantor must give Lender financial statements as Lender requires.
- G. LENDER'S RIGHTS CUMULATIVE, NOT WAIVED. Lender may exercise any of its rights separately or together, as many times as it chooses. Lender may delay or forgo enforcing any of its rights without losing or impairing any of them.
- H. ORAL STATEMENTS NOT BINDING. Guarantor may not use an oral statement to contradict or alter the written terms of the Note or this Guarantee, or to raise a defense to this Guarantee.
- I. SEVERABILITY. If any part of this Guarantee is found to be unenforceable, all other parts will remain in effect.
- J. CONSIDERATION. The consideration for this Guarantee is the Loan or any accommodation by Lender as to the Loan.

10. STATE-SPECIFIC PROVISIONS:

11. GUARANTOR ACKNOWLEDGMENT OF TERMS.

Guarantor acknowledges that Guarantor has read and understands the significance of all terms of the Note and this Guarantee, including all waivers.

12. GUARANTOR NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated as Guarantor under this Guarantee.

FASTSIGNS INTERNATIONAL, INC.

SECURITY AGREEMENT (INDIRECT FINANCING)

EXHIBIT "J"

SECURITY AGREEMENT - COMMERCIAL

This Security Agreement - Commercial ("Security Agreement") is executed, made and delivered this ______ by ______ (herein the "Debtor"), whose address is

	- •	
, for the benefit of	(the "Secured Party"),	whose address is

FOR VALUE RECEIVED, the receipt, adequacy and sufficiency of which are hereby acknowledged, Debtor grants to Secured Party the security interest (and the pledges and assignments as applicable) hereinafter set forth and agrees with Secured Party as follows:

A. <u>OBLIGATIONS SECURED</u>. The security interest and pledges and assignments as applicable granted hereby are to secure punctual payment and performance of the following (i) a certain promissory note from _______, the ("Borrower") of even date herewith in the original principal sum of ________, the ("Borrower") of even date herewith in the original principal any and all extensions, renewals, modifications and rearrangements thereof; and (ii) any and all other indebtedness, liabilities and obligations whatsoever of Debtor to Secured Party whether direct or indirect, absolutely or contingent, primary or secondary, due or to become due and whether now existing or hereafter arising and howsoever evidenced or acquired, whether joint or several, or joint and several (all of which are herein separately and collectively referred to as the "Obligations"). Debtor acknowledges that the security interest hereby granted shall secure all future advances as well as any and all other indebtedness, liabilities and obligations of Debtor to Secured Party whether now in existence or hereafter arising.

B. <u>USE OF COLLATERAL</u>. Debtor represents, warrants and covenants that the Collateral will be used by the Debtor primarily for business, commercial, or other similar purposes.

C. <u>DESCRIPTION OF COLLATERAL</u>. Debtor hereby grants to Secured Party a security interest in (and hereby pledges and assigns as applicable) and agrees that Secured Party shall continue to have a security interest in (and a pledge and assignment of, as applicable), the following property:

All Accounts. A security interest in all accounts now owned or existing as well as any and all that may hereafter arise or be acquired by Debtor, and all the proceeds and products thereof, including without limitation, all notes, drafts, acceptances, instruments and chattel paper arising therefrom, and all returned or repossessed goods arising from or relating to any which accounts, or other proceeds of any sale or other disposition of inventory.

All Inventory. A security interest in all of Debtor's inventory, including all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property, wheresoever located, now owned or hereafter acquired and held for sale or lease or furnished or to be furnished under contracts for service or used or consumed in Debtor's business, and all additions and accessions thereto, and all leases and contracts with respect thereto, and all documents of title evidencing. or representing any part thereof, and all products and proceeds thereof, whether in the possession of the Debtor, warehouseman, bailee, or any other person.

All Equipment, Furniture, Fixtures and other Tangible Property. A security interest in all equipment, furniture, fixtures and other tangible property of every nature and description whatsoever, now owned or hereafter acquired by Debtor, including all appurtenances and additions thereto, and substitutions therefor and replacement thereof, wheresoever located, including all tools, parts and accessories used in connection therewith and including but not limited to the collateral listed on Exhibit A" attached hereto.

General Intangibles. A security interest in all general intangibles and other personal property now owned or hereafter acquired by Debtor other than goods, accounts, chattel paper, documents or instruments.

Chattel Paper. A security interest in all of Debtor's interest under chattel paper, lease agreements and other instruments or documents, whether now existing or owned by Debtor or hereafter arising or acquired by Debtor, evidencing both a debt and security interest in or lease of specific goods.

Instruments. A pledge and assignment of and security interest in all of Debtor's Instruments now owned or existing as well as hereafter acquired or arising instruments and documents.

The term "Collateral" as used in this Agreement shall mean and include, and the security interest (and pledge and assignment as applicable) shall cover, all of the foregoing property, as well as any accessions, additions and attachments thereto, and the proceeds and products thereof, including without limitation, all cash, general intangibles, accounts, inventory, equipment, fixtures, farm products, notes, drafts, acceptances, securities, instruments, chattel paper, insurance proceeds payable because of loss or damage, or other property, benefits or rights arising therefrom, and in and to all returned or repossessed goods arising from or relating to any of the property described herein or other proceeds of any sale or other disposition of such property.

As additional security for the punctual payment and performance of the Obligations, and as part of the Collateral, Debtor hereby grants to Secured Party a security interest in, and a pledge and assignment of, any and all money, property, deposit accounts, accounts, securities, documents, chattel paper, claims, demands, instruments, items or deposits of the Debtor, and each of them, or to which any of them is a party, now held or hereafter coming within Secured Party's custody or control, including without limitation, all certificates of deposit and other depository accounts, whether such have matured or the exercise of Secured Party's rights results in loss of interest or principal or other penalty on such deposits, but excluding deposits subject to tax penalties if assigned. Without prior notice to or demand upon the Debtor, Secured Party may exercise its rights granted above at any time when a default has occurred or Secured Party deems itself insecure. Secured Party's rights and remedies under this paragraph shall be in addition to and cumulative of any other rights or remedies at law and equity, including, without limitation, any rights of set-off to which Secured Party may be entitled.

D. <u>REPRESENTATIONS. WARRANTIES AND COVENANTS OF DEBTOR</u>. Debtor represents and warrants as follows:

1. **Ownership; No Encumbrances.** Except for the security interest (and pledges and assignments as applicable) granted hereby, the Debtor is, and as to any property acquired after the date hereof which is included within the Collateral, Debtor will be, the owner of all such Collateral free and clear from all charges, liens, security interests, adverse claims and encumbrances of any and every nature whatsoever.

2. No Financing Statements. There is no financing statement or similar filing now on file in any public office covering any part of the Collateral, and Debtor will not execute and there will not be on file in any public office any financing statement or similar filing except the financing statements filed or to be filed in favor of, or assigned or to be assigned on the date hereof to, Secured Party.

3. Accuracy of Information. All information furnished to Secured Party concerning Debtor, the Collateral and the Obligations, or otherwise for the purpose of obtaining or maintaining credit, is or will be at the time the same is furnished, accurate and complete in all material respects.

4. Authority. Debtor has full right and authority to execute and perform this Agreement and to create the security interest (and pledges and assignment as applicable) created by this Agreement. The making and performance by Debtor of this Agreement will not violate any articles of incorporation, bylaws or similar document respecting Debtor, any provision of law, any order of court or governmental agency, or any indenture or other agreement to which Debtor is a party, or by which Debtor or any of Debtor's property is bound, or be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture or other agreement, or result in the creation or imposition of any charge, lien, security interest, claim or encumbrance of any and every nature whatsoever upon the Collateral, except as contemplated by this Agreement.

5. Addresses. The address of Debtor designated at the beginning of this Agreement is Debtor's place of business if Debtor has only one place of business; Debtor's chief executive office if Debtor has more than one place of business; or Debtor's residence if Debtor has no place of business. Debtor agrees not to

change such address without advance written notice to Secured Party.

E. <u>GENERAL COVENANTS.</u> Debtor covenants and agrees as follows:

1. **Operation of Collateral.** Debtor agrees to maintain and use the Collateral solely in the conduct of its own business, in a careful and proper manner, and in conformity with all applicable permits or licenses. Debtor shall comply in all respects with all applicable statutes, laws, ordinances and regulations. Debtor shall not use the Collateral in any unlawful manner or for any unlawful purpose, or in any manner or for any purpose that would expose the Collateral to unusual risk, or to penalty, forfeiture or capture, or that would render inoperative any insurance in connection with the Collateral.

2. Condition. Debtor shall maintain, service and repair the Collateral so as to keep it in good operating condition. Debtor shall replace within a reasonable time all parts that may be worn out, lost, destroyed or to otherwise rendered unfit for use, with appropriate replacement parts. Debtor shall obtain and maintain in good standing at all times all applicable permits, licenses, registrations and certificates respecting the Collateral.

3. Assessments. Debtor shall promptly pay when due all taxes, assessments, license fees, and governmental charges levied or assessed against Debtor or with respect to the Collateral or any part thereof.

4. No Encumbrances. Debtor agrees not to suffer or permit any charge, lien, security interest, adverse claim or encumbrance of any and every nature whatsoever against the Collateral or any part thereof.

5. No Removal. Except as otherwise provided in this Agreement, Debtor shall not remove the Collateral from the County or counties designated at the beginning of this Agreement without Secured Party's written consent.

6. No Transfer. Except as otherwise provided in this Agreement with respect to inventory, Debtor shall not, without the prior written consent of Secured Party, sell, assign, transfer, lease, charter, encumber, hypothecate or dispose of the Collateral, or any part thereof, or interest therein or offer to do any of the foregoing.

7. Notices and Reports. Debtor shall promptly notify Secured Party in writing of any change in the name, identity or structure of Debtor, any charge, lien, security interest, claim or encumbrance asserted against the Collateral, any litigation against Debtor or the Collateral, any theft, loss, injury or similar incident involving the Collateral, and any other material matter adversely affecting Debtor or the Collateral. Debtor shall furnish such other reports, information and data regarding Debtor's financial condition and operations, the Collateral and such other matters as Secured Party may request from time to time.

8. Landlord's Waivers. Debtor shall furnish to Secured Party, if requested, a landlord's waiver of all liens with respect to any Collateral covered by this Agreement that is or may be located upon leased premises, such landlord's waivers to be in such form and upon such terms as are acceptable to Secured Party.

9. Additional Filings. Debtor agrees to execute and deliver such financing statement or statements, or amendments thereof or supplements thereto, or other documents as Secured Party may from time to time require in order to comply with the ______ Uniform Commercial Code (or other applicable state laws of the jurisdiction where any of the Collateral is located) and to preserve and protect the Secured Party's rights to the Collateral.

10. Protection of Collateral. Secured Party, at its option, whether before or after default, but without any obligation whatsoever to do so, may (a) discharge taxes, claims, charges, liens, security interests, assessments or other encumbrances of any and every nature whatsoever at any time levied, placed upon or asserted against the Collateral, (b) place and pay for insurance on the Collateral, including insurance that only protects Secured Party's interest, (c) pay for the repair, improvement, testing, maintenance and preservation of the Collateral, (d) pay any filing, recording, registration, licensing or certificate fees or other fees and charges related to the Collateral, or (e) take any other action to preserve and protect the Collateral and Secured Party's rights and remedies under this Agreement as Secured Party may deem necessary or appropriate. Debtor agrees that Secured Party shall

have no duty or obligation whatsoever to take any of the foregoing action. Debtor agrees to promptly reimburse Secured Party upon demand for any payment made or any expense incurred by the Secured Party pursuant to this authorization. These payments and expenditures, together with interest thereon from date incurred until paid by Debtor at the maximum contract rate allowed under applicable laws, which Debtor agrees to pay, shall constitute additional Obligations and shall be secured by and entitled to the benefits of this Agreement.

11. **Inspection.** Debtor shall at all reasonable times allow Secured Party by or through any of its officers, agents, attorneys or accountants, to examine the Collateral, wherever located, and to examine and make copies of or extracts from Debtor's books and records.

12. Further Assurances. Debtor shall do, make, procure, execute and deliver all such additional and further acts, things, deeds, interests and assurances as Secured Party may request from time to time to protect, assure and enforce Secured Party's rights and remedies.

13. Insurance. Debtor shall have and maintain insurance at all times with respect to all tangible Collateral insuring against risks of fire (including so-called extended coverage), theft and such other risks as Secured Party may require, containing such terms, in such form and amounts and written by such companies as may be satisfactory to Secured Party, all of such insurance to contain loss payable clauses in favor of Secured Party as its interest may appear. All policies of insurance shall provide for fifteen (15) days written minimum cancellation notice to Secured Party and at the request of Secured Party shall be delivered to and held by it. Secured Party is hereby authorized to act as attorney for Debtor in obtaining, adjusting, settling and canceling such insurance to the Obligations secured hereby whether or not such Obligations are then due and payable. Debtor specifically authorizes Secured Party to disclose from the policies of insurance to prospective insurers regarding the Collateral.

14. Additional Collateral. If Secured Party should at any time be of the opinion that the Collateral is impaired or insufficient, or has declined or may decline in value, or should Secured Party deem payment of the Obligations to be insecure, then Secured Party may call for additional security satisfactory to Secured Party, and Debtor promises to furnish such additional security forthwith. The call for additional security may be oral, by messenger or telefax, or United States mail addressed to Debtor, and shall not affect any other subsequent right of Secured Party to exercise the same.

15. Goods. Notwithstanding anything to the contrary contained in this agreement, if any Debtor is a "consumer" as defined Regulation AA of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 227, or the Federal Trade Commission Credit Practices Rule, 16 C.F.R. Part 444, as applicable, no lien or security interest created or evidenced by this agreement shall extend to or cover a non-possessory lien or security interest in "household goods," other than a purchase money lien or security interest, in accordance with such regulations as applicable.

F. <u>ADDITIONAL PROVISIONS REGARDING ACCOUNTS.</u> The following provisions shall apply to all accounts included within the Collateral:

1. **Definitions.** The term "account", as used in this Agreement, shall have the same meaning as set forth in the Uniform Commercial Code of _______ in effect as of the date of execution hereof, and as set forth in any amendment to the Uniform Commercial Code of _______ to become effective after the date of execution hereof, and also shall include all present and future notes, instruments, documents, general intangibles, drafts, acceptances and chattel paper of Debtor, and the proceeds thereof.

2. Additional Warranties. As of the time any account becomes subject to the security interest (or pledge or assignment as applicable) granted hereby, Debtor shall be deemed further to have warranted as to such and all of such accounts as follows: (a) each account and all papers and documents relating thereto are genuine and in all respects what they purport to be; (b) each account is valid and subsisting and arises out of a bona fide sale or lease of goods sold or leased and delivered to, or out of and for services therefore actually rendered by the Debtor to, the account debtor named in the account; (c) the amount of the account represented as owing is the correct amount actually and unconditionally owning except for normal cash discounts and is not subject to any set-offs, credits, defenses, deductions or countercharges; and (d) Debtor is the owner thereof free and clear of any charges, liens, security interests, adverse claims and encumbrances of any and every nature whatsoever.

3. Collection of Accounts. Secured Party shall have the right in its own name or in the name of the Debtor, whether before or after default, to require Debtor forthwith to transmit all proceeds of collection of accounts directly to Secured Party, to demand, collect, receive, receipt for, sue for, compound and give acquittal for, any and all amounts due or to become due on the accounts and to endorse the name of the Debtor on all Commercial paper given in payment or part payment thereof, and in Secured Party's discretion to file any claim or take any other action or proceeding that Secured Party, may deem necessary or appropriate to protect and preserve and realize upon the accounts and related Collateral. Unless and until Secured Party elects to collect accounts, and the privilege of Debtor to collect accounts is revoked by Secured Party in writing, Debtor shall continue to collect accounts, account for same to Secured Party, and shall not commingle the proceeds of collection of accounts with any funds of the Debtor. In order to assure collection of accounts in which Secured Party has a security interest (or which have been pledged or assigned to Secured Party as applicable) hereunder. Secured Party may notify the post office authorities to change the address for delivery of mail addressed to Debtor to such address as Secured Party may designate, and to open and dispose of such mail and receive the collections of accounts included herewith. Secured Party shall have no duty or obligation whatsoever to collect any account, or to take any other action to preserve or protect the Collateral; however, Debtor releases Secured Party from any claim or claims for loss or damage arising from any act or omission of Secured Party and its officers, directors, employees or agents, should Secured Party elect to collect any account or take any possession of any Collateral.

4. Identification and Assignment of Accounts. Upon Secured Party's request, whether before or after default, Debtor shall take such action and execute and deliver such documents as Secured Party may request in order to identify, confirm, mark, segregate and assign accounts and to evidence Secured Party's interest in same. Without limitation of the foregoing Debtor, upon request, agrees to assign accounts to Secured Party, identify and mark accounts as being subject to the security interest (or pledge or assignment as applicable) granted hereby, mark Debtors books and records to reflect such security interests, pledges and assignments, and forthwith to transmit to Secured Party in the form received by Debtor any and all proceeds of collection of such accounts.

5. Account Reports. Debtor will deliver to Secured Party, as Lender may require, a written report in form and in content satisfactory to Secured Party, showing a listing and aging of accounts and such other information as Secured Party may request from time to time. Debtor shall immediately notify Secured Party of the assertion by any account debtor of any set-off, defense or claim regarding an account or any other matter adversely affecting any account.

6. Segregation of Returned Goods. Returned or repossessed goods arising from or relating to any accounts included within the Collateral shall, if requested by Secured Party, be held separate and apart from any other property. Debtor shall as often as requested by Secured Party, but not less often than weekly, even though no special request has been made, report to Secured Party the appropriate identifying information with respect to any such returned or repossessed goods relating to accounts included in assignments or identifications made pursuant hereto.

7. **Right of Off-Set.** Any deposit or other sums at any time credited by or due from the holder of the Obligations to Debtor or any endorser, guarantor or surety of any of the Obligations and any securities or other property of Debtor or any endorser, guarantor or surety of any of the Obligations in the possession of the holder of the Obligations may at all times be held and treated as additional and cumulative collateral security for the payment of the Obligations and Debtor grants Secured Party a security interest and contractual right of off-set in all such deposits, sums, securities and other properties as additional and cumulative security for payment of the Obligations. The holder of the Obligations may apply to set-off such deposits or other sums against the Obligations at any time in the case of Debtor, but only with respect to matured liabilities in case of the endorsers, guarantors, or sureties of any of the Obligations.

G. <u>ADDITIONAL PROVISIONS REGARDING INVENTORY</u>. The following provisions shall apply to all inventory included within the Collateral:

1. **Inventory Reports.** Debtor will deliver to Secured Party as Secured Party may require, on such frequency as Secured Party may request, a written report in form and content satisfactory to Secured Party, with respect to the preceding month or other applicable period, showing Debtors opening inventory, inventory acquired, inventory sold, inventory leased, inventory returned, inventory used in Debtor's business, closing inventory, any other inventory not within the preceding categories and such other information as Secured Party may request from time to time. Debtor shall immediately notify Secured Party of any matter adversely affecting the inventory, including, without limitation, any event causing loss or depreciation in the value of the inventory and the amount of such possible loss of depreciation.

2. Location of Inventory. Debtor will promptly notify Secured Party in writing of any addition to, change in or discontinuance of its place(s) of business as shown in this Agreement, the places at which inventory is located as shown herein, the location of its chief executive office and the location of the office where it keeps its records as set forth herein. All Collateral will be located at the places of business shown below, as modified by any written notices given pursuant hereto.

3. Uses of Inventory. Except as set forth in the loan agreement, unless and until the privilege of Debtor to use inventory in the ordinary course of Debtor's business is revoked by Secured Party in the event of default or if Secured Party deems itself insecure, Debtor may use the inventory in any manner not inconsistent with this Agreement, may lease or sell that part of the Collateral consisting of inventory provided that all such leases and sales are in the ordinary course of business, and use and consume any raw materials or supplies that are necessary in order to carry on Debtor's business. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt.

4. Accounts as Proceeds. All accounts that are proceeds of the inventory included within the Collateral shall be subject to all of the terms and provisions hereof pertaining to accounts.

5. **Protection of Inventory.** Debtor shall take all action necessary to protect and preserve the inventory.

6. Assignment of Rents and Leases. Debtor hereby assigns to Secured Party all rents and other benefits derived or to be derived from leases ("Leases") of the inventory now or hereafter existing or entered into, together with all guarantees, amendments, modifications, extensions and renewals thereof (the "Rents"). Prior to a foreclosure by Secured Party of any lien or security interest which Secured Party may now or hereafter hold covering the inventory, this Assignment of Rents is not intended to, and shall not, constitute payment to Secured Party, unless Secured Party terminates Debtor's license to collect the Rents, and then it shall constitute payment only to the extent that prior to foreclosure the Rents are actually received by Secured Party as opposed to constituting a portion of the voluntary payments of principal and interest on the indebtedness evidenced and secured hereby, and are not used for the operation, maintenance or repair of the inventory, or for the payment of costs and expenses in connection therewith. Except as otherwise provided herein, Secured Party shall have the absolute right, power and authority to take any and all actions which Secured Party deems necessary or appropriate in connection with taking possession of the inventory, leasing all or any part of the inventory, collecting all or any of the Rents and enforcing the rights of the lessor under any of the leases, including without limitation, bringing, prosecuting, defending or settling legal proceedings against lessees of the inventory. Notwithstanding anything herein to the contrary, Secured Party shall not be obligated to perform or discharge, and Secured Party does not undertake to perform or discharge, any obligation, duty or liability with respect to the Leases or the Rents under or by reason of this Assignment. This Assignment shall not operate to place responsibility for the control, care, maintenance or repair of the inventory upon Secured Party, or for any dangerous or defective condition of the Inventory, or for any negligence in the arrangement, upkeep, repair, or control of the inventory. Debtor shall retain a revocable license to collect and receive the Rents as the agent of Secured Party, and to retain, use and enjoy such Rents, provided that such revocable license ipso facto terminate without further action by Secured Party and without notice to Debtor upon the occurrence of any default or event of default as defined in any note, deed of trust, security agreement, guaranty, financing statement, fixture filing or other loan documents given to Secured Party by Debtor or any other party in connection with any indebtedness or obligation of Debtor to Secured Party.

7. Leased Inventory. Debtor shall (a) observe and perform faithfully every obligation which Debtor is required to perform under the Leases; (b) enforce or secure the performance of, at its sole cost and expense, every obligation to be performed by the lessees under the Leases; (c) not collect any Rents in advance of the time when the same shall be due, or anticipate any payments under any of the Leases, except for bona fide security deposits not in excess of an amount equal to two (2) months Rent; (d) at the request of Secured Party,

deliver copies of Leases to Secured Party; and (e) appear and defend against, at Debtor's sole cost and expense, any action or proceeding arising under, and in any manner connected with the Leases, the Rents or the obligations, duties or liabilities of the lessor, lessee or guarantors thereunder.

H. <u>[INTENTIONALLY OMITTED]</u>

I. <u>IINTENTIONALLY OMITTED</u>

J. EVENTS OF DEFAULT. Debtor shall be in default hereunder upon the happening of any of the following events or conditions: (i) non-payment when due (whether by acceleration of maturity or otherwise) of any payment of principal, interest or other amount due on any Obligations; (ii) the occurrence of any event which under the terms of any evidence of indebtedness, indenture, loan agreement, security agreement or similar instrument permits the acceleration of maturity of any of obligation of Debtor whether to Secured Party or to others; (iii) any representation or warranty made by Debtor and/or others to Secured Party in connection with this Agreement, the Collateral or the Obligations, or in any statements or certificates, proves incorrect in any material respect as of the date of the making or the issuance thereof; (iv) default occurs in the observance or performance of or, if Debtor fails to furnish adequate evidence of performance of, any provision of this Agreement or of any note, assignment, transfer, other agreement, document or instrument delivered by Debtor to Secured Party in connection with this Agreement, the Collateral or the Obligations; (v) death, dissolution, liquidation, termination of existence, insolvency, business failure or winding-up of Debtor, or any maker, endorser, guarantor, surety or other party liable in any capacity for any of the Obligations; (vi) the filing of a petition in bankruptcy by or against, or the application for appointment of a receiver or any other legal custodian for any part of the property of, or the assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy, rearrangement, reorganization, insolvency or similar laws for the relief of Debtors by or against, the Debtor, or any maker, endorser, guarantor, surety or other party primarily or secondarily liable for any of the Obligations; (vii) the Collateral becomes, in the judgment of Secured Party, impaired, unsatisfactory or insufficient in character or value; (viii) the filing of any levy, attachment, execution, garnishment or other process against the Debtor, or any of the Collateral or any maker, endorser, guarantor, surety, or other party liable in any capacity for any of the Obligations, or (ix) the Secured Party in good faith believes that the prospect of repayment or performance of the Obligations or any of the covenants, agreements or other duties under any writing executed in connection herewith is impaired.

K. <u>**REMEDIES.**</u> Upon the occurrence of an Event of Default, or if Secured Party deems payment or performance of the Obligations to be insecure, Secured Party, at its option, shall be entitled to exercise any one or more of the following remedies (all of which are cumulative):

1. **Declare Obligations Due.** Secured Party, at its option, may declare the Obligations or any part thereof immediately due and payable, without demand, notice of intention to accelerate, notice of acceleration, notice of non-payment, presentment, protest, notice of dishonor, or any other notice whatsoever, all of which are hereby waived by Debtor, the Borrower and any maker, endorser, guarantor, surety or other party liable in any capacity for any of the Obligations.

2. **Remedies.** Secured Party shall have all of the rights and remedies provided for in this Agreement and any other agreements executed by Debtor, the rights and remedies in the Uniform Commercial Code of ______, and any and all rights and remedies at law or in equity, all of which shall be deemed cumulative. Without limiting the foregoing, Debtor agrees that Secured Party shall have the right to: (a) require Debtor to assemble the Collateral and make it available to Secured Party at a place designated by Secured Party that is reasonably convenient to both parties, which Debtor agrees to do; (b) take possession of the Collateral with or without process of law, and, in this connection, enter any premises where the Collateral is located to remove same, to render it unusable, or to dispose of same on such premises; (c) sell, lease or otherwise dispose of the Collateral, by public or private proceedings, for cash or credit, without assumption of credit risks; and/or (d) whether before or after default, collect and receipt for, compound, compromise, and settle, and give releases, discharges and acquittances, with respect to, any and all amounts owed by any person or entity with respect to the Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of the type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale or of

the time after which any private sale or other disposition will be made. Any requirement of reasonable notice to Debtor shall be met if such notice is mailed, postage prepaid, to Debtor at the address of Debtor designated at the beginning of this Agreement, at least five (5) days before the day of any public sale or at least five (5) days before the time after which any private sale or other disposition will be made.

3. **Expenses.** Debtor shall be liable for and agrees to pay the reasonable expenses incurred by Secured Party in enforcing its rights and remedies, in retaking, holding, testing, repairing, and proving, selling, leasing or disposing of the Collateral, or like expenses, including, without limitation, attorneys fees and legal expenses incurred by Secured Party. These expenses, together with interest thereon from date incurred until paid by Debtor at the maximum contract rate allowed under applicable laws, which Debtor agrees to pay, shall constitute additional Obligations, and shall be secured and entitled to the benefits of this Agreement.

4. **Proceeds; Surplus; Deficiencies.** Proceeds received by Secured Party from disposition of the Collateral shall be applied toward Secured Party's expenses and other Obligations and in such order or manner as Secured Party may elect. Debtor shall be entitled to any surplus if one results after lawful application of the proceeds.

5. **Remedies Cumulative.** The rights and remedies of Secured Party are cumulative and the exercise of any one or more of the rights of remedies shall not be deemed an election of rights or remedies or a waiver of any other right or remedy. Secured Party may remedy any default and may waive any default without waiving the default remedy or without waiving any other prior or subsequent default.

L. <u>RELINQUISHMENT OF CERTAIN DEFENSES.</u> Regarding the enforcement of the security interests and covenants and agreements contained in this Agreement to secure payment of the Obligations, the Debtor covenants and agrees as follows:

1. Secured Party's right of recovery against the Collateral for the Obligations shall be determined as if Debtor were a primary obligor for the payment of the Obligations regardless of whether or not Debtor is in fact primarily liable for all or any part of the Obligations. Debtor specifically agrees that it shall not be necessary or required, in order to enforce the remedies under this Agreement, that the Secured Party have made demand for payment upon the Borrower or any other person or entity liable for any portion of the Obligations or have made protest thereof or have given notice to the Borrower or any other party liable thereon of maturity or nonpayment of the Obligations.

2. The Debtor specifically waives any notice of acceptance of this Agreement by the Secured Party and of the creation, advancement, existence, extension, renewal, modification, consolidation, the rearrangement from time to time of the Obligations, the increase from time to time in the principal amount thereof, the increase or reduction from time to time of the rate of interest thereon, or any indulgence from time to time with respect to the Obligations, or any part thereof, and of nonpayment thereof or default thereon, and waives grace, demand, protest, presentment and notice of demand, protest, and presentment with respect to the Obligations, and waives notice of the amount of the Obligations outstanding at any time, and agrees that the maturity of the Obligations, or any part thereof, may be accelerated, extended, modified, amended or renewed from time to time or any other indulgence may be granted with respect thereto by the Secured Party at its will or as may be agreed by the Borrower without notice to or further consent by the Debtor, at any time or times.

3. The Debtor agrees that: (i) no renewal, extension, modification, consolidation, or rearrangement of or any other indulgence, forbearance or compromise with respect to the Obligations, or any part thereof; (ii) no increase in the principal amount of any of the Obligations; (iii) no increase or reduction of the rate of interest thereon; (iv) no release, withdrawal, substitution, surrender, subordination, exchange, deterioration, waste or other impairment of any security or collateral or guaranty now or hereafter held by the Secured Party for payment of the Obligations, or of any part thereof; (v) no release of the Borrower, any guarantor, or of any other person primarily or secondarily liable on the Obligations, or any part thereof; and (vi) no delay or omission or lack of diligence or care in exercising any right or power with respect to the Obligations or any security or collateral therefor or under this Agreement shall in any manner impair, diminish or affect the rights of the Secured Party or the liability of the Debtor hereunder. The Debtor specifically agrees that it shall not be necessary or required, and that the Debtor shall not be entitled to require, that the Secured Party mitigate damages, or file suit or proceed to obtain

or assert a claim for personal judgment against the Borrower for the Obligations, or make any effort at collection of the Obligations from the Borrower, or foreclose against or seek to realize upon any security or collateral now or hereafter existing for the Obligations, or file suit or proceed to obtain or assert a claim for personal judgment against any other party (whether maker, guarantor, endorser or surety) liable for the Obligations, or make any effort at collections of the Obligations from any such other party, or exercise or assert any other right or remedy to which the Secured Party is or may be entitled in connection with the Obligations or any security or collateral or other Agreement therefor, or assert or file any claim against the assets or estate of the Borrower or any guarantor or other person liable for the Obligations, or any part thereof, before or as a condition of enforcing the liability of the Debtor under this Agreement or requiring payment of the Obligations by the Debtor hereunder, or at any time thereafter. The Debtor expressly waives any right to the benefit of or to require or control application of any security or collateral or the proceeds of any security or collateral now existing or hereafter obtained by the Secured Party as security for the Obligations, or any part thereof, and agrees that the Secured Party shall have no duty insofar as the Debtor is concerned to apply upon any of the Obligations any monies, payments or other property at any time received by or paid to or in the possession of the Secured Party, except as the Secured Party shall determine in its sole discretion. The Debtor specifically agrees that Debtor shall not have any recourse or action against the Secured Party by reason of any action the Secured Party may take or omit to take in connection with the Obligations, the collection of any sums or amounts herein mentioned, or in connection with any security or collateral or any Guaranty at any time existing therefor.

4. The Debtor agrees to the terms, provisions and conditions of the Note and other instruments evidencing the Obligations and of any renewal, modification, consolidation or rearrangement thereof or other agreements which may have been or may hereafter be executed by the Borrower from time to time evidencing or in connection with the Obligations or any part thereof, and agrees that the Debtor's liability hereunder shall in no manner be affected, reduced, impaired or released by reason of any term, provision or condition of such Note or other agreement or by the failure, refusal or omission of the Secured Party to enforce or observe any of same or any forbearance or compromise made by the Secured Party or any action taken or omitted to be taken by the Secured Party pursuant thereto or in connection therewith. The Debtor, by the execution and delivery of this Agreement agrees, represents, warrants and acknowledges that Debtor shall be bound by the provisions of any Agreement and Security Agreement and any Environmental Certificate and Agreement of even date herewith, from the Borrower to the Secured Party and which purport to be applicable to Debtor to the same extent and with the same effect as if Debtor had executed and delivered such document to the Secured Party. In that connection, the Debtor agrees that the provisions of this Paragraph shall survive any exercise of the power of sale granted in any instrument securing the Obligations, any foreclosure of the liens created by any of the instruments securing the Obligations, any conveyance in lieu of any such foreclosure, the repayment of the Obligations, and the discharge and release of all liens, rights and interests securing payment of the Obligations.

5. The Debtor absolutely and unconditionally covenants and a agrees that: (i) in the event that the Borrower does not or is unable to pay or perform the Obligations for any reason including, without limitation, liquidation, dissolution, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment or other similar proceedings affecting the status, composition, identity, existence, assets or Obligations of the Borrower, or the disaffirmance or termination of any of the Obligations in or as a result of any such proceedings; and/or (ii) if all or any part of the Obligations (or any instrument or agreement made or executed in connection therewith) is for any reason found to be invalid, illegal, unenforceable, uncollectible or legally impossible, for any reason whatsoever (including, without limiting the generality of the foregoing, upon the grounds that the payment and/or performance of the Obligations is ultra vires or otherwise without authority, may violate applicable usury laws, is subject to valid defenses, claims or offsets of the Borrower, or any instrument evidencing any of the Obligations is forged or otherwise irregular), then in any such case the Debtor shall pay and perform the Obligations as herein provided and that no such occurrence shall in any way diminish or otherwise affect the Debtor's liabilities hereunder.

6. Should the status, composition, structure or name of the Borrower change, including, but not limited to, by reason of a merger, dissolution, consolidation or reorganization, this Agreement shall continue and also cover the Obligations and Obligations of the Borrower under the new status, composition structure or name according to the terms hereof. If the Borrower is a general or limited partnership, no termination of said partnership, nor withdrawal therefrom or termination of any ownership interest therein owned, by any general or limited partner of such partnership shall alter, limit, terminate, excuse or modify the Debtor's liabilities set forth in this Agreement.

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7. In the event any payment from the Borrower to the Secured Party is held to constitute a preference under the bankruptcy laws, or if for any other reason the Secured Party is required to refund such payment or pay the amount thereof to any other party, such payment by the Borrower to the Secured Party shall not constitute a release of the Debtor from any liability hereunder, and this Agreement shall continue to be effective or shall be reinstated, as the case may be, to the extent of any such payment or payments.

8. At all times while any or all of the Obligations are now or hereafter secured in whole or in part, the Debtor agrees that the Secured Party may, from time to time, at its discretion, and with or without valuable consideration, allow substitution, withdrawal, release, surrender, exchange, subordination, deterioration, waste, loss or other impairment of all or any part of such security or collateral, without notice to or consent by the Debtor, and without in anywise impairing, diminishing or releasing the liability of the Debtor hereunder.

9. The Debtor waives marshalling of assets and liabilities, sale in inverse order of alienation, and all defenses given to sureties or Debtors at law or in equity other than actual payment of the Obligations and performance of the actions constituting the Obligations, including, but not limited to, any rights pursuant to the laws of ______. The failure by the Secured Party to file or enforce a claim against the estate (either in administration, bankruptcy or other proceeding) of the Borrower or any other person primarily or secondarily liable for the Obligations or of any other or others shall not affect the liability of Debtor hereunder.

M. <u>OTHER AGREEMENTS.</u>

1. Savings Clause. Notwithstanding any provision to the contrary herein, or in any of the documents evidencing the Obligations or otherwise relating thereto, no such provision shall require the payment or permit the collection of interest in excess of the maximum permitted by applicable usury laws. If any such excessive interest is so provided for, then in such event (i) the provisions of this paragraph shall govern and control, (ii) neither the Debtor nor Debtor's heirs, legal representatives, successors or assigns or any other party liable for the payment thereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount permitted by law, (iii) any such excess interest that may have been collected shall be, at the option of the holder of the instrument evidencing the Obligations, either applied as a credit against the then unpaid principal amount thereof or refunded to the maker thereof, and (iv) the effective rate of interest shall be automatically reduced to the maximum lawful rate under applicable usury laws as now or hereafter construed by the courts having jurisdiction.

2. Joint and Several Responsibility. If this Security Agreement is executed by more than one Debtor, the obligations of all such Debtors shall be joint and several.

3. **Waivers.** Debtor and any maker, endorser, guarantor, surety or other party liable in any capacity respecting the Obligations hereby waived demand, notice of intention to accelerate, notice of acceleration, notice of non-payment, presentment, protest, notice of dishonor and any other notice whatsoever.

4. Severability. Any provision hereof found to be invalid by courts having jurisdiction shall be invalid only with respect to such provision (only to the extent necessary to avoid such invalidity). The offending provision shall be modified to the minimum extent possible to confer upon Secured Party the benefits intended thereby. Such provision as modified and the remaining provisions hereof shall be construed and enforced to the same extent as if such offending provision (or portion thereof) had not been contained herein, to the maximum extent possible.

5. Use of Copies. Any carbon, photographic or other reproduction of any financing statement signed by Debtor is sufficient as a financing statement for all purposes, including without limitation, filing in any state as may be permitted by the provisions of the Uniform Commercial Code of such state. All rights and remedies of Secured Party in all such agreements are cumulative, but in the event of actual conflict in terms and conditions, the terms and conditions of the latest security agreement shall govern and control.

6. Authorization to File Financing Statements. The Debtor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the Uniform Commercial Code of the State or such other jurisdiction, for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Debtor is an organization, the type of organization and any organizational identification number issued to the Debtor and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. The Debtor also ratifies its authorization for the Secured Party promptly upon the Secured Party's request. The Debtor also ratifies its authorization for the Secured Party to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

7. Notices. Any notice or demand given by Secured Party to Debtor in connection with this Agreement, the Collateral or the Obligations shall be deemed given and effective upon deposit in the United States mail, postage pre-paid, addressed to Debtor at the address of the Debtor designated at the beginning of this Agreement. Actual notice to Debtor shall always be effective no matter how given or received.

8. Headings and Gender. Paragraph headings in this Agreement are for convenience only and shall be given no meaning or significance in interpreting this Agreement. All words used herein shall be construed to be or such gender of number as the circumstances require.

9. Amendments. Neither this Agreement nor any of its provisions may be changed, amended, modified, waived or discharged orally, but only by an instrument in writing signed by the party against whom enforcement of the change, amendment, modification, waiver or discharge is sought.

10. **Binding Effect.** The provisions of this Security Agreement shall be binding upon the heirs, executors, administrators, personal representatives, successors and assigns of Debtor, and the rights, powers and remedies of Secured Party hereunder shall inure to the benefit of the successors and assigns of Secured Party.

11. Governing Law. This Security Agreement shall be governed by the law of ______ and applicable federal law.

12. Statute of Frauds. THIS COMMERCIAL SECURITY AGREEMENT, THE LOAN AGREEMENT AND ALL DOCUMENTS AND INSTRUMENTS REFERENCED HEREIN OR IN THE LOAN AGREEMENT, OR EXECUTED IN CONNECTION WITH OR ATTACHED TO THE LOAN AGREEMENT, REPRESENT THE FINAL AGREEMENT BETWEEN DEBTOR AND SECURED PARTY, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN DEBTOR AND SECURED PARTY. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN DEBTOR AND SECURED PARTY.

13. U.S. SMALL BUSINESS ADMINISTRATION PROVISION:

The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.

b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan. Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

IN WITNESS WHEREOF, the undersigned has executed this Agreement effective as of the date first written above.

DEBTOR

EXHIBIT A

See attached equipment list

.

PARTS INTENTIONALLY OMITTED FROM SECURITY AGREEMENT

UNDER SECTION C. DESCRIPTIONS OF COLLATERAL:

Specific Accounts. A security interest in only those specific accounts and/or contracts listed and described on <u>Exhibit " "</u> attached or which may hereafter be attached hereto, and all the proceeds and products thereof, including without limitation, all notes, drafts, acceptances, instruments and chattel paper arising therefrom, and all returned or repossessed goods arising from or relating to any such accounts or other proceeds of any sale or other disposition of inventory.

All Fixtures. A security interest in all of Debtor's fixtures and appurtenances thereto, whether now existing or hereafter acquired, and such other goods, chattels, fixtures, equipment and personal property affixed or in any manner attached to the real estate and/or building(s) or structure(s), including all attachments, additions and accessions thereto, and replacements thereof, and articles in substitution therefore, howsoever attached or affixed (together with all tools, parts and equipment now or hereafter added to or used in connection with the foregoing), located on the real property more particularly described on <u>Exhibit "___</u>" attached hereto.

Securities. A pledge and assignment of and security interest in the securities described on Exhibit "____", together with all instruments and general intangibles related thereto and all monies, income, proceeds and benefits attributable or accruing to said property, including, but not limited to, all stock rights, options, rights to subscribe, dividends, liquidating dividends, stock dividends, dividends paid in stock, new security or other properties or benefits to which the Debtor is or may hereafter become entitled to receive on account of said property.

Certificates of Deposit. A pledge and assignment of and security interest in all of Debtor's interest in and to the certificates of deposit described on <u>Exhibit "____</u>" and instruments related thereto, and all renewals or substitutions therefor, together with all monies, income, interest, proceeds and benefits attributable or accruing to said property or to which Debtor is or may hereafter be entitled to receive on account of said property.

Other. A security interest in all of Debtor's interest, now owned or hereafter acquired, in and to the property described below.

H. ADDITIONAL PROVISIONS REGARDING SECURITIES AND SIMILAR

COLLATERAL. The following provisions shall apply to all securities and similar property included within the Collateral:

1. Additional Warranties. As to each and all securities and similar property included within the Collateral (including securities hereafter acquired that are part of the Collateral), Debtor further represents and warrants (as of the time of delivery of same to Secured Party) as follows: (a) such securities are genuine, validly issued and outstanding, fully paid and non-assessable, and are not issued in violation of the preemptive rights of any person or of any agreement by which the issuer or obligor thereof or Debtor is bound; (b) such securities are not subject to any interest, option or right of any third person; (c) such securities are in compliance with applicable law concerning form, content and manner of preparation in execution; and (d) Debtor acquires and holds his securities in compliance with all applicable laws and regulations.

2. **Dividends and Proceeds.** Any and all payments, dividends, other distributions (including stock redemption proceeds), or other securities in respect of or in exchange for the Collateral, whether by way of dividends, stock dividends, recapitalizations, mergers, consolidations, stock splits, combinations or exchanges of shares or otherwise, received by Debtor shall be held by Debtor in trust for Secured Party and Debtor shall immediately deliver same to Secured Party to be held as part of the Collateral. Debtor may retain ordinary cash dividends unless and until Secured Party requests that same be paid and delivered to Secured Party which Secured Party may request either before or after default).

3. **Collections.** Secured Party shall have the right at any time and from time to time (whether before or after default) to notify and direct the issuer or obligor to make all payments, dividends, and distributions regarding the Collateral directly to Secured Party. Secured Party shall have the authority to demand of the issuer or obligor, and to receive and receipt for, any and all payments, dividends, and other distributions payable in respect thereof, regardless of the medium in which paid and whether they are ordinary or extraordinary. Each issuer and obligor making payment to Secured Party hereunder shall be fully protected and relying upon the written statement of Secured Party that it then holds a security interest which entitles it to receive such payment, and the receipt by Secured Party for such payment shall be full acquittance therefor to the one making such payment.

4. Voting Rights. Upon default, or if Secured Party deems itself insecure, Secured Party shall have the right, at its discretion, to transfer to or register in the name of Secured Party or any nominee of Secured Party any of the Collateral, and/or to exercise any or all voting rights as to any or all of the Collateral. For such purposes, Debtor hereby names, constitutes and appoints the President or Vice President of Secured Party as Debtor's proxy in the Debtor's name, place and stead to vote any and all of these securities as such proxy may elect, for and in the name, place and stead of Debtor, as to all matters coming before shareholders, such proxy to be irrevocable and deemed coupled with an interest. The rights, powers and authority of said proxy shall remain in full force and effect, and shall not be rescinded, revoked, terminated, amended, or otherwise modified, until all Obligations have been fully satisfied.

5. No Duty. Secured Party shall never be liable for its failure to give notice to Debtor of default in the payment of or upon the Collateral. Secured Party shall have no duty to fix or preserve rights against prior parties to the Collateral and shall never be liable for its failure to use diligence to collect any amount payable in respect to the Collateral, but shall be liable only to account to Debtor for what it may actually collect or receive thereon. Without limiting the foregoing, it is specifically understood and agreed that Secured Party shall have no responsibility for ascertaining any maturities, cause, conversions, exchanges, offers, tenders or similar matters relating to any of the Collateral or for informing Debtor with respect to any such matters (irrespective of whether Secured Party actually has, or may be deemed to have, knowledge thereof). The foregoing provisions of this paragraph shall be fully applicable to all securities or similar property held in pledge hereunder, irrespective of whether Secured Party may have exercised any right to have such securities or similar property registered in its name or in the name of a nominee.

6. **Further Assurances.** Debtor agrees to execute such stock powers, endorse such instruments, or execute such additional pledge agreements or other documents as may be required by the Secured Party in order effectively to grant to Secured Party the security interest in (and pledge and assignment of) the Collateral and to enforce and exercise Secured Party's rights regarding same.

7. Securities Laws. Debtor hereby agrees to cooperate fully with Secured Party in order to permit Secured Party to sell, at foreclosure or other private sale, the Collateral pledged hereunder. Specifically, Debtor agrees to fully comply with the Securities Laws of the United States and of ______ and to take such action as may be necessary to permit Secured Party to sell or otherwise transfer the securities pledged hereunder in compliance with such laws. Without limiting the foregoing, Debtor, at its own expense, upon request by Secured Party, agrees to effect and obtain such registrations, filings, statements, rulings, consents and other matters as Secured Party may request.

8. Power of Attorney. Debtor hereby makes, constitutes, and appoints Secured Party or its nominee, its true and lawful attorney in fact and in its name, place and stead, and on its behalf, and for its use and benefit to complete, execute and file with the United States Securities and Exchange Commission one or more notices of proposed sale of securities pursuant to Rule 144 under the Securities Act of 1933 and/or any similar filings or notices with any applicable state agencies and said attorney in fact shall have full power and authority to do, take and perform all and every act and thing whatsoever requisite, proper or necessary to be done in the exercise of the rights and powers herein granted, as fully to all intents and purposes as Debtor might or could do if personally present. This power shall be irrevocable and deemed coupled with an interest. The rights, powers and authority of said attorney in fact herein granted shall commence and be in full force effect from the date of this Agreement, and such rights, powers and authorities shall remain in full force and effect and this power of attorney shall not be rescinded, revoked, terminated, amended or otherwise modified, until all Obligations have been fully satisfied.

9. **Private Sales.** The Securities Act of 1933, as amended, and other laws and regulations may provide legal restrictions or limitations affecting Secured Party in any attempts to dispose of certain portions of the Collateral and/or enforce its rights and remedies hereunder. For these reasons Secured Party is hereby authorized by Debtor, but not obligated, in the event of any default hereunder, to sell all or any part of the Collateral at private sale, subject to investment letter or in any other manner which will not require the Collateral, or any part thereof, to be registered in accordance with the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, or any other law or regulation. Secured Party is also hereby authorized by Debtor, but not obligated, to take such actions, give such notices, obtain such rulings and consents and do such other things as Secured Party may deem appropriate in the event of a sale or disposition of any of the Collateral. Debtor clearly understands that Secured Party may in its discretion approach a restricted number of potential purchasers and that a sale under such circumstances may yield a lower price for the Collateral or any part or parts thereof than would otherwise be obtainable if same were registered and sold in the open market, and Debtor agrees that such private sales shall constitute a commercially reasonable method of disposing of the Collateral.

I. <u>ADDITIONAL PROVISIONS REGARDING CERTIFICATES OF DEPOSIT AND</u> <u>SIMILAR COLLATERAL.</u> The following provisions shall apply to certificates of deposit and similar property included within the Collateral:

1. **Collection of Deposits.** Debtor agrees that Secured Party may, at any time (whether before or after default) and in its sole discretion, surrender for payment and obtain payment of any portion of the Collateral whether such have matured or the exercise of Secured Party's rights results in loss of interest or principal or other penalty on such deposits, and, in connection therewith, cause payment to be made directly to Secured Party.

2. Notice to Third Party Issuer. With regard to any certificates of deposit or similar collateral for which Secured Party is not the issuer, Debtor agrees to notify the issuer or obligor of the interests hereby granted to Secured Party and to obtain from such issuer or obligor acknowledgment of the interests in favor of Secured Party and the issuer's or obligor's agreement to waive, in favor of Secured Party, any and all rights of set-off or similar rights or remedies to which such issuer or obligor may be entitled, and, in connection therewith, to execute and cause the issuer or obligor to execute any and all acknowledgments, waivers, subordination agreements, and other agreements in such form and upon such terms as Secured Party may request.

3. **Proceeds.** Any and all replacements or renewal certificates, instruments, or other benefits or proceeds related to the Collateral that are received by Debtor shall be held by Debtor in trust for Secured Party and immediately delivered to Secured Party to be held as part of the Collateral.

4. No Duty. Secured Party shall never be liable for its failure to give notice to Debtor of Default in the payment of or upon the Collateral. Secured Party shall have no duty to fix or preserve rights against prior parties to the Collateral and shall never be liable for its failure to use diligence to collect any amount payable in respect to the Collateral, but shall be liable only to account to Debtor for what it may actually collect or receive thereon. Without limiting the foregoing, it is specifically understood and agreed that Secured Party shall have no responsibility for ascertaining any maturities or similar matters relating to any of Collateral or for informing Debtor with respect to any of such matters (irrespective of whether Secured Party actually has, or may be deemed to have, knowledge thereof).

FASTSIGNS INTERNATIONAL, INC.

OPEN END MORTGAGE, SECURITY AGREEMENT AND FINANCE FILING (INDIRECT FINANCING)

EXHIBIT "K"

Prepared by and return to:

Parcel No. _____

MORTGAGE

OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING

NOTICE: THIS DOCUMENT SECURES A VARIABLE INTEREST RATE NOTE AND CONTAINS PROVISIONS FOR INCREASES UNDER CERTAIN CIRCUMSTANCES IN THE PRINCIPAL BALANCE OF THE INDEBTEDNESS SECURED HEREBY

THIS	MORTGAGE	is	made	on		د	by and	between
			,		with	an	address	of
								وو
					(the "Moi	r tgagor "), and	l	, with
an address of						((the "Mortgagee	").

RECITALS

Mortg	agee, ha	as agreed,	pursuant	to a	Loan	Agreement	of ev	en date	herewith	(the "L	<i>oan</i>
Agreement"),	and	subject	to the	term	s se	t forth	therein	ı, to	make a	loan	to
		-			(the	"Borrow	er") i	n an a	aggregate	amount	of
(\$) (the "Loan") which is being guaranteed by Mortgagor (the "Loan") which is being guaranteed by Mortgagor (the second sec						(the					
"Guarantee"), the Loan Agreement and Guarantee constituting the consideration for this Mortgage.											

Borrower has duly executed a promissory note of even date herewith (the "Note") to evidence the terms of repayment of the Loan with interest at the rate or rates established from time to time in accordance with the terms set forth therein, which Note has been delivered by Borrower to the Mortgagee (the Mortgagee and any assignee or other lawful owner of the Note being hereinafter sometimes called "Mortgagee"). Mortgagor has duly executed the Guarantee to support the obligations of the Borrower to repay the Loan. All references herein to the Note and the obligations arising thereunder shall be deemed to include the Guarantee and all obligations arising under the Guarantee.

All things necessary to make the Note the valid, binding and legal obligation of Mortgagor, and to make this Mortgage a valid, binding and legal instrument for the security of the Note in accordance with its terms, have been duly performed, and the execution and delivery of the Note and this Mortgage by Mortgagor have been in all respects duly authorized.

It has been agreed that the repayment of the Loan with interest, according to the terms of the Note and any alterations, modifications, substitutions, extensions or renewals thereof, as well as the performance of the other covenants, terms and conditions herein, should be secured by the execution of this Mortgage, which also shall secure payment by Mortgagor of all costs and expenses incurred in respect to the Loan, including reasonable attorney's fees as is hereinafter provided.

NOW, THEREFORE, WITNESSETH: in consideration of the premises and of other good and valuable considerations, the receipt of which is hereby acknowledged, Mortgagor mortgages, grants, assigns, conveys and transfers unto the Mortgagee, its successor or successors and assigns, in fee simple,

									and	more
	,	being	commo	nly	knov	vn as	۶		 	,
WITH	MORTGAGE	COVEN	IANTS,	all	that	land	situate	in	 _ C	ounty,

particularly described in <u>Exhibit A</u> attached hereto and made a part hereof (the "Land") and the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repair, replacements and improvements now or hereafter located thereon (hereinafter sometimes called the "Improvements").

TOGETHER with all the walks, fences, shrubbery, driveways, fixtures, equipment, machinery, apparatus, fittings, building materials and other articles of personal property of every kind and nature whatsoever, now or hereafter ordered for eventual delivery to the Land (whether or not delivered thereto), and all such as are now or hereafter located in or upon any interest or estate in the Land or any part thereof and used or usable in connection with any present or future operation of the Land now owned or hereafter acquired by Mortgagor, including, without limiting the generality of the foregoing, all heating, lighting, laundry, clothes washing, clothes drying, incinerating and power equipment, engines, pipes, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire-prevention, fire-extinguishing, refrigerating, ventilating, and communications apparatus, television sets, radio systems, recording systems, computer equipment, air-cooling and air-conditioning apparatus, elevators, escalators, shades, awnings, draperies, curtains, fans, furniture, furnishings, carpeting, linoleum and other floor coverings, screens, storm doors and windows, stoves, gas and electric ranges, refrigerators, garbage disposals, sump pumps, dishwashers, washers, dryers, attached cabinets, partitions, ducts and compressors, landscaping, swimming pools, lawn and garden equipment, security systems and including all equipment installed or to be installed or used or usable in the operation of the building or buildings or appurtenant facilities erected or to be erected in or upon the Land; it being understood that all of the aforesaid shall be deemed to be fixtures and part of the Land, but whether or not of the nature of fixtures they shall be deemed and shall constitute part of the security for the indebtedness herein mentioned and shall be covered by this Mortgage excluding, however, only personal property owned by any tenant actually occupying all or part of the premises. Disposition of any of the aforesaid or of any interest therein is prohibited; however, if any disposition is made in violation hereof, the Mortgagee shall have a security interest in the proceeds therefrom to the fullest extent permitted ; and by the laws of

TOGETHER with all and singular the rights, alleys, ways, waters, easements, tenements, privileges, advantages, accessions, hereditaments and appurtenances belonging or in any way appertaining to the Land and other property described herein, and the reversions and remainders, earnings, revenues, rents, issues and profits thereof and including any right, title, interest or estate hereafter acquired by Mortgagor in the Land and other property described herein; and

TOGETHER with all the right, title and interest (but not the obligations) of Mortgagor, present and future, in and to all present and future accounts, contract rights (including all fees and other obligations set forth in the Mortgagee's commitment to make the Loan), general intangibles, chattel paper, documents and instruments including but not limited to licenses, construction contracts, service contracts, utility contracts, options, permits, public works agreements, bonds, deposits and payments thereunder, relating or appertaining to the Land and other property described herein and its development, occupancy and use; and

TOGETHER with any right to payment or for services rendered, whether or not yet earned by performance, arising from the operation of the improvements or any other facility on the Land, including, without limitation, (1) all accounts arising from the operation of the improvements and all proceeds thereof (whether cash or non-cash, movable or immovable, tangible or intangible) received upon the sale, exchange, transfer, collection or other disposition or substitution thereof, and (2) all rights to payment from any consumer credit/charge card organization or entity, including, without limitation, payments arising from the use of the American Express Card, Visa Card, Carte Blanche Card, MasterCard, Diner's Club, or any other credit card, including those now existing or hereinafter created or any substitution therefor and all proceeds thereof (whether cash or non-cash, movable or immovable, tangible or intangible) received upon the sale, exchange, transfer, collection or other disposition or substitution thereof; and (2) all rights to payment from any other credit card, including those now existing or hereinafter created or any substitution therefor and all proceeds thereof (whether cash or non-cash, movable or immovable, tangible or intangible) received upon the sale, exchange, transfer, collection or other disposition or substitution thereof; and

TOGETHER with all of the rents, royalties, revenues, income, proceeds, profits and other benefits paid or payable by parties to the leases for using, leasing, licensing, possessing, occupying, operating from,

residing in, selling or otherwise enjoying the Land, the Improvements, and other property securing the indebtedness, or any portion thereof. As used in this Mortgage, the word "leases" includes any and all leases, subleases, licenses, concessions, reservations, accounts, permits, contracts, and other agreements (oral or written, now or hereafter in effect) which grant a possessory interest or right of occupancy in and to, or the right to use, or affect all or part of the Land, the improvements, and other property securing the indebtedness, or any portion thereof; and

TOGETHER with all proceeds of and any unearned premiums on any insurance policies covering the Property (hereinafter defined), including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property or any part thereof; and

TOGETHER with all proceeds derived from any taking by condemnation or eminent domain proceedings or transfer in place or in anticipation thereof of all or any part of the property described in these granting clauses;

TO HAVE AND TO HOLD the Land with Improvements thereupon and all the rights, easements, profits and appurtenances and other property described above (all of which is hereinafter sometimes called the "**Property**") belonging unto and to the use of the Mortgagee, and its successor or successors and assigns, in fee simple forever;

BUT for and upon the uses, intents and purposes hereinafter mentioned, that is to say for the benefit and security of Mortgagee and for the enforcement of the payment of all sums secured hereby (hereinafter sometimes called the "Indebtedness") and the compliance with the terms, covenants and conditions, in the Note, in the Loan Agreement and in this Mortgage, expressed or implied;

SUBJECT, HOWEVER, to the liens and rights of the holders of the contracts and instruments secured by any instruments that may be described in <u>Exhibit B</u> to this Mortgage (the "**Permitted Encumbrances**");

PROVIDED, HOWEVER, that if Mortgagor shall pay or cause to be paid to Mortgagee all sums secured hereby in the manner stipulated in the Note, the Loan Agreement and this Mortgage, then and in such case, the estate, right, title and interest of the Mortgagee in the Property shall cease, determine and become void, and upon proof being given to the satisfaction of the Mortgagee that the Note has been paid or satisfied, in accordance with its terms and upon payment of all fees, costs, charges, expenses and liabilities chargeable or incurred or to be incurred by the Mortgagee and of any other sums as in this Mortgage provided, the Mortgagee shall at the expense of Mortgagor, release and discharge this Mortgage of record, and shall transfer and deliver up to Mortgagor any property at the time subject to this Mortgage which may be then in their possession, provided the Mortgagee hereunder shall be entitled to a reasonable fee for the release and reconveyance of the Property or any partial release and reconveyance;

AND THIS MORTGAGE FURTHER WITNESSETH, that Mortgagor (jointly and severally if more than one) has covenanted and agreed and does hereby covenant and agree with the Mortgagee as follows:

ARTICLE 1. DEFINITIONS

1.1 **Definitions**. All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth or referred to in the Loan Agreement.

ARTICLE 2. COVENANTS AND AGREEMENTS OF MORTGAGOR

2.1 **Incorporation of Covenants, Conditions and Agreements.** All the covenants, conditions and agreements contained in the Loan Agreement, the Note, and the other Loan Documents are hereby made a part of this Mortgage to the same extent and with the same force as if fully set forth herein.

2.2 Title to the Property. Mortgagor covenants that at the time of the execution and delivery of this Mortgage it has good title to all of the property described in the granting clauses of this Mortgage as being presently granted, assigned, conveyed and transferred hereunder, free and clear of all liens and encumbrances except for the Permitted Encumbrances; Mortgagor hereby does and will forever warrant generally and defend the title to the Property, and every part thereof, whether now owned or hereafter acquired, unto the Mortgagee and its successor or successors in the trust and assigns, against all claims and demands by any person or entity whatsoever; Mortgagor covenants that Mortgagor shall comply with all the terms, covenants and conditions of all agreements and instruments, recorded and unrecorded, affecting the Property; Mortgagor covenants that it has good right and lawful authority to mortgage, give, grant, pledge, assign and convey the Property in the manner and form herein provided.

2.3 **Further Assurances.** At any and all times Mortgagor shall furnish and record all and every such further assurances as may be requisite or as the Mortgagee shall reasonably require for the better assuring and confirming unto the Mortgagee the estate and property hereby granted, assigned, conveyed or transferred, or intended so to be whether now owned or hereafter acquired; Mortgagor shall bear all expenses, charges and taxes in connection therewith.

2.4 **Escrow for Taxes.** To better secure the covenant to pay taxes and fees in the Loan Agreement, Mortgagor agrees that, if Holder so requests, Mortgagor shall deposit with Holder on the day of each month on which a payment of interest is due under the Note, beginning with the month following such request, one-twelfth of the annual taxes next due as estimated by Holder, plus one-twelfth of the annual fire, hazard and other insurance premiums as required herein, such deposit to be held by Holder, without interest, to pay said taxes and premiums. If payments of interest are due under the Note other than monthly, appropriate adjustment shall be made in the amount of the aforesaid periodic deposits.

Any amounts deposited pursuant to the provisions of this Section shall not be, nor be deemed to be, trust funds, nor shall they operate to curtail or reduce the indebtedness secured hereby, and all such amounts may be commingled with the general funds of the depositor and be deposited with Mortgagee or at an institution designated by Mortgagee. Mortgagee shall not be responsible for the solvency of such institution, provided it is insured by the Federal Deposit Insurance Corporation or other regulatory agency at the time of designation. If at any time Mortgagee shall determine that the amount then on deposit shall be insufficient to pay an obligation in full, Mortgagor shall immediately after demand deposit with Mortgagee the amount of the deficiency determined by Mortgagee. Nothing contained in this Section shall be deemed to affect any right or remedy of Mortgagee under any provisions of this Mortgage or of any statute or rule of law to pay any such amount and to add the amount so paid, together with interest at the rate provided for in the Note, to the indebtedness secured hereby.

2.5 Change in Tax Law. In the event of the passage after date of this Mortgage of any law changing in any way the laws for the taxation of deeds of trust or debts secured by deeds of trust, or the manner of collection of any such taxation so as to affect this Mortgage, Mortgagee may give thirty (30) days' written notice to Mortgagor requiring the payment of the indebtedness secured hereby. If such notice be given, the indebtedness secured hereby shall become due and payable at the expiration of said thirty (30) days; *provided, however*, that such requirement of payment shall be ineffective if Mortgagor is permitted by law to pay the whole of such tax in addition to all other payments required hereunder, without any penalty or charge thereby accruing to Mortgagee, and if Mortgagor in fact pays such tax prior to the date upon which payment is required by such notice.

2.6 Activities on the Property. Mortgagor shall not suffer any act to be done or any conditions to exist on the Property or any part thereof or any thing or article to be brought thereon (i) which may cause structural injury to the improvements on the Land; or (ii) which would cause the value or usefulness of the Property or any part thereof to diminish (ordinary wear and tear excepted); or (iii) which may be dangerous, unless safeguarded as required by law; or (iv) which may in fact or in law, constitute a nuisance, public or private; or (v) which may void or make voidable any insurance then in force or required by the terms of this Mortgage, the Loan Agreement to be in force.

2.7 Additional Insurance. If required by the Mortgagee, in addition to the provisions of and to the extent not so provided by the Loan Agreement, Mortgagor shall at all times maintain during the entire term of this Mortgage the following insurance, in form and substance satisfactory to Mortgagee:

(a) Workers' Compensation. During any construction, repair, restoration or replacement of improvements on the Land, Mortgagor shall cause all contractors and subcontractors (including Mortgagor if it acts as a contractor) to obtain and keep in effect workers' compensation insurance to the full extent required by applicable law and also which shall cover all employees of each contractor and subcontractor; upon demand, Mortgagor shall provide evidence satisfactory to Mortgagee that it is complying with this covenant.

All insurance for loss or damage shall provide that losses, if any, shall be payable to Mortgagee, as its interest may appear. Mortgagor will pay the premiums for all insurance and deliver to Mortgagee the policies of insurance or duplicates thereof, or other evidence satisfactory to Mortgagee of such insurance coverage. Each insurer shall agree, by endorsement upon the policy or policies issued by it, or by independent instrument furnished to Mortgagee, that (i) it will give Mortgagee thirty (30) days' prior written notice of the effective date of any material alteration or cancellation of such policy; and (ii) the coverage of Mortgagee shall not be terminated, reduced or affected in any manner regardless of any breach or violation by Mortgagor of any warranties, declarations or conditions of such insurance policy or policies. The proceeds of such insurance shall be applied, at Mortgagee's option, toward the replacement, restoration or repair of the Property which may be lost, stolen or destroyed or damaged or toward payment of any indebtedness of Mortgagor to Mortgagee.

2.8 Additional Advances. If Mortgagor shall fail to perform any of the covenants or satisfy any of the conditions contained herein, Mortgagee may make advances or payments towards performance or satisfaction of the same but shall be under no obligation so to do; and all sums so advanced or paid shall be at once repayable by Mortgagor and shall bear interest at the Default Rate from the date the same shall become due and payable until the date paid, and all sums so advanced or paid, with interest as aforesaid, shall become a part of the indebtedness secured hereby; but no such advance or payment shall relieve Mortgagor from any default hereunder. If Mortgager shall fail to perform any of the covenants or satisfy any of the conditions contained herein, Mortgagee may use any funds of Mortgagor towards performance or satisfaction of the same but shall be under no obligation so to do; and no such use of funds shall relieve Mortgagor from any default hereunder.

2.9 **Condemnation Awards**. Should the grade of any street be altered or all or any part of the Property be condemned or taken through eminent domain proceedings, all or such part of any award or proceeds derived therefrom, as Mortgagee in its sole discretion may determine in writing, shall be paid to Mortgagee and applied to the payment of the indebtedness secured hereby (in such manner or combination thereof, including inverse order of maturity of installments of principal, if any, as Mortgagee may, in its sole discretion, elect) and all such proceeds are hereby assigned to Mortgagee.

2.10 **Costs of Defending and Enforcing the Lien**. Mortgagor shall pay all costs, charges and expenses, including appraisals, title examinations, and reasonable attorney's fees, which Mortgagee may incur in defending or enforcing the validity or priority of the legal operation and effect of this Mortgage, or any term, covenant or condition hereof, or in collecting any sum secured hereby, or in protecting the security of Mortgagee including without limitation being a party in any condemnation, bankruptcy or administrative proceedings, or, if an Event of Default shall occur, in administering and executing the trust hereby created and performing their powers, privileges and duties hereunder. Mortgagee for such purposes shall be repayable immediately by Mortgagor and shall bear interest at the Default Rate from the date the same shall become due and payable until the date paid, and any such sum or sums with interest as aforesaid shall become a part of the indebtedness secured hereby; but no such advance or payment shall relieve Mortgagor from any default hereunder.

2.11 Modification of Terms; No Novation. Mortgagee may at any time, and from time to time, extend the time for payment of the indebtedness secured hereby, or any part thereof, or interest

thereon, and waive, modify or amend any of the terms, covenants or conditions in the Note, in the Guarantee, in this Mortgage or in any other Loan Document, in whole or in part, either at the request of Mortgagor or of any person having an interest in the Property, accept one or more notes in replacement or substitution of the Note, consent to the release of all or any part of the Property from the legal operation and effect of this Mortgage, take or release other security, release any party primarily or secondarily liable on the Note or hereunder or on such other security, grant extensions, renewals or indulgences therein or herein, apply to the payment of the principal and interest and premium, if any, of the indebtedness secured hereby any part or all of the proceeds obtained by sale or otherwise as provided herein, without resort or regard to other security, or resort to any one or more of the securities or remedies which Mortgagee may have and which in its absolute discretion it may pursue for the payment of all or any part of the indebtedness secured hereby, in such order and in such manner as it may determine, all without in any way releasing Mortgagor or any party secondarily liable from any of the terms, covenants or conditions of the Note, the Guarantee, this Mortgage, or any other Loan Document, or relieving the unreleased Property from the legal operation and effect of this Mortgage for all amounts owing under the Note, the Loan Agreement and this Mortgage. Mortgagee and Mortgagor recognize and agree that the provisions of this Mortgage, the Note, the Guarantee, and any other Loan Document may be modified by them or their successors or assigns at any time before or after default (which modification may involve increasing the rate of interest in the Note, agreeing that other charges should be paid, or modifying any other provision in any such instruments). Mortgagee may extend the time of payment, may agree to alter the terms of payment of the indebtedness, and may grant partial releases of any portion of the property included herein. No such modification by Mortgagee and Mortgagor nor any such action by Mortgagee or the Mortgagor referred to above shall be a substitution or novation of the original indebtedness or instruments evidencing or securing the same, but shall be considered a possible occurrence within the original contemplation of the parties.

2.12 Governmental Action Affecting the Property. Mortgagor agrees that in the event of the enactment of any law or ordinance, the promulgation of any zoning or other governmental regulation, or the rendition of any judicial decree restricting or affecting the use of the Property or rezoning the area wherein the same shall be situate which Mortgagee reasonably believes adversely affects the Property, Mortgagee may, upon at least sixty (60) days written notice to Mortgagor, require payment of the indebtedness secured hereby at such time as may be stipulated in such notice, and the whole of the indebtedness secured hereby, shall thereupon become due and payable.

ARTICLE 3. EVENTS OF DEFAULT

The occurrence of one or more of the following events (herein called an "Event of Default") shall constitute and be an Event of Default:

3.1 **Default under Loan Documents.** The occurrence and continuance of an Event of Default under the Loan Agreement, the Note or any other Loan Document shall constitute an Event of Default hereunder. In the event Mortgagee consents to an encumbrance on the Property, a default under the terms of any document creating such an encumbrance shall be a default hereunder.

3.2 Additional Insurance Obligations. Mortgagor fails to promptly perform or comply with any of the terms and conditions set forth in <u>subsection 2.7</u> and such failure continues for ten (10) days after notice from Mortgagee to Mortgagor.

3.3 **Material Obligations.** Mortgagor fails to perform or observe any of its material obligations under this Mortgage and such failure shall continue for a period of thirty (30) days after Mortgagee gives Mortgagor written notice thereof.

3.4 Judgment. Unless adequately covered by insurance in the reasonable opinion of Mortgagee, the entry of a final judgment for the payment of money involving more than \$10,000.00 against Mortgagor or any guarantor of the Loan and the failure of Mortgagor or any guarantor of the Loan to cause the same to be discharged or bonded off to the satisfaction of Mortgagee within sixty (60) days from the date the order, decree or process under which or pursuant to which such judgment was entered.

3.5 **Transfer of the Property.** If all or any part of the Property or any interest in the Property is sold, transferred, assigned, conveyed or otherwise disposed of, either outright or as security for an indebtedness, or if there is any change in the ownership of Mortgagor, without Mortgagee's prior written consent, Mortgagee may, at Mortgagee's option, declare all the indebtedness secured by this Mortgage to be immediately due and payable and Mortgagee may exercise any or all of the remedies provided in Paragraph 4 hereunder.

ARTICLE 4. REMEDIES

4.1 **Remedies-Acceleration.** If one or more of the Events of Default shall occur, Mortgagee may, at its option, declare the entire unpaid principal amount of the Note (if not already due and payable) to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Note, in the Guarantee, in the Loan Agreement or in this Mortgage to the contrary notwithstanding; and in the event of any sale of all or any part of the Property, whether made under the power of sale herein granted, assent to a decree or through judicial proceedings, such unpaid principal amount shall automatically and without notice become so due and payable. If Mortgagee exercises Mortgagee's option to declare the entire unpaid principal amount of the Note to be due and payable, Mortgagor covenants to pay immediately the full amount of the indebtedness secured hereby even though foreclosure or other court proceedings to collect the indebtedness have not been commenced. Acceleration of maturity, once declared by Mortgagee, may at the option of Mortgagee, be rescinded by written acknowledgment to that effect by Mortgagee, but the tender and acceptance of partial payments alone shall not rescind or affect in any way such acceleration of maturity.

4.2 **Power of Sale; Assent to Decree and Other Remedies.** If one or more of the Events of Default shall occur and whether or not Mortgagee shall have accelerated the maturity of the indebtedness pursuant to <u>Section 4.1</u> hereof, Mortgagee, at its option, may:

(a) proceed by suit or suits at law or in equity or by any other appropriate remedy to protect and enforce the rights of Mortgagee whether for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or to enforce payment of the Note, of the Guarantee, or to foreclose this Mortgage, or to sell the Property under the judgment or decree of a court or courts of competent jurisdiction, or otherwise. Mortgagor, in accordance with any general or local laws or rules or regulations of _______ relating to mortgages including any amendments thereof or supplements thereto which do not materially change or impair the remedy, does hereby declare and assent to the passage of a decree to sell the Property by the equity court having jurisdiction for the sale of the Property, subject to the terms of the decree of court, the same authority and power to sell on the terms and conditions herein set forth. This assent to decree shall not be exhausted in the event the proceeding is dismissed before the indebtedness secured hereby is paid in full;

(b) either with or without entering upon or taking possession of the Property, demand, collect and receive any or all revenues arising out of or in connection with the Property, including, without limitation, all rents;

(c) take possession and assemble such items of the Property as may be designated by Mortgagee and make them available to the Mortgagee at a place reasonably convenient to both parties to be designated by Mortgagee or the Mortgagee. Upon a default under this Mortgage, Mortgagee shall have the right to take possession of such items of the Property as Mortgagee may elect. In taking possession Mortgagee may proceed without judicial process if this can be done without breach of the peace. Mortgagee shall have the further right to remove such items of the Property as it may choose to any location or locations selected by Mortgagee, and Mortgagor shall pay the costs of such removal and for the storage and protection of such items immediately upon demand therefor. If Mortgagee elects to proceed under the _______ Uniform Commercial Code to dispose of some of the Property, the Mortgagee shall give Mortgagor notice by certified mail, postage prepaid, return receipt requested, of the time and place of any public sale of any of such property or of the time after which any private sale or other intended disposition thereof is to be made by sending notice to Mortgagor at least five (5) days before the time of the sale or other disposition, which provisions for notice Mortgagor and the Mortgagee agree are reasonable; *provided, however*, that nothing herein shall preclude Mortgagee from proceeding as to all the Property in accordance with the rights and remedies of Mortgagee in respect of the real property, as provided in the ______ Uniform Commercial Code, as amended from time to time;

(d) either with or without taking possession of the property, sell, lease or otherwise dispose of the Property in its then condition or following such preparation as Mortgagee deems advisable;

(e) either with or without entering upon or taking possession of the Property and without assuming any obligations of Mortgagor, thereunder, exercise the rights of Mortgagor under, use or benefit from, any of the contracts, leases or intangible property;

may enter and take possession of the Property and may exclude Mortgagor, its (f) agents and servants, wholly therefrom, and having and holding the same, may use, operate, manage and control the Property or any part thereof, and upon every such entry Mortgagee, at the expense of Mortgagor and of the Property, from time to time may make all necessary or proper repairs, renewals, replacements and useful or required alterations, additions, betterments and improvements to and upon the Property as to it may seem judicious and pay all costs and expenses of so taking, holding and managing the same, including reasonable compensation to its employees and other agents (including, without limitation, attorney's fees and management and rental commissions) and any taxes, assessments and other charges prior to the legal operation and effect of this Mortgage which Mortgagee may deem it wise or desirable to pay, and in such case Mortgagee shall have the right to manage the Property and to carry on the business and exercise all rights and powers of Mortgagor, either in the name of Mortgagor, or otherwise, as Mortgagee shall deem advisable; and Mortgagee shall be entitled to collect and receive all rents thereof and therefrom. The taking of possession and collection of rents by Mortgagee shall not be construed to be an affirmation of any lease or acceptance of attornment with respect to any lease of all or any portion of the Property. After deducting the expenses of operating the Property and of conducting the business thereof, and of all repairs, maintenance, renewals, replacements, alterations, additions, betterments, improvements and all payments which it may be required or may elect to make for taxes or other proper charges on the Property, or any part thereof, as well as just and reasonable compensation for all its employees and other agents (including, without limitation, attorney's fees and management and rental commissions) engaged and employed, the moneys arising as aforesaid shall be applied to the indebtedness secured hereby. Whenever all that is due upon the principal of and interest on the Note and under any of the terms of this Mortgage shall have been paid and all defaults made good, Mortgagee shall surrender possession to Mortgagor. The same right of entry, however, shall exist if any subsequent Event of Default shall occur. Mortgagee may, in person, by agent or by court-appointed receiver, enter upon, take possession of, and maintain full control of the Property in order to perform all acts necessary or appropriate to complete construction of the improvements and to maintain and operate the Property, including, but not limited to, the execution, cancellation or modification of leases, the making of repairs to the Property and the execution or termination of contracts providing for the construction, management or maintenance of the Property, all of such terms as Mortgagee, in its sole discretion, deems proper or appropriate;

(g) proceed by a suit or suits in law or in equity or by other appropriate proceeding to enforce payment of the Note and/or the Guarantee, or the performance of any term, covenant, condition or agreement of this Mortgage and Security Agreement or any of the other Loan Documents, or any other right, and to pursue any other remedy available to it, all as Mortgagee shall determine most effectual for such purposes;

(h) institute and maintain such suits and proceedings as Mortgagee may deem expedient to prevent any impairment of the Property by any acts which may be unlawful or in violation of this Mortgage and Security Agreement, to preserve or protect its interest in the Property and the revenues arising out of or in connection with the Property, and to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that would impair the security hereunder or be prejudicial to the interest of Mortgagee;

(i) apply all or any portion of the Property, or the proceeds thereof, towards (but not necessarily in complete satisfaction of) the indebtedness;

(j) foreclose any and all rights or Mortgagor in and to the Property, whether by sale, entry or in any other manner provided for hereunder or under the laws of _____;

(k) in the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceeding affecting Mortgagor or the creditors or property of Mortgagor, Mortgagee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Mortgagee allowed in such proceedings for the entire amount of the indebtedness at the date of the institution of such proceedings and for any additional portion of the indebtedness accruing after such date;

(1) exercise of any right or remedy of mortgagee or secured party under the laws of

4.3 **Appointment of a Receiver.** Until one or more of the Events of Default shall occur (but not thereafter), Mortgagor shall have possession of the Property and shall have the right to use and enjoy the same and to receive the rents thereof and therefrom. If one or more of the Events of Default shall occur, and without the requirement of any other showing, Mortgagee shall be entitled as a matter of right and to the extent permitted by law, without notice to Mortgagor, and without regard to the adequacy of the security, to the immediate appointment of a receiver of the Property and of the rents thereof and therefrom, in an ex parte proceeding with all such other powers as the court or courts making such appointment shall confer, and the rents thereof and therefrom are hereby assigned to Mortgagee as additional security under this Mortgage in the event of entry pursuant to the terms of the proceeding Section, all original records, books, bank accounts, leases, agreements, security deposits of the tenants and all other materials relating to the operation of the Property.

4.4 Foreclosure Sale.

If one or more of the Events of Default shall occur, the Mortgagee shall sell and (a) in the case of default of any purchaser or purchasers shall resell all the Property as an entirety, or in such parcels and in such order as Mortgagee shall in writing request, or, in the absence of such request, as the Mortgagee may determine (Mortgagor hereby waiving for itself and for any person claiming by or through it application of the doctrine of marshalling of assets), at public auction at some convenient place or places in the jurisdiction in the state where the Property is situate, or in such other place or places as may be permitted by law, at such time, in such manner and upon such terms as the Mortgagee may fix and briefly specify in each notice of sale, which notice of sale shall state the time when, and the place where, the same is to be made, shall contain a brief general description of the property to be sold, and shall be sufficiently given if published as frequently and in such publication as may be required by law, and Mortgagee may cause such further public advertisement to be made as they may deem advisable, and any such sale may be adjourned by the Mortgagee by announcement at the time and place appointed for such sale or for such adjourned sale, and, without further notice or publication, such sale may be made at the time and place to which the same shall be so adjourned. If one or more leases are entered into or recorded subsequent to the recording of this Mortgage or are otherwise subordinate to this Mortgage, the Mortgagee shall sell, subject to any one or more of such tenancies that are designated and selected by Mortgagee.

(b) Upon the completion of any sale and compliance with all the terms thereof, the Mortgagee shall execute and deliver to the purchaser or purchasers a good and sufficient deed of conveyance, assignment and transfer, lawfully conveying, assigning and transferring the property sold. Payment to the Mortgagee of the entire purchase money shall be full and sufficient discharge of any purchaser or purchasers of the property, sold as aforesaid, for the purchase money; and no such purchaser, or his representatives, successors or assigns, after paying such purchase money and receiving the deed shall be bound to see to the application of such purchase money.

(c) In the case of any sale of the Property or of any part thereof, whether under the power of sale herein granted, assent to decree or through other judicial proceedings, the purchase money,

proceeds and avails thereof, together with any other sums which may then be held as security hereunder or be due under any of the provisions hereof as a part of the Property, shall be applied as follows:

FIRST, to pay all proper costs, charges, fees and expenses, including the fees and costs herein provided for and to pay the costs of appraisals of the Property and the costs of title examination; and to pay or repay to Mortgagee all moneys advanced by them or either of them for taxes, insurance or otherwise, with interest thereon as provided herein; and to pay all taxes due upon the Property at the time of sale; and to pay any other lien or encumbrance prior to the legal operation and effect of this Mortgage unless said sale is made subject to any such taxes or other lien or encumbrance; and to pay a counsel fee of One thousand Five hundred Dollars (\$1,500.00) for conducting the proceedings if without contest, but if legal services are rendered to Mortgagee in connection with any contested matter in the proceedings, then such additional counsel fees and expenses shall be allowed out of the proceeds of sale or sales as the court may deem proper; and to pay additional reasonable counsel fees, if any, incurred as a result of representing Mortgagee's interest in any proceedings on behalf of any Mortgagor before any United States Bankruptcy Court or similar State insolvency proceedings; and also to pay a commission to the auctioneer or other party making the sale equal to five percent (5%) of the gross sale price;

SECOND, to pay whatever may then remain unpaid under the Note and the interest thereon to the date of payment, whether the same shall be due or not, it being agreed that the Note shall, upon such sale being made before the maturity of the Note, be and become immediately due and payable at the election of Mortgagee and to pay all of the indebtedness secured hereby;

THIRD, to pay the remainder of said proceeds, if any, less the expense, if any, of obtaining possession, to Mortgagor or other party lawfully entitled to receive the same, upon the delivery and surrender of possession of the Property sold and conveyed and delivery of all records, books, bank accounts, leases, agreements, security deposits of the tenants and all other material relating to the operation of the Property to the said purchaser or purchasers.

(d) Immediately upon the filing or docketing of suit preliminary to a foreclosure sale of the Property, or any part thereof under this Mortgage, there shall be and become due and owing by Mortgagor, an auctioneer's commission on the total amount of the indebtedness secured hereby equal to two and one-half percent (2 $\frac{1}{2}$ %), and Mortgagee shall not be required to receive the principal and interest in satisfaction of the indebtedness secured hereby, but said sale may be proceeded with unless, prior to the day appointed therefor, tender is made of said principal, interest, commissions and all expenses and costs incident to such sale and all other sums that are part of the indebtedness secured hereby.

(e) Mortgagee may bid and become the purchaser at any sale under this Mortgage. If Mortgagee is the purchaser at any such sale, Mortgagee may apply the outstanding indebtedness against all or any portion of the purchase price, including the deposit.

4.5 **Collection of Revenues.** In connection with the exercise by Mortgagee of the rights and remedies provided for in <u>subsection 4.2(b)</u> hereof:

(a) Mortgagee may notify any tenant, lessee or licensee of the Property, either in the name of the Mortgagee or Mortgagor, to make payment of Revenues directly to Mortgagee or Mortgagor's agents, may advise any person of Mortgagee's interest in and to the revenues arising out of or in connection with the Property and may collect directly from such tenants, lessees and licensees all amounts due on account of such revenues;

(b) At Mortgagee's request, Mortgagor will provide written notification to any or all tenants, lessees and licensees of the property concerning Mortgagee's interest in the revenues arising out of

or in connection with the Property and will request that such tenants, lessees and licensees forward payment thereof directly to Lender;

(c) Mortgagor shall hold any proceeds and collections of any of the revenues arising out of or in connection with the Property in trust for Mortgagee and shall not commingle such proceeds or collections with any other funds of Mortgagor; and

(d) Mortgagor shall deliver all such proceeds to Mortgagee immediately upon the receipt thereof by Mortgagor in the identical form received, but duly endorsed or assigned on behalf of Mortgagor to Mortgagee.

4.6 Use and Occupation of Property. In connection with the exercise of Mortgagee's rights under subsection 4.2(f), Mortgagee may enter upon, occupy, and use all or any part of the Property and may exclude Mortgagor from the Land and the Improvements thereon or portion thereof as may have been so entered upon, occupied, or used. Mortgagee shall not be required to remove any personal Property from the Land and the Improvements upon Mortgagee's taking possession thereof, and may render any personal Property unusable to Mortgagor. In the event Mortgagor manages the Land and the improvements thereon in accordance with <u>subsection 4.2(f)</u> herein, Mortgagor shall pay to Mortgagee on demand a reasonable fee for the management thereof in addition to the indebtedness. Further, Mortgagee may construct such improvements, as Mortgagee, in its sole discretion, deems proper or appropriate. The obligation of Mortgagor to pay such amounts and all expenses incurred by Mortgagee in the exercise of its rights hereunder shall be included in the indebtedness and shall accrue interest at the default rate of interest stated in the Note.

4.7 **Partial Sales.** Mortgagor agrees that in case Mortgagee, in the exercise of the power of sale contained herein or in the exercise of any other rights hereunder given, elects to sell in parts or parcels, said sales may be held from time to time and that the power shall not be exhausted until all of the Property not previously sold shall have been sold, notwithstanding that the proceeds of such sales exceed, or may exceed, the indebtedness.

4.8 Assembly of Property. Upon the occurrence of any Event of Default, Mortgagee may require Mortgagor to assemble the Property and make it available to Mortgagee, at Mortgagor's sole risk and expense, at a place or places to be designated by Mortgagee which are reasonably convenient to both Mortgagee and Mortgagor.

Power of Attorney. Upon the occurrence of any Event of Default, Mortgagor hereby 4.9 irrevocably constitutes and appoints Mortgagee as Mortgagor's true and lawful attorney in fact to take any action with respect to the Property to preserve, protect, or realize upon Mortgagee's interest therein, each at the sole risk, cost and expense of Mortgagor, but for the sole benefit of Mortgagee. The rights and powers granted Mortgagee by the within appointment include, but are not limited to, the right and power to: (a) prosecute, defend, compromise, settle, or release any action relating to the Property; (b) endorse the name of Mortgagor in favor of Mortgagee upon any and all checks or other items constituting revenues arising out of or in connection with the Property; (c) sign and endorse the name of Mortgagor on, and to receive as secured party, any of the Property; (d) sign and file or record on behalf of Mortgagor any financing or other statement in order to perfect or protect Mortgagee's security interest; (e) enter into any contracts or agreements relative to, and to take all action deemed necessary in connection with, the construction of any improvements on the Land; (g) manage, operate, maintain or repair the Land and the improvements; and (h) exercise the rights of Mortgagor under any contracts, leases or intangible personal property. Mortgagee shall not be obligated to perform any of such acts or to exercise any of such powers, but if Mortgagee elects so to perform or exercise, Mortgagee shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to Mortgagor except for Mortgagee's willful misconduct or gross negligence. All powers conferred upon Mortgagee by this Mortgage and Security Agreement, being coupled with an interest, shall be irrevocable until terminated by a written instrument executed by a duly authorized officer of the Mortgagee.

ARTICLE 5. MISCELLANEOUS

5.1 **Mortgagee**. The Mortgagee shall be protected in acting upon any notice, request, consent, demand, statement, note or other paper or document believed by them to be genuine and to have been signed by the party or parties purporting to sign the same. The Mortgagee shall not be liable for any error of judgment, nor for any act done or step taken or omitted, nor for any mistake of law or fact, nor for anything which they may do or refrain from doing in good faith nor generally shall a Mortgagee have any accountability hereunder except for his own individual willful default.

5.2 **Estoppel Certificates.** Mortgagor, upon request, made either personally or by mail, shall, within six (6) days in case the request is made personally, or within ten (10) days after the mailing of such request in case the request is made by mail, certify, by a writing duly acknowledged, to Mortgagee or to any proposed assignee of the Note, the amount of principal and interest then owing on the Note and whether any offsets or defenses exist against the indebtedness secured hereby. At the request of Mortgagee, such certificate shall also contain a statement that Mortgagor knows of no Event of Default nor of any other default which, after notice or lapse of time or both, would constitute an Event of Default, which has occurred and remains uncured as of the date of such certificate, or, if any such Event of Default or other default has occurred and remains uncured as of the date of such certificate, then such certificate shall contain a statement specifying the nature thereof, the time for which the same has continued and the action which Mortgagor has taken or proposes to take with respect thereto.

5.3 **Subrogation**. This Mortgage and the Mortgagee, as additional security, are hereby subrogated to the lien or liens and to the rights of the owners and holders thereof of each and every mortgage, lien or other encumbrance on the Property, or any part thereof, or any claim or demand which is paid or satisfied, in whole or in part, out of the proceeds of the indebtedness secured hereby and the respective liens of said mortgages, liens and other encumbrances and claims and demands shall pass to and be held by the Mortgagee as additional security for the indebtedness to Mortgagee to the same extent that they would have been preserved and would have been passed to and been held by Mortgagee had they each been duly and regularly assigned, transferred, set over and delivered to Mortgagee by separate deed of assignment, notwithstanding the fact the same may be or may have been satisfied and cancelled of record, it being the intention of the parties hereto that the same will be satisfied and cancelled of record at or about the time they are paid or satisfied out of the proceeds of the Loan.

5.4 Notices. Unless specifically provided otherwise in this Mortgage or by law, any notice required or permitted by or in connection with this Mortgage shall be in writing and shall be made by facsimile or by hand delivery, by overnight delivery service, or by certified mail, unrestricted delivery, return receipt requested, postage prepaid, addressed to Mortgagee or Mortgagor at the appropriate address set forth above or to such other address as may be hereafter specified by written notice by Mortgagee or Mortgagor. Notice shall be considered given as of the date of the facsimile or the hand delivery, one (1) calendar day after delivery to the overnight delivery service, or three (3) calendar days after the date of mailing, independent of the date of actual delivery or whether delivery is ever in fact made, as the case may be, provided the giver of notice can establish that notice was given as provided herein.

5.5 Legal Construction. This Mortgage shall be construed according to the laws of ______ (excluding ______ conflict of laws) and any court of competent jurisdiction of ______ shall have jurisdiction in any proceeding instituted to enforce this Mortgage and any objections to venue are hereby waived.

5.6 Usury Limitations. No provision of this Mortgage shall require the payment or permit the collection of interest or other sum in excess of the maximum permitted by applicable law, including a judicial determination. If any excess of interest or other sum in such respect is herein provided for, or shall be adjudicated to be so provided for herein, neither Mortgagor nor its successors or assigns shall be obligated to pay such interest or other sum in excess of the amount permitted by applicable law, including a judicial determination, and the right to demand the payment of any such excess shall be and hereby is waived. The provisions of this Section shall control all other provisions of this Mortgage. 5.7 **Recording.** Mortgagor covenants and agrees to promptly cause all documents required by Mortgagee to be properly recorded or filed, including this Mortgage, and to pay all fees, taxes and expenses incident thereto. Mortgagor shall hold harmless and indemnify Mortgagee against any liability incurred by reason of the imposition of any fee, tax or charge on the making and recording of this Mortgage.

5.8 **Rights of Mortgagee**.

(a) *Rights Not Limited.* The rights, powers, privileges and discretions (hereinafter collectively called the "rights") specifically granted to the Mortgagee and those specifically granted to Mortgagee under this Mortgage are not in limitation of but in addition to those to which they are entitled under any general or local law relating to and mortgages in _____, now or hereafter existing.

(b) Benefit to Successors and Assigns. The rights to which Mortgagee may be entitled shall inure to the benefit of its successors and assigns.

(c) *Rights Cumulative*. All the rights of Mortgagee are cumulative and not alternative and may be enforced successively or concurrently.

5.9 No Waiver. Failure of Mortgagee to exercise any of their rights shall not impair any of their rights nor be deemed a waiver thereof, and no waiver of any of their rights shall be deemed to apply to any other such rights, nor shall it be effective unless in writing and signed by the party waiving the right. The acceptance by Mortgagee of any partial payment after default or an Event of Default, with or without knowledge of the default or Event of Default, shall not be a waiver of the default or Event of Default unless Mortgagee shall specifically state in writing that the acceptance waives the default or Event of Default or states further conditions which must be satisfied to constitute such a waiver. The failure of Mortgagee to exercise the option for acceleration of maturity, foreclosure, or either, following an Event of Default or to exercise any other option or privilege granted to Mortgagee hereunder in any one or more instances, shall not constitute a waiver of any such default, but such option or privilege shall remain continuously in force.

5.10 **Mutual Waiver of Jury Trial.** Mortgagor and Mortgagee (by acceptance of this Mortgage) each, on behalf of itself and its successors and assigns, WAIVES to the fullest extent permitted by law all right to TRIAL BY JURY of any and all claims between them arising under this Mortgage, the Note, the Loan Agreement, or any other Loan Documents, and any and all claims arising under common law or under any statute of any state or the United States of America, whether any such claims be now existing or hereafter arising, now known or unknown. In making this waiver Mortgagee and Mortgagor acknowledge and agree that any and all claims made by Mortgagee and all claims made against Mortgagee shall be heard by a judge of a court of proper jurisdiction, and shall not be heard by a jury. Mortgagee and Mortgagor acknowledge and agree that THIS WAIVER OF TRIAL BY JURY IS A MATERIAL ELEMENT OF THE CONSIDERATION FOR THIS TRANSACTION. Mortgagee and Mortgagor, with advice of counsel, each acknowledges that it is knowingly and voluntarily waiving a legal right by agreeing to this waiver provision.

5.11 Waiver by Mortgagor. Mortgagor waives, on behalf of itself and all persons now or hereafter interested in the Property, all rights under all appraisement, homestead, moratorium, valuation, redemption, exemption, stay, extension and marshalling statutes, laws or equities now or hereafter existing and agrees that no defense based on any thereof will be asserted in any action enforcing this Mortgage.

5.12 Secondary Market Cooperation. Mortgagor acknowledges that Mortgagee may (a) sell this Mortgage, the Note and the other Loan Documents to one or more investors as a whole loan, (b) participate the Loan to one or more investors, (c) deposit this Mortgage, the Note, the Guarantee and the other Loan Documents with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter referred to as "Secondary Market Transactions". Mortgagor shall cooperate in good faith with Mortgagee in effecting any such Secondary Market Transaction and shall cooperate in good faith to implement all requirements imposed by any rating agency

involved in any Secondary Market Transaction including, without limitation, all structural or other changes to the Loan, modifications to any documents evidencing or securing the Loan, delivery of opinions of counsel acceptable to the rating agency and addressing such matters as the rating agency may require; provided, however, Mortgagor shall not be required to modify any documents evidencing or securing the Loan which would modify (i) the interest rate payable under the Note, (ii) the stated maturity of the Note, (iii) the amortization of principal of the Note, or (iv) any other material economic term of the Loan. Mortgagor shall provide such information and documents relating to Mortgagor, any guarantor of Mortgagor, the Property and any tenant of the Property as Mortgagee may reasonably request in connection with a Secondary Market Transaction. Mortgagee shall have the right to provide to prospective investors any information in its possession, including, without limitation, financial statements relating to Mortgagor, any guarantor of Mortgagor, the Property and any tenant of the Property. Mortgagor acknowledges that certain information regarding the Loan and the parties thereto and the Property may be included in a private placement memorandum, prospectus or other disclosure documents.

5.13 **Indemnification**. Mortgagee shall not be obligated to perform or discharge any obligation or duty to be performed or discharged by Mortgagor under any lease. Mortgagor shall indemnify the Mortgagee for and save them harmless from any and all liability arising from any lease or assignment of a lease as security under this Mortgage. Mortgagee shall not have any responsibility for the control, care, management or repair of the Property or be liable for any negligence in the management, operation, upkeep, repair or control of the Property resulting in loss or injury or death to any lessee or any other person or entity. The obligations and liabilities of Mortgage and the exercise by Mortgagee of any of its rights or remedies hereunder including, without limitation, the acquisition of the Property by foreclosure or a conveyance in lieu of foreclosure.

5.14 **Binding Effect.** The terms and conditions agreed to by Mortgagor and the covenants of Mortgagor shall be binding upon the personal representatives, successors and assigns of Mortgagor and of each of them, but this provision does not waive any prohibition of assignment or any requirement of consent to an assignment under the other provisions of this Mortgage; any consent to an assignment shall not be consent to any further assignment, each of which must be specifically obtained in writing.

5.15 **Recitals.** The recitals of this Mortgage are incorporated herein and made a part hereof.

5.16 **Number and Gender**. Wherever used herein the singular shall include the plural and the plural the singular, and the use of any gender shall include all genders.

5.17 **Time of Essence**. Time is of the essence of the obligations of Mortgagor in this Mortgage and each and every term, covenant and condition made herein by or applicable to Mortgagor.

5.18 **Captions.** The captions of the Sections of this Mortgage are for the purpose of convenience only and are not intended to be a part of this Mortgage and shall not be deemed to modify, explain, enlarge, or restrict any of the provisions hereof.

5.19. Severability. If any provision of this Mortgage or the application thereof to any person or circumstance shall be invalid, inoperative or unenforceable to any extent, the remainder of this Mortgage and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be valid, operative and enforceable to the greatest extent permitted by law.

5.20. **Execution of Counterparts.** This Mortgage may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same Mortgage.

5.21. Security Agreement. Mortgagor has executed this instrument as a Debtor under the Uniform Commercial Code of the state in which the Property is located. This Mortgage shall constitute and be a security agreement and financing statement under the laws of such state.

ARTICLE 6. ADDITIONAL COVENANTS

6.1 Leases of the Property.

6.1.1 **Compliance with Leases.** Mortgagor shall carry out all of its agreements and covenants as landlord contained in any leases (which word when used in this Mortgage shall include, without limitation, all agreements, licenses, contracts, reservations, accounts, and permits affecting all or any part of the Property) and not permit a lien or other encumbrance superior to such leases other than this Mortgage. No lease shall include any space, or grant to any tenant any right or interest in any area outside of the limits of the Property. Upon demand of Mortgagee, Mortgagor shall furnish Mortgagee an executed copy of each lease immediately upon its execution. All future leases shall be written on the standard form accepted by Mortgagee, with only such changes as Mortgagee shall have approved in writing or on a lease agreement approved by Mortgagee.

Assignment of Leases. Mortgagor hereby grants, conveys, assigns, and 6.1.2 transfers unto the Mortgagee, for the benefit of Mortgagee, all the right, title, interest and privileges which Mortgagor has or may hereafter have in any and all of said leases now existing or hereafter made affecting all or a part of the Property, as said leases may have been or may from time to time be hereafter modified, extended or renewed with all the rents (which word when used in this Mortgage shall include, without limitation, all income and profits) due and becoming due therefrom and including without limitation the right of Mortgagee to inspect the leased areas and books and records of tenants. Mortgagor shall, upon written request by Mortgagee, execute assignments (in any form customarily used by Mortgagee) of any present or future leases, together with the rents due and becoming due therefrom, which affect in any way all or any part of the Property. No such assignment made or required hereby shall be construed as a consent by Mortgagee to any lease or to impose on Mortgagee any obligation with respect thereto. Mortgagor shall not make any other assignment, hypothecation or pledge of any rents under any lease of part or all of the Property. Mortgagor shall not, without the prior written approval of Mortgagee, cancel any of the leases, nor terminate or accept a surrender thereof, nor reduce the payment of rent thereunder, nor modify any of said leases, nor accept any prepayment of rent other than the usual prepayment as would result from the acceptance by landlord more than fifteen (15) days before the first day of each month for the ensuing month under leases approved by Mortgagee according to the terms of such leases. The covenants and restrictions of this subsection shall be deemed covenants and restrictions running with the land.

6.1.3 Limitation on Subordinate Lienors. Mortgagor covenants that Mortgagee of any subordinate lien shall have no right, and shall acquire no right, to terminate or modify any lease affecting the Property whether or not such lease is subordinate to the legal operation and effect of this Mortgage.

6.1.4 **Deposit of Rents.** All payments, including security deposits, under any lease received by Mortgagor shall be deemed held by Mortgagor in trust for the payment of the indebtedness secured hereby. Mortgagor shall deposit in a non-interest bearing account or accounts with Mortgagee all payments (except security deposits made under residential leases, if any) made under all leases, which sums, subject to the rights of the tenants therein, may be used by Mortgagor in the ordinary course of Mortgagor's business to the extent permitted by law, until one or more of the Events of Default shall occur, but not thereafter.

6.1.5 Assignment of Bankruptcy Awards. Mortgagor hereby assigns to the Mortgagee any award made hereafter to it in any court procedure involving any of the tenants in any bankruptcy, insolvency or reorganization proceeding in any state or federal court and any and all payments by any tenant in lieu of rent.

6.1.6 **Limitation of Liability under Leases.** The Mortgagee shall not be obligated to perform or discharge any obligation or duty to be performed or discharged by Mortgagor under any lease; and Mortgagor hereby agrees to indemnify the Mortgagee for and to save them harmless from, any and all liability arising from any lease, or this assignment thereof and this assignment shall not place the responsibility for the control, care, management or repair of the Property upon the Mortgagee, nor make

said Mortgagee liable for any negligence in the management, operation, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, agent, guest, or stranger.

6.1.7 Security Deposits. Mortgagor shall deposit in an account or accounts with Mortgagee or its designee, under the depository's standard program for such accounts, all security deposits made under residential leases which sums, subject to the rights of the tenants therein, may be used by Mortgagor in the ordinary course of Mortgagor's business to the extent permitted by law, until one or more of the Events of Default shall occur, but not thereafter. All such deposits shall be the continuing responsibility of Mortgagor, and Mortgagor shall comply with all applicable requirements of state and local law where the Property is located.

6.2 Environmental Covenants.

6.2.1 No Substances Present. Mortgagor hereby represents and warrants to Mortgagee that, after a due and diligent investigation, to the best of its knowledge, there are not now and have never been any materials or substances located on or near the Property that, under federal, state, or local law, statute, ordinance, or regulation, or administrative or court order or decree, or private agreement (collectively, the "Environmental Laws"), are regulated as to use, generation, collection, storage, treatment, or disposal (such materials or substances are hereinafter collectively referred to as "Substances"). The term "Substances" includes any materials or substances whose release or threatened release may pose a risk to human health or the environment or impairment of property values and shall also include without limitation (i) asbestos in any form, (ii) urea formaldehyde foam insulation, (iii) paint containing lead, (iv) transformers or other equipment which contains dielectric fluid containing levels of polychlorinated biphenyls of 50 parts per million or more, and (v) petroleum in any form. Mortgagor further represents and warrants to Mortgagee that the Property is not now being used nor has it ever been used in the past for any activities involving the use, generation, collection, storage, treatment, or disposal of any Substances. Mortgagor will not place or permit to be placed any Substances on or near the Property except for those Substances that are typically used in the operation of Mortgagor's business provided the same are in appropriately small quantities and are stored, used, and disposed of properly; or Substances that are approved in writing by Mortgagee.

6.2.2 Acting Upon Presence of Substances. Mortgagor hereby covenants and agrees that, if at any time (i) Substances are spilled, emitted, disposed, or leaked in any amount; or (ii) it is determined that there are Substances located on, in, or under the Property other than those of which Mortgagee has approved in writing or which are permitted to be used on the Property without Mortgagee's written approval pursuant to subsection 6.2.1 of this Section, Mortgagor shall immediately notify Mortgagee and any authorities required by law to be notified, and shall, within thirty (30) days thereafter or sooner if required by Mortgagee or any governmental authority, take or cause to be taken, at Mortgagor's sole expense, such action as may be required by Mortgagee or any governmental authority. If Mortgagor shall fail to take such action, Mortgagee may make advances or payments towards performance or satisfaction of the same but shall be under no obligation so to do; and all sums so advanced or paid, including all sums advanced or paid in connection with any investigation or judicial or administrative proceeding relating thereto, including, without limitation, reasonable attorneys' fees, expert fees, fines, or other penalty payments, shall be at once repayable by Mortgagor and shall bear interest at the Default Rate. from the date advanced or paid by Mortgagee until the date paid by Mortgagor to Mortgagee, and all sums so advanced or paid, with interest as aforesaid, shall become a part of the indebtedness secured hereby.

6.2.3 **Environmental Audits.** Mortgagor, promptly upon the written request of Mortgagee from time to time, shall provide Mortgagee, at Mortgagor's expense, from time to time with an environmental site assessment or environmental audit report, or an update of such an assessment or report, all in scope, form, and content satisfactory to Mortgagee.

6.2.4 **Environmental Notices.** Mortgagor shall furnish to Mortgagee duplicate copies of all correspondence, notices, or reports it receives from any federal, state, or local agency or any other person regarding environmental matters or Substances at or near the Property, immediately upon Mortgagor's receipt thereof.

6.2.5 **Condition of Property.** Mortgagor hereby represents and warrants that there are no wells or septic tanks on the Property serving any other property; no wells or septic tanks on other property serving the Property; no burial grounds, archeological sites, or habitats of endangered or threatened species on the Property; and that no part of the Property is subject to tidal waters; has been designated as wetlands by any federal, state, or local law or governmental agency; or is located in a special flood hazard area.

6.2.6 Environmental Indemnity.

6.2.6.1 Mortgagor shall at all times indemnify and hold harmless Mortgagee against and from any and all claims, suits, actions, debts, damages, costs, losses, obligations, judgments, charges, and expenses, of any nature whatsoever suffered or incurred by Mortgagee, whether as beneficiary of this Mortgage, as mortgagee in possession, or as successor-in-interest to Mortgagor by foreclosure deed or deed in lieu of foreclosure, under or on account of the Environmental Laws or any similar laws or regulations, including the assertion of any lien thereunder, with respect to:

(a) any discharge of Substances, the threat of a discharge of any Substances, or the presence of any Substances affecting the Property whether or not the same originates or emanates from the Property or any contiguous real estate including any loss of value of the Property as a result of any of the foregoing;

(b) any costs of removal or remedial action incurred by the United States Government or any costs incurred by any other person or damages from injury to, destruction of, or loss of natural resources, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Laws;

(c) liability for personal injury or property damage arising under any statutory or common law tort theory, including, without limitation, damages assessed for the maintenance of a public or private nuisance or for the carrying on of an abnormally dangerous activity at or near the Property; and/or

(d) any other environmental matter affecting the Property within the jurisdiction of the Environmental Protection Agency, any other federal agency, or any state or local environmental agency.

Mortgagor's obligations under this Agreement shall arise upon the discovery of the presence of any Substance, whether or not the Environmental Protection Agency, any other federal agency or any state or local environmental agency has taken or threatened any action in connection with the presence of any Substances.

7. U.S. SMALL BUSINESS ADMINISTRATION PROVISION:

The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

- a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.
- b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.

{00178118;v1}

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be duly executed on its behalf and its seal to be hereunto affixed as of the date first above written.

Notary Acknowledgment

EXHIBIT A

PROPERTY DESCRIPTION

{00178118;v1}

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<u>EXHIBIT B</u>

PERMITTED ENCUMBRANCES

{00178118;v1}

Prepared by and return to:

Parcel No.

DEED OF TRUST

OPEN-END DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

NOTICE: THIS DOCUMENT SECURES A VARIABLE INTEREST RATE NOTE AND CONTAINS PROVISIONS FOR INCREASES UNDER CERTAIN CIRCUMSTANCES IN THE PRINCIPAL BALANCE OF THE INDEBTEDNESS SECURED HEREBY

_____, by and between _____, by and between _____, with an address of _____ THIS DEED OF TRUST is made as of the

("Grantor"), and ______, with an address of ______("Trustee").

RECITALS

, having a place of business at

("Lender"), has agreed, pursuant to a Loan Agreement of even date herewith (the "Loan Agreement"), and subject to the terms set forth therein, to make a loan to Grantor in an aggregate amount of

) (the "Loan"), the Loan Agreement constituting the consideration for this Deed of Trust. (\$

Grantor has duly executed its promissory note of even date herewith (the "Note") to evidence the terms of repayment of the Loan with interest at the rate or rates established from time to time in accordance with the terms set forth therein, which Note has been delivered by Grantor to the Lender (the Lender and any assignee or other lawful owner of the Note being hereinafter sometimes called "Holder").

The entire unpaid balance of principal and interest, if not sooner paid, shall be due and payable from the date hereof.

All things necessary to make the Note the valid, binding and legal obligation of Grantor, and to make this Deed of Trust a valid, binding and legal instrument for the security of the Note in accordance with its terms, have been duly performed, and the execution and delivery of the Note and this Deed of Trust by Grantor have been in all respects duly authorized.

It has been agreed that the repayment of the Loan with interest, according to the terms of the Note and any alterations, modifications, substitutions, extensions or renewals thereof, as well as the performance of the other covenants, terms and conditions herein, should be secured by the execution of this Deed of Trust, which also shall secure payment by Grantor of all costs and expenses incurred in respect to the Loan, including reasonable attorney's fees as is hereinafter provided.

NOW, THEREFORE, WITNESSETH: in consideration of the premises and of other good and valuable considerations, the receipt of which is hereby acknowledged, Grantor grants, assigns, conveys and transfers unto the Trustee, their and each of their successor or successors in the trust and assigns, in fee simple, all that land situate in , County of the City of

 , comm	only known as	-	 ,	,

and more particularly described in Exhibit A attached hereto and made a part hereof (the "Land") and the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repair, replacements and improvements now or hereafter located thereon (hereinafter sometimes called the "Improvements").

TOGETHER with all the walks, fences, shrubbery, driveways, fixtures, equipment, machinery, apparatus, fittings, building materials and other articles of personal property of every kind and nature whatsoever, now or hereafter ordered for eventual delivery to the Land (whether or not delivered thereto), and all such as are now or hereafter located in or upon any interest or estate in the Land or any part thereof and used or usable in connection with any present or future operation of the Land now owned or hereafter acquired by Grantor, including, without limiting the generality of the foregoing, all heating, lighting, laundry, clothes washing, clothes drying, incinerating and power equipment, engines, pipes, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire-prevention, fire-extinguishing, refrigerating, ventilating, and communications apparatus, television sets, radio systems, recording systems, computer equipment, air-cooling and air-conditioning apparatus, elevators, escalators, shades, awnings, draperies, curtains, fans, furniture, furnishings, carpeting, linoleum and other floor coverings, screens, storm doors and windows, stoves, gas and electric ranges, refrigerators, garbage disposals, sump pumps, dishwashers, washers, dryers, attached cabinets, partitions, ducts and compressors, landscaping, swimming pools, lawn and garden equipment, security systems and including all equipment installed or to be installed or used or usable in the operation of the building or buildings or appurtenant facilities erected or to be erected in or upon the Land; it being understood that all of the aforesaid shall be deemed to be fixtures and part of the Land, but whether or not of the nature of fixtures they shall be deemed and shall constitute part of the security for the indebtedness herein mentioned and shall be covered by this Deed of Trust. Disposition of any of the aforesaid or of any interest therein is prohibited; however, if any disposition is made in violation hereof, the Trustee shall have a security interest in the proceeds therefrom to the fullest extent permitted by the laws of the ; and

TOGETHER with all and singular the rights, alleys, ways, waters, easements, tenements, privileges, advantages, accessions, hereditaments and appurtenances belonging or in any way appertaining to the Land and other property described herein, and the reversions and remainders, earnings, revenues, rents, issues and profits thereof and including any right, title, interest or estate hereafter acquired by Grantor in the Land and other property described herein; and

TOGETHER with all the right, title and interest (but not the obligations) of Grantor, present and future, in and to all present and future accounts, contract rights (including all fees and other obligations set forth in the Lender's commitment to make the Loan), general intangibles, chattel paper, documents and instruments including but not limited to licenses, construction contracts, service contracts, utility contracts, options, permits, public works agreements, bonds, deposits and payments thereunder, relating or appertaining to the Land and other property described herein and its development, occupancy and use; and

TOGETHER with any right to payment for services rendered, whether or not yet earned by performance, arising from the operation of the improvements or any other facility on the Land, including, without limitation, (1) all accounts arising from the operation of the improvements and all proceeds thereof (whether cash or non-cash, movable or immovable, tangible or intangible) received upon the sale, exchange, transfer, collection or other disposition or substitution thereof, and (2) all rights to payment from any consumer credit/charge card organization or entity, including, without limitation, payments arising from the use of the American Express Card, Visa Card, Carte Blanche Card, MasterCard, Diner's Club, or any other credit card, including those now existing or hereinafter created or any substitution therefor and all proceeds thereof (whether cash or non-cash, movable, tangible) received upon the sale, exchange, transfer, collection or substitution therefor and all proceeds thereof (whether cash or non-cash, movable or immovable, tangible) received upon the sale, exchange, transfer, collection or other disposition or substitution therefor and all proceeds thereof (whether cash or non-cash, movable or immovable, tangible) received upon the sale, exchange, transfer, collection or other disposition or substitution thereof; and

TOGETHER with all of the rents, royalties, revenues, income, proceeds, profits and other benefits paid or payable by parties to the leases for using, leasing, licensing, possessing, occupying, operating from, residing in, selling or otherwise enjoying the Land, the improvements, and other property securing the indebtedness, or any portion thereof. As used in this Deed of Trust, the word "leases" includes any and all leases, subleases, licenses, concessions, reservations, accounts, permits, contracts, and other agreements (oral or written, now or hereafter in effect) which grant a possessory interest or right of occupancy in and to, or the right to use, or affect all or part of the Land, the improvements, and other property securing the indebtedness, or any portion thereof; and TOGETHER with all proceeds of and any unearned premiums on any insurance policies covering the Property (hereinafter defined), including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property or any part thereof; and

TOGETHER with all proceeds derived from any taking by condemnation or eminent domain proceedings or transfer in place or in anticipation thereof of all or any part of the property described in these granting clauses;

TO HAVE AND TO HOLD the Land with improvements thereupon and all the rights, easements, profits and appurtenances and other property described above (all of which is hereinafter sometimes called the "**Property**") belonging unto and to the use of the Trustee, and their and each of their successor or successors in the trust and assigns, in fee simple forever;

BUT IN TRUST, NEVERTHELESS, for and upon the uses, intents and purposes hereinafter mentioned, that is to say for the benefit and security of Holder and for the enforcement of the payment of all sums secured hereby (hereinafter sometimes called the "Indebtedness") and the compliance with the terms, covenants and conditions, in the Note, in the Loan Agreement and in this Deed of Trust, expressed or implied;

SUBJECT, HOWEVER, to the superior liens and rights of the holders of the contracts and instruments secured by any instruments that may be described in Exhibit B to this Deed of Trust (the "Permitted Encumbrances");

PROVIDED, HOWEVER, that if Grantor shall pay or cause to be paid to Holder all sums secured hereby in the manner stipulated in the Note, the Loan Agreement and this Deed of Trust, then and in such case, the estate, right, title and interest of the Trustee in the Property shall cease, determine and become void, and upon proof being given to the satisfaction of the Trustee that the Note has been paid or satisfied, in accordance with its terms and upon payment of all fees, costs, charges, expenses and liabilities chargeable or incurred or to be incurred by the Trustee and of any other sums as in this Deed of Trust provided, the Trustee shall, upon receipt of the written request of Holder, and at the expense of Grantor, release and discharge this Deed of Trust of record, and shall transfer and deliver up to Grantor any property at the time subject to this Deed of Trust which may be then in their possession, provided the Trustee hereunder shall be entitled to a fee of Twenty Dollars (\$20.00) each for the release and reconveyance of the Property or any partial release and reconveyance;

AND THIS DEED OF TRUST FURTHER WITNESSETH, that Grantor (jointly and severally if more than one) has covenanted and agreed and does hereby covenant and agree with the Trustee and with Holder as follows:

ARTICLE I. DEFINITIONS

1.1 **Definitions.** All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth or referred to in the Loan Agreement.

ARTICLE II. COVENANTS AND AGREEMENTS OF GRANTOR

2.1 **Incorporation of Covenants, Conditions and Agreements.** All the covenants, conditions and agreements contained in the Loan Agreement, the Note and the other Loan Documents are hereby made a part of this Deed of Trust to the same extent and with the same force as if fully set forth herein.

2.2 **Title to the Property.** Grantor covenants that at the time of the execution and delivery of this Deed of Trust it has good title to all of the property described in the granting clauses of this Deed of Trust as being presently granted, assigned, conveyed and transferred hereunder, free and clear of all liens and encumbrances except for the Permitted Encumbrances; Grantor hereby does and will forever warrant generally and defend the title to the Property, and every part thereof, whether now owned or hereafter acquired, unto the Trustee and their or each of their successor or successors in the trust and assigns, against all claims and demands by any person or entity whatsoever; Grantor covenants that Grantor shall comply with all the terms, covenants and conditions of all agreements and instruments, recorded and unrecorded, affecting the Property; Grantor covenants that it has good right and lawful authority to mortgage, give, grant, pledge, assign and convey the Property in the manner and form herein provided.

2.3 **Further Assurances.** At any and all times Grantor shall furnish and record all and every such further assurances as may be requisite or as the Trustee shall reasonably require for the better assuring and confirming unto the Trustee the estate and property hereby granted, assigned, conveyed or transferred, or intended so to be whether now owned or hereafter acquired; Grantor shall bear all expenses, charges and taxes in connection therewith.

2.4 **Escrow for Taxes.** To better secure the covenant to pay taxes and fees in the Loan Agreement, Grantor agrees that, if Holder so requests, Grantor shall deposit with Holder on the day of each month on which a payment of interest is due under the Note, beginning with the month following such request, one-twelfth of the annual taxes next due as estimated by Holder, plus one-twelfth of the annual fire, hazard and other insurance premiums as required herein, such deposit to be held by Holder, without interest, to pay said taxes and premiums. If payments of interest are due under the Note other than monthly, appropriate adjustment shall be made in the amount of the aforesaid periodic deposits.

Any amounts deposited pursuant to the provisions of this Section shall not be, nor be deemed to be, trust funds, nor shall they operate to curtail or reduce the indebtedness secured hereby, and all such amounts may be commingled with the general funds of the depositor and be deposited with Holder or at an institution designated by Holder. Holder shall not be responsible for the solvency of such institution, provided it is insured by the Federal Deposit Insurance Corporation or other regulatory agency at the time of designation. If at any time Holder shall determine that the amount then on deposit shall be insufficient to pay an obligation in full, Grantor shall immediately after demand deposit with Holder the amount of the deficiency determined by Holder. Nothing contained in this Section shall be deemed to affect any right or remedy of Holder under any provisions of this Deed of Trust or of any statute or rule of law to pay any such amount and to add the amount so paid, together with interest at the rate provided for in the Note, to the indebtedness secured hereby.

2.5 **Change in Tax Law.** In the event of the passage after date of this Deed of Trust of any law changing in any way the laws for the taxation of deeds of trust or debts secured by deeds of trust, or the manner of collection of any such taxation so as to affect this Deed of Trust, Holder may give thirty (30) days' written notice to Grantor requiring the payment of the indebtedness secured hereby. If such notice be given, the indebtedness secured hereby shall become due and payable at the expiration of said thirty (30) days; *provided, however*, that such requirement of payment shall be ineffective if Grantor is permitted by law to pay the whole of such tax in addition to all other payments required hereunder, without any penalty or charge thereby accruing to Holder, and if Grantor in fact pays such tax prior to the date upon which payment is required by such notice.

2.6 Activities on the Property. Grantor shall not suffer any act to be done or any conditions to exist on the Property or any part thereof or any thing or article to be brought thereon (i) which may cause structural injury to the improvements on the Land; or (ii) which would cause the value or usefulness of the Property or any part thereof to diminish (ordinary wear and tear excepted); or (iii) which may be dangerous, unless safeguarded as required by law; or (iv) which may in fact or in law, constitute a nuisance, public or private; or (v) which may void or make voidable any insurance then in force or required by the terms of this Deed of Trust, the Loan Agreement to be in force.

2.7 Additional Insurance. In addition to the provisions of and to the extent not so provided by the Loan Agreement, Grantor shall at all times maintain during the entire term of this Deed of Trust the following insurance, in form and substance satisfactory to Holder.

(a) Workers' Compensation. During any construction, repair, restoration or replacement of improvements on the Land, Grantor shall cause all contractors and subcontractors (including Grantor if it acts as a contractor) to obtain and keep in effect workers' compensation insurance to the full extent required by applicable law and also which shall cover all employees of each contractor and subcontractor; upon demand, Grantor shall provide evidence satisfactory to Holder that it is complying with this covenant. All insurance for loss or damage shall provide that losses, if any, shall be payable to Holder, as its interest may appear. Grantor will pay the premiums for all insurance and deliver to Holder the policies of insurance or duplicates thereof, or other evidence satisfactory to Holder of such insurance coverage. Each insurer shall agree, by endorsement upon the policy or policies issued by it, or by independent instrument furnished to Holder, that (i) it will give Holder thirty (30) days'

prior written notice of the effective date of any material alteration or cancellation of such policy; and (ii) the coverage of Holder shall not be terminated, reduced or affected in any manner regardless of any breach or violation by Grantor of any warranties, declarations or conditions of such insurance policy or policies. The proceeds of such insurance shall be applied, at Holder's option, toward the replacement, restoration or repair of the Property which may be lost, stolen or destroyed or damaged or toward payment of any indebtedness of Grantor to Holder.

2.8 Additional Advances. If Grantor shall fail to perform any of the covenants or satisfy any of the conditions contained herein, Holder may make advances or payments towards performance or satisfaction of the same but shall be under no obligation so to do; and all sums so advanced or paid shall be at once repayable by Grantor and shall bear interest at the Default Rate from the date the same shall become due and payable until the date paid, and all sums so advanced or paid, with interest as aforesaid, shall become a part of the indebtedness secured hereby; but no such advance or payment shall relieve Grantor from any default hereunder. If Grantor shall fail to perform any of the covenants or satisfy any of the conditions contained herein, Holder may use any funds of Grantor towards performance or satisfaction of the same but shall be under no obligation so to do; and no such use of funds shall relieve Grantor from any default hereunder.

2.9 **Condemnation Awards.** Should the grade of any street be altered or all or any part of the Property be condemned or taken through eminent domain proceedings, all or such part of any award or proceeds derived therefrom, as Holder in its sole discretion may determine in writing, shall be paid to Holder and applied to the payment of the indebtedness secured hereby (in such manner or combination thereof, including inverse order of maturity of installments of principal, if any, as Holder may, in its sole discretion, elect) and all such proceeds are hereby assigned to Holder.

2.10 **Costs of Defending and Enforcing the Lien.** Grantor shall pay all costs, charges and expenses, including appraisals, title examinations, and reasonable attorney's fees, which Holder or the Trustee may incur in defending or enforcing the validity or priority of the legal operation and effect of this Deed of Trust, or any term, covenant or condition hereof, or in collecting any sum secured hereby, or in protecting the security of Holder including without limitation being a party in any condemnation, bankruptcy or administrative proceedings, or, if an Event of Default shall occur, in administering and executing the trust hereby created and performing their powers, privileges and duties hereunder. Holder or the Trustee may make advances or payments for such purposes but all advances or payments made by Holder or the Trustee for such purposes shall be repayable immediately by Grantor and shall bear interest at the Default Rate from the date the same shall become due and payable until the date paid, and any such sum or sums with interest as aforesaid shall become a part of the indebtedness secured hereby; but no such advance or payment shall relieve Grantor from any default hereunder.

2.11 Modification of Terms; No Novation. Holder may at any time, and from time to time, extend the time for payment of the indebtedness secured hereby, or any part thereof, or interest thereon, and waive, modify or amend any of the terms, covenants or conditions in the Note, in this Deed of Trust or in any other Loan Document, in whole or in part, either at the request of Grantor or of any person having an interest in the Property, accept one or more notes in replacement or substitution of the Note, consent to the release of all or any part of the Property from the legal operation and effect of this Deed of Trust (and the Trustee may so release), take or release other security, release any party primarily or secondarily liable on the Note or hereunder or on such other security, grant extensions, renewals or indulgences therein or herein, apply to the payment of the principal and interest and premium, if any, of the indebtedness secured hereby any part or all of the proceeds obtained by sale or otherwise as provided herein, without resort or regard to other security, or resort to any one or more of the securities or remedies which Holder may have and which in its absolute discretion it may pursue for the payment of all or any part of the indebtedness secured hereby, in such order and in such manner as it may determine, all without in any way releasing Grantor or any party secondarily liable from any of the terms, covenants or conditions of the Note, this Deed of Trust, or any other Loan Document, or relieving the unreleased Property from the legal operation and effect of this Deed of Trust for all amounts owing under the Note, the Loan Agreement and this Deed of Trust. Holder and Grantor recognize and agree that the provisions of this Deed of Trust, the Note, and any other Loan Document may be modified by them or their successors or assigns at any time before or after default (which modification may involve increasing the rate of interest in the Note, agreeing that other charges should be paid, or modifying any other provision in any such instruments). The Trustee acting pursuant to the written direction of Holder may extend the time of payment, may agree to alter the terms of payment of the indebtedness, and may grant partial releases of any portion of the property included herein. No such modification by Holder and Grantor nor any such action by Holder

or the Trustee referred to above shall be a substitution or novation of the original indebtedness or instruments evidencing or securing the same, but shall be considered a possible occurrence within the original contemplation of the parties.

2.12 **Governmental Action Affecting the Property.** Grantor agrees that in the event of the enactment of any law or ordinance, the promulgation of any zoning or other governmental regulation, or the rendition of any judicial decree restricting or affecting the use of the Property or rezoning the area wherein the same shall be situate which Holder reasonably believes adversely affects the Property, Holder may, upon at least sixty (60) days' written notice to Grantor, require payment of the indebtedness secured hereby at such time as may be stipulated in such notice, and the whole of the indebtedness secured hereby, shall thereupon become due and payable.

ARTICLE III. EVENTS OF DEFAULT

The occurrence of one or more of the following events (herein called an "Event of Default") shall constitute and be an Event of Default:

3.1 **Default under Loan Documents.** The occurrence and continuance of an Event of Default under the Loan Agreement, the Note, or any other Loan Document shall constitute an Event of Default hereunder. In the event Holder consents to an encumbrance on the Property, a default under the terms of any document creating such an encumbrance shall be a default hereunder.

3.2 Additional Insurance Obligations. Grantor fails to promptly perform or comply with any of the terms and conditions set forth in subsection 2.7 and such failure continues for ten (10) days after notice from Holder to Grantor.

3.3 **Material Obligations.** Grantor fails to perform or observe any of its material obligations under this Deed of Trust and such failure shall continue for a period of thirty (30) days after Holder gives Grantor written notice thereof.

3.4 **Judgment.** Unless adequately covered by insurance in the reasonable opinion of Holder, the entry of a final judgment for the payment of money involving more than \$10,000.00 against Grantor or any guarantor of the Loan and the failure of Grantor or any guarantor of the Loan to cause the same to be discharged or bonded off to the satisfaction of Holder within sixty (60) days from the date the order, decree or process under which or pursuant to which such judgment was entered.

ARTICLE IV. REMEDIES

4.1 **Power of Sale; Assent to Decree.** If one or more of the Events of Default shall occur, the Trustee are authorized and shall have the power and the duty at the direction of Holder to proceed by suit or suits at law or in equity or by any other appropriate remedy to protect and enforce the rights of Holder whether for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or to enforce payment of the Note , or to foreclose this Deed of Trust, or to sell the Property under the judgment or decree of a court or courts of competent jurisdiction, or otherwise. Grantor, in accordance with any general or local laws or rules or regulations of the ______ relating to mortgages and deeds of trust including any amendments thereof or supplements thereto which do not materially change or impair the remedy, does hereby declare and assent to the passage of a decree to sell the Property by the equity court having jurisdiction for the sale of the Property and the Trustee appointed by such decree of court shall have, subject to the terms of the decree of court, the same authority and power to sell on the terms and conditions herein set forth, and for such purposes the word "Trustee" shall be deemed to include the Trustee so appointed. This assent to decree shall not be exhausted in the event the proceeding is dismissed before the indebtedness secured hereby is paid in full.

4.2 Acceleration. If one or more of the Events of Default shall occur, Holder may, at its option, declare the entire unpaid principal amount of the Note (if not already due and payable) to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Note, in the Loan Agreement or in this Deed of Trust to the contrary notwithstanding; and in the event of any sale of all or any part of the Property, whether made under the power of sale herein granted, assent to a decree or

through judicial proceedings, such unpaid principal amount shall automatically and without notice become so due and payable. If Holder exercises Holder's option to declare the entire unpaid principal amount of the Note to be due and payable, Grantor covenants to pay immediately the full amount of the indebtedness secured hereby even though foreclosure or other court proceedings to collect the indebtedness have not been commenced. Acceleration of maturity, once declared by Holder, may at the option of Holder, be rescinded by written acknowledgment to that effect by Holder, but the tender and acceptance of partial payments alone shall not rescind or affect in any way such acceleration of maturity.

4.3 Possession of the Property. If one or more of the Events of Default shall occur, Grantor shall, upon demand, forthwith surrender the actual possession, and, to the extent permitted by law, Holder, by such officers or agents as it may appoint, may enter and take possession of the Property and may exclude Grantor, its agents and servants, wholly therefrom, and having and holding the same, may use, operate, manage and control the Property or any part thereof, and upon every such entry Holder, at the expense of Grantor and of the Property, from time to time may make all necessary or proper repairs, renewals, replacements and useful or required alterations, additions, betterments and improvements to and upon the Property as to it may seem judicious and pay all costs and expenses of so taking, holding and managing the same, including reasonable compensation to its employees and other agents (including, without limitation, attorney's fees and management and rental commissions) and any taxes, assessments and other charges prior to the legal operation and effect of this Deed of Trust which Holder may deem it wise or desirable to pay, and in such case Holder shall have the right to manage the Property and to carry on the business and exercise all rights and powers of Grantor, either in the name of Grantor, or otherwise, as Holder shall deem advisable; and Holder shall be entitled to collect and receive all rents thereof and therefrom. The taking of possession and collection of rents by Holder shall not be construed to be an affirmation of any lease or acceptance of attornment with respect to any lease of all or any portion of the Property. After deducting the expenses of operating the Property and of conducting the business thereof, and of all repairs, maintenance, renewals, replacements, alterations, additions, betterments, improvements and all payments which it may be required or may elect to make for taxes or other proper charges on the Property, or any part thereof, as well as just and reasonable compensation for all its employees and other agents (including, without limitation, attorney's fees and management and rental commissions) engaged and employed, the moneys arising as aforesaid shall be applied to the indebtedness secured hereby. Whenever all that is due upon the principal of and interest on the Note and under any of the terms of this Deed of Trust shall have been paid and all defaults made good, Holder shall surrender possession to Grantor. The same right of entry, however, shall exist if any subsequent Event of Default shall occur.

4.4 **Appointment of a Receiver.** Until one or more of the Events of Default shall occur (but not thereafter), Grantor shall have possession of the Property and shall have the right to use and enjoy the same and to receive the rents thereof and therefrom. If one or more of the Events of Default shall occur, and without the requirement of any other showing, Holder shall be entitled as a matter of right and to the extent permitted by law, without notice to Grantor, and without regard to the adequacy of the security, to the immediate appointment of a receiver of the Property and of the rents thereof and therefrom, in an ex parte proceeding with all such other powers as the court or courts making such appointment shall confer, and the rents thereof and therefrom are hereby assigned to Holder as additional security under this Deed of Trust. Grantor shall deliver to the receiver appointed pursuant to the provisions of this Section, or to Holder in the event of entry pursuant to the terms of the preceding Section, all original records, books, bank accounts, leases, agreements, security deposits of the tenants and all other materials relating to the operation of the Property.

4.5 **Possession and Disposition of Personal Property.**

(a) If one or more of the Events of Default shall occur, Holder may at its discretion require Grantor to assemble such items of the Property as may be designated by Holder and make them available to the Trustee at a place reasonably convenient to both parties to be designated by Holder or the Trustee. Upon a default under this Deed of Trust, Holder shall have the right to take possession of such items of the Property as Holder may elect. In taking possession Holder may proceed without judicial process if this can be done without breach of the peace. Holder shall have the further right to remove such items of the Property as it may choose to any location or locations selected by Holder, and Grantor shall pay the costs of such removal and for the storage and protection of such items immediately upon demand therefor. (b) If Holder elects to direct the Trustee to proceed under the ______ Uniform Commercial Code to dispose of some of the Property, the Trustee shall give Grantor notice by certified mail, postage prepaid, return receipt requested, of the time and place of any public sale of any of such property or of the time after which any private sale or other intended disposition thereof is to be made by sending notice to Grantor at least five (5) days before the time of the sale or other disposition, which provisions for notice Grantor and the Trustee agree are reasonable; provided, however, that nothing herein shall preclude Holder and the Trustee from proceeding as to all the Property in accordance with the rights and remedies of Holder and the Trustee in respect of the real property, as provided in the ______ Uniform Commercial Code, as amended from time to time.

4.6 Foreclosure Sale.

If one or more of the Events of Default shall occur, the Trustee, at the direction of (a) Holder, shall sell and in the case of default of any purchaser or purchasers shall resell all the Property as an entirety, or in such parcels and in such order as Holder shall in writing request, or, in the absence of such request, as the Trustee may determine (Grantor hereby waiving for itself and for any person claiming by or through it application of the doctrine of marshalling of assets), at public auction at some convenient place or places in the jurisdiction in the where the Property is situate, or in such other place or places as may be permitted by law, at such time, in such manner and upon such terms as the Trustee may fix and briefly specify in each notice of sale, which notice of sale shall state the time when, and the place where, the same is to be made, shall contain a brief general description of the property to be sold, and shall be sufficiently given if published as frequently and in such publication as may be required by law, and Holder or the Trustee may cause such further public advertisement to be made as they may deem advisable, and any such sale may be adjourned by the Trustee by announcement at the time and place appointed for such sale or for such adjourned sale, and, without further notice or publication, such sale may be made at the time and place to which the same shall be so adjourned. If one or more leases are entered into or recorded subsequent to the recording of this Deed of Trust or are otherwise subordinate to this Deed of Trust, the Trustee shall sell, at the direction of Holder, subject to any one or more of such tenancies that are designated and selected by Holder.

(b) Upon the completion of any sale and compliance with all the terms thereof, the Trustee shall execute and deliver to the purchaser or purchasers a good and sufficient deed of conveyance, assignment and transfer, lawfully conveying, assigning and transferring the property sold. Payment to the Trustee of the entire purchase money shall be full and sufficient discharge of any purchaser or purchasers of the property, sold as aforesaid, for the purchase money; and no such purchaser, or his representatives, successors or assigns, after paying such purchase money and receiving the deed shall be bound to see to the application of such purchase money.

(c) In the case of any sale of the Property or of any part thereof, whether under the power of sale herein granted, assent to decree or through other judicial proceedings, the purchase money, proceeds and avails thereof, together with any other sums which may then be held as security hereunder or be due under any of the provisions hereof as a part of the Property, shall be applied as follows:

FIRST, to pay all proper costs, charges, fees and expenses, including the fees and costs herein provided for and to pay the costs of appraisals of the Property and the costs of title examination; and to pay or repay to Holder or the Trustee all moneys advanced by them or either of them for taxes, insurance or otherwise, with interest thereon as provided herein; and to pay all taxes due upon the Property at the time of sale; and to pay any other lien or encumbrance prior to the legal operation and effect of this Deed of Trust unless said sale is made subject to any such taxes or other lien or encumbrance; and to pay a counsel fee of One thousand five hundred Dollars (\$1,500.00) for conducting the proceedings if without contest, but if legal services are rendered to Trustee or to Holder in connection with any contested matter in the proceedings, then such additional counsel fees and expenses shall be allowed out of the proceeds of sale or sales as the court may deem proper; and to pay additional reasonable counsel fees, if any, incurred as a result of representing Holder's interest in any proceedings on behalf of any Grantor before any United States Bankruptcy Court or similar State insolvency proceedings; and also to pay a commission to the Trustee or other party making the sale equal to five percent (5%) of the gross sale price; and

also to pay a commission to the auctioneer conducting the sale of three percent (3%) of the gross sale price;

SECOND, to pay whatever may then remain unpaid under the Note and the interest thereon to the date of payment, whether the same shall be due or not, it being agreed that the Note shall, upon such sale being made before the maturity of the Note, be and become immediately due and payable at the election of Holder and to pay all of the indebtedness secured hereby;

THIRD, to pay the remainder of said proceeds, if any, less the expense, if any, of obtaining possession, to Grantor or other party lawfully entitled to receive the same, upon the delivery and surrender of possession of the Property sold and conveyed and delivery of all records, books, bank accounts, leases, agreements, security deposits of the tenants and all other material relating to the operation of the Property to the said purchaser or purchasers.

(d) Immediately upon the filing or docketing of suit preliminary to a foreclosure sale of the Property, or any part thereof under this Deed of Trust, there shall be and become due and owing by Grantor, a Trustee' commission on the total amount of the indebtedness secured hereby equal to two and one-half percent (2-1/2%), and an auctioneer's commission on the total amount of the indebtedness of one percent (1%), and Holder shall not be required to receive the principal and interest in satisfaction of the indebtedness secured hereby, but said sale may be proceeded with unless, prior to the day appointed therefor, tender is made of said principal, interest, commissions and all expenses and costs incident to such sale and all other sums that are part of the indebtedness secured hereby.

(e) Holder may bid and become the purchaser at any sale under this Deed of Trust. If Holder is the purchaser at any such sale, Holder may apply the outstanding indebtedness against all or any portion of the purchase price, including the deposit.

ARTICLE V. MISCELLANEOUS

5.1 Trustee.

(a) Actions of Trustee. The Trustee shall be protected in acting upon any notice, request, consent, demand, statement, note or other paper or document believed by them to be genuine and to have been signed by the party or parties purporting to sign the same. The Trustee shall not be liable for any error of judgment, nor for any act done or step taken or omitted, nor for any mistake of law or fact, nor for anything which they may do or refrain from doing in good faith nor generally shall a Trustee have any accountability hereunder except for his own individual willful default.

(b) *Trustee as Attorneys.* The Trustee may act hereunder and may sell and convey the Property as herein provided although the Trustee have been, may now be or may hereafter be, attorneys or agents of any Holder, in respect of any matter or business whatsoever.

(c) Substitution of Trustee. Holder shall be entitled to remove, substitute, or add a Trustee or Trustee, at its option, with or without cause or notice, by instrument duly executed, acknowledged and recorded among the Land Records of the city or county in the where this Deed of Trust is recorded, and thereupon such additional or successor Trustee or Trustee, without any further act, deed or conveyance, shall become vested with all the estates, property, title, rights, powers, privileges, discretions, trusts, duties and obligations of his or their co-Trustee, or predecessor or predecessors in the trust hereunder with like effect as if originally named as Trustee or Trustee hereunder; exercise of said power, no matter how often, shall not be an exhaustion thereof.

(d) Incapacity or Absence From State. It is further understood and agreed that in the event of the disability of one of the Trustee, or of such Trustee's absence from the , the rights, powers, privileges, discretions, duties, obligations, and trust hereby created and reposed in the Trustee may be executed by the other Trustee or Trustee with the same legal force, effect and virtue as though executed by both or all of them.

5.2 **Estoppel Certificates.** Grantor, upon request, made either personally or by mail, shall, within six (6) days in case the request is made personally, or within ten (10) days after the mailing of such request in case the request is made by mail, certify, by a writing duly acknowledged, to Holder or to any proposed assignee of the Note, the amount of principal and interest then owing on the Note and whether any offsets or defenses exist against the indebtedness secured hereby. At the request of Holder, such certificate shall also contain a statement that Grantor knows of no Event of Default nor of any other default which, after notice or lapse of time or both, would constitute an Event of Default, which has occurred and remains uncured as of the date of such certificate, or, if any such Event of Default or other default has occurred and remains uncured as of the same has continued and the action which Grantor has taken or proposes to take with respect thereto.

5.3 **Subrogation.** This Deed of Trust and the Trustee, as additional security, are hereby subrogated to the lien or liens and to the rights of the owners and holders thereof of each and every mortgage, lien or other encumbrance on the Property, or any part thereof, or any claim or demand which is paid or satisfied, in whole or in part, out of the proceeds of the indebtedness secured hereby and the respective liens of said mortgages, liens and other encumbrances and claims and demands shall pass to and be held by the Trustee as additional security for the indebtedness to Holder to the same extent that they would have been preserved and would have been passed to and been held by Holder had they each been duly and regularly assigned, transferred, set over and delivered to Holder by separate deed of assignment, notwithstanding the fact the same may be or may have been satisfied and cancelled of record at or about the time they are paid or satisfied out of the proceeds of the proceeds of the proceeds of the proceeds of the totat.

5.4 Notices. Unless specifically provided otherwise in this Deed of Trust or by law, any notice required or permitted by or in connection with this Deed of Trust shall be in writing and shall be made by facsimile or by hand delivery, by overnight delivery service, or by certified mail, unrestricted delivery, return receipt requested, postage prepaid, addressed to Holder or Grantor at the appropriate address set forth below or to such other address as may be hereafter specified by written notice by Holder or Grantor. Notice shall be considered given as of the date of the facsimile or the hand delivery, one (1) calendar day after delivery to the overnight delivery service, or three (3) calendar days after the date of mailing, independent of the date of actual delivery or whether delivery is ever in fact made, as the case may be, provided the giver of notice can establish that notice was given as provided herein.

5.5 Legal Construction. This Deed of Trust shall be construed according to the laws of the (excluding conflict of laws) and any court of competent jurisdiction of the

shall have jurisdiction in any proceeding instituted to enforce this Deed of Trust and any objections to venue are hereby waived.

5.6 Usury Limitations. No provision of this Deed of Trust shall require the payment or permit the collection of interest or other sum in excess of the maximum permitted by applicable law, including a judicial determination. If any excess of interest or other sum in such respect is herein provided for, or shall be adjudicated to be so provided for herein, neither Grantor nor its successors or assigns shall be obligated to pay such interest or other sum in excess of the amount permitted by applicable law, including a judicial determination, and the right to demand the payment of any such excess shall be and hereby is waived. The provisions of this Section shall control all other provisions of this Deed of Trust.

5.7 **Recording.** Grantor covenants and agrees to promptly cause all documents required by Holder to be properly recorded or filed, including this Deed of Trust, and to pay all fees, taxes and expenses incident thereto. Grantor shall hold harmless and indemnify Holder against any liability incurred by reason of the imposition of any fee, tax or charge on the making and recording of this Deed of Trust.

5.8 **Rights of Holder and Trustee.**

(a) *Rights Not Limited.* The rights, powers, privileges and discretions (hereinafter collectively called the "rights") specifically granted to the Trustee and those specifically granted to Holder under this Deed of Trust are not in limitation of but in addition to those to which they are entitled under any general or local law relating to deeds of trust and mortgages in the , now or hereafter existing.

(b) Benefit to Successors and Assigns. The rights to which Holder may be entitled shall inure to the benefit of its successors and assigns.

(c) *Rights Cumulative*. All the rights of Holder and of the Trustee are cumulative and not alternative and may be enforced successively or concurrently.

5.9 No Waiver. Failure of Holder or of the Trustee to exercise any of their rights shall not impair any of their rights nor be deemed a waiver thereof, and no waiver of any of their rights shall be deemed to apply to any other such rights, nor shall it be effective unless in writing and signed by the party waiving the right. The acceptance by Holder of any partial payment after default or an Event of Default, with or without knowledge of the default or Event of Default, shall not be a waiver of the default or Event of Default unless Holder shall specifically state in writing that the acceptance waives the default or Event of Default or states further conditions which must be satisfied to constitute such a waiver. The failure of Holder to exercise the option for acceleration of maturity, foreclosure, or either, following an Event of Default or to exercise any other option or privilege granted to Holder hereunder in any one or more instances, shall not constitute a waiver of any such default, but such option or privilege shall remain continuously in force.

5.10 **Mutual Waiver of Jury Trial.** Grantor and Holder (by acceptance of this Deed of Trust) each, on behalf of itself and its successors and assigns, WAIVES to the fullest extent permitted by law all right to TRIAL BY JURY of any and all claims between them arising under this Deed of Trust, the Note, the Loan Agreement, or any other Loan Documents, and any and all claims arising under common law or under any statute of any state or the United States of America, whether any such claims be now existing or hereafter arising, now known or unknown. In making this waiver Holder and Grantor acknowledge and agree that any and all claims made by Holder and all claims made against Holder shall be heard by a judge of a court of proper jurisdiction, and shall not be heard by a jury. Holder and Grantor acknowledge and agree that THIS WAIVER OF TRIAL BY JURY IS A MATERIAL ELEMENT OF THE CONSIDERATION FOR THIS TRANSACTION. Holder and Grantor, with advice of counsel, each acknowledges that it is knowingly and voluntarily waiving a legal right by agreeing to this waiver provision.

5.11 Waiver by Grantor. Grantor waives, on behalf of itself and all persons now or hereafter interested in the Property, all rights under all appraisement, homestead, moratorium, valuation, exemption, stay, extension and marshalling statutes, laws or equities now or hereafter existing and agrees that no defense based on any thereof will be asserted in any action enforcing this Deed of Trust. Grantor represents and covenants that the Property forms no part of any property owned, used or claimed by Grantor as a business or residential homestead or as exempt from forced sale and disclaims and renounces all and every such claim thereto.

Secondary Market Cooperation. Grantor acknowledges that Holder may (a) sell this Deed of 5.12 Trust, the Note and the other Loan Documents to one or more investors as a whole loan, (b) participate the Loan to one or more investors, (c) deposit this Deed of Trust, the Note, and the other Loan Documents with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter referred to as "Secondary Market Transactions"). Grantor shall cooperate in good faith with Holder in effecting any such Secondary Market Transaction and shall cooperate in good faith to implement all requirements imposed by any rating agency involved in any Secondary Market Transaction including, without limitation, all structural or other changes to the Loan, modifications to any documents evidencing or securing the Loan, delivery of opinions of counsel acceptable to the rating agency and addressing such matters as the rating agency may require; provided, however, Grantor shall not be required to modify any documents evidencing or securing the Loan which would modify (i) the interest rate payable under the Note, (ii) the stated maturity of the Note, (iii) the amortization of principal of the Note, or (iv) any other material economic term of the Loan. Grantor shall provide such information and documents relating to Grantor, any guarantor of Grantor, the Property and any tenant of the Property as Holder may reasonably request in connection with a Secondary Market Transaction. Holder shall have the right to provide to prospective investors any information in its possession, including, without limitation, financial statements relating to Grantor, any guarantor of Grantor, the Property and any tenant of the Property. Grantor acknowledges that certain information regarding the Loan and the parties thereto and the Property may be included in a private placement memorandum, prospectus or other disclosure documents.

5.13 Indemnification. Neither the Trustee nor Holder shall be obligated to perform or discharge any obligation or duty to be performed or discharged by Grantor under any lease. Grantor shall indemnify the Trustee and Holder for and save them harmless from any and all liability arising from any lease or assignment of a lease as security under this Deed of Trust. Neither the Trustee nor Holder shall have any responsibility for the control, care, management or repair of the Property or be liable for any negligence in the management, operation, upkeep, repair or control of the Property resulting in loss or injury or death to any lessee or any other person or entity. The obligations and liabilities of Grantor under this paragraph shall survive any termination, satisfaction or assignment of this Deed of Trust and the exercise by Holder of any of its rights or remedies hereunder including, without limitation, the acquisition of the Property by foreclosure or a conveyance in lieu of foreclosure.

5.14 **Binding Effect.** The terms and conditions agreed to by Grantor and the covenants of Grantor shall be binding upon the personal representatives, successors and assigns of Grantor and of each of them, but this provision does not waive any prohibition of assignment or any requirement of consent to an assignment under the other provisions of this Deed of Trust; any consent to an assignment shall not be consent to any further assignment, each of which must be specifically obtained in writing.

5.15 Recitals. The recitals of this Deed of Trust are incorporated herein and made a part hereof.

5.16 **Number and Gender.** Wherever used herein the singular shall include the plural and the plural the singular, and the use of any gender shall include all genders.

5.17 **Time of Essence.** Time is of the essence of the obligations of Grantor in this Deed of Trust and each and every term, covenant and condition made herein by or applicable to Grantor.

5.18 **Captions.** The captions of the Sections of this Deed of Trust are for the purpose of convenience only and are not intended to be a part of this Deed of Trust and shall not be deemed to modify, explain, enlarge, or restrict any of the provisions hereof.

5.19 Severability. If any provision of this Deed of Trust or the application thereof to any person or circumstance shall be invalid, inoperative or unenforceable to any extent, the remainder of this Deed of Trust and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be valid, operative and enforceable to the greatest extent permitted by law.

5.20 **Execution of Counterparts.** This Deed of Trust may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same Deed of Trust.

5.21 Security Agreement. Grantor has executed this instrument as a Debtor under the Uniform Commercial Code of the state in which the Property is located. This Deed of Trust shall constitute and be a security agreement and financing statement under the laws of such state.

5.22 **Due On Sale.** Without the prior written consent of Lender, Grantor will abstain from and will not cause or permit any sale, exchange, transfer, lease or conveyance (herein all called "transfer") of all or any part of the Property, or any interest in it, voluntarily or by operation of law. If all or any part of the Property or an interest therein is sold or transferred without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable.

5.23 U.S. SMALL BUSINESS ADMINISTRATION PROVISION:

The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.

b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

ARTICLE VI. ADDITIONAL COVENANTS

6.1 Leases of the Property

6.1.1 Compliance with Leases. Grantor shall carry out all of its agreements and covenants as landlord contained in any leases (which word when used in this Deed of Trust shall include, without limitation, all agreements, licenses, contracts, reservations, accounts, and permits affecting all or any part of the Property) and not permit a lien or other encumbrance superior to such leases other than this Deed of Trust. No lease shall include any space, or grant to any tenant any right or interest in any area outside of the limits of the Property. Upon demand of Holder, Grantor shall furnish Holder an executed copy of each lease immediately upon its execution. All future leases shall be written on the standard form accepted by Holder, with only such changes as Holder shall have approved in writing or on a lease agreement approved by Holder.

Assignment of Leases. Grantor hereby grants, conveys, assigns, and transfers unto the 6.1.2 Trustee, for the benefit of Holder, all the right, title, interest and privileges which Grantor has or may hereafter have in any and all of said leases now existing or hereafter made affecting all or a part of the Property, as said leases may have been or may from time to time be hereafter modified, extended or renewed with all the rents (which word when used in this Deed of Trust shall include, without limitation, all income and profits) due and becoming due therefrom and including without limitation the right of Holder to inspect the leased areas and books and records of tenants. Grantor shall, upon written request by Holder or the Trustee, execute assignments (in any form customarily used by Holder) of any present or future leases, together with the rents due and becoming due therefrom, which affect in any way all or any part of the Property. No such assignment made or required hereby shall be construed as a consent by Trustee or Holder to any lease or to impose on Trustee or Holder any obligation with respect thereto. Grantor shall not make any other assignment, hypothecation or pledge of any rents under any lease of part or all of the Property. Grantor shall not, without the prior written approval of Holder, cancel any of the leases, nor terminate or accept a surrender thereof, nor reduce the payment of rent thereunder, nor modify any of said leases, nor accept any prepayment of rent other than the usual prepayment as would result from the acceptance by landlord more than fifteen (15) days before the first day of each month for the ensuing month under leases approved by Holder according to the terms of such leases. The covenants and restrictions of this subsection shall be deemed covenants and restrictions running with the land.

6.1.3 *Limitation on Subordinate Lienors.* Grantor covenants that Holder of any subordinate lien shall have no right, and shall acquire no right, to terminate or modify any lease affecting the Property whether or not such lease is subordinate to the legal operation and effect of this Deed of Trust.

6.1.4 Deposit of Rents. All payments, including security deposits, under any lease received by Grantor shall be deemed held by Grantor in trust for the payment of the indebtedness secured hereby. Grantor shall deposit in a non-interest bearing account or accounts with Holder all payments (except security deposits made under residential leases, if any) made under all leases, which sums, subject to the rights of the tenants therein, may be used by Grantor in the ordinary course of Grantor's business to the extent permitted by law, until one or more of the Events of Default shall occur, but not thereafter.

6.1.5 Assignment of Bankruptcy Awards. Grantor hereby assigns to the Trustee for the benefit of Holder any award made hereafter to it in any court procedure involving any of the tenants in any bankruptcy, insolvency or reorganization proceeding in any state or federal court and any and all payments by any tenant in lieu of rent.

6.1.6 *Limitation of Liability under Leases.* Neither the Trustee nor Holder shall be obligated to perform or discharge any obligation or duty to be performed or discharged by Grantor under any lease; and Grantor hereby agrees to indemnify the Trustee and Holder for and to save them harmless from, any and all liability arising from any lease, or this assignment thereof and this assignment shall not place the responsibility for the control, care, management or repair of the Property upon the Trustee or Holder, nor make said Trustee or Holder liable for any negligence in the management, operation, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, agent, guest, or stranger.

6.1.7 Security Deposits. Grantor shall deposit in an account or accounts with Holder or its designee, under the depository's standard program for such accounts, all security deposits made under residential leases which sums, subject to the rights of the tenants therein, may be used by Grantor in the ordinary course of Grantor's business to the extent permitted by law, until one or more of the Events of Default shall occur, but not thereafter. All such deposits shall be the continuing responsibility of Grantor, and Grantor shall comply with all applicable requirements of applicable law where the Property is located.

6.2 Environmental Covenants

No Substances Present. Grantor hereby represents and warrants to Holder that there are 6.2.1 not now and have never been any materials or substances located on or near the Property that, under federal, state, or local law, statute, ordinance, or regulation, or administrative or court order or decree, or private agreement (collectively, the "Environmental Laws"), are regulated as to use, generation, collection, storage, treatment, or disposal (such materials or substances are hereinafter collectively referred to as "Substances"). The term "Substances" includes any materials or substances whose release or threatened release may pose a risk to human health or the environment or impairment of property values and shall also include without limitation (i) asbestos in any form, (ii) urea formaldehyde foam insulation, (iii) paint containing lead, (iv) transformers or other equipment which contains dielectric fluid containing levels of polychlorinated biphenyls of 50 parts per million or more, and (v) petroleum in any form. Grantor further represents and warrants to Holder that the Property is not now being used nor has it ever been used in the past for any activities involving the use, generation, collection, storage, treatment, or disposal of any Substances. Grantor will not place or permit to be placed any Substances on or near the Property except for those Substances that are typically used in the operation of Grantor's business provided the same are in appropriately small quantities and are stored, used, and disposed of properly; or Substances that are approved in writing by Holder.

6.2.2 Acting Upon Presence of Substances. Grantor hereby covenants and agrees that, if at any time (i) Substances are spilled, emitted, disposed, or leaked in any amount; or (ii) it is determined that there are Substances located on, in, or under the Property other than those of which Holder has approved in writing or which are permitted to be used on the Property without Holder's written approval pursuant to subsection 6.2.1 of this Section, Grantor shall immediately notify Holder and any authorities required by law to be notified, and shall, within thirty (30) days thereafter or sooner if required by Holder or any governmental authority, take or cause to be taken, at Grantor's sole expense, such action as may be required by Holder or any governmental authority. If Grantor shall fail to take such action, Holder may make advances or payments towards performance or satisfaction of the same but shall be under no obligation so to do; and all sums so advanced or paid, including all sums advanced or paid in connection with any investigation or judicial or administrative proceeding relating thereto, including, without limitation, reasonable attorneys' fees, expert fees, fines, or other penalty payments, shall be at once repayable by Grantor to Holder, and all sums so advanced or paid, with interest as aforesaid, shall become a part of the indebtedness secured hereby.

6.2.3 *Environmental Audits.* Grantor, promptly upon the written request of Holder from time to time, shall provide Holder, at Grantor's expense, from time to time with an environmental site assessment or environmental audit report, or an update of such an assessment or report, all in scope, form, and content satisfactory to Holder.

6.2.4 *Environmental Notices.* Grantor shall furnish to Holder duplicate copies of all correspondence, notices, or reports it receives from any federal, state, or local agency or any other person regarding environmental matters or Substances at or near the Property, immediately upon Grantor's receipt thereof.

6.2.5 Condition of Property. Grantor hereby represents and warrants that there are no wells or septic tanks on the Property serving any other property; no wells or septic tanks on other property serving the Property; no burial grounds, archeological sites, or habitats of endangered or threatened species on the Property; and that no part of the Property is subject to tidal waters; has been designated as wetlands by any federal, state, or local law or governmental agency; or is located in a special flood hazard area.

6.2.6 Environmental Indemnity.

6.2.6.1 Grantor shall at all times indemnify and hold harmless Holder and the Trustee against and from any and all claims, suits, actions, debts, damages, costs, losses, obligations, judgments, charges, and expenses, of any nature whatsoever suffered or incurred by Holder or the Trustee, whether as beneficiary of this Deed of Trust, as mortgagee in possession, or as successor-in-interest to Grantor by foreclosure deed or deed in lieu of foreclosure, under or on account of the Environmental Laws or any similar laws or regulations, including the assertion of any lien thereunder, with respect to:

(a) any discharge of Substances, the threat of a discharge of any Substances, or the presence of any Substances affecting the Property whether or not the same originates or emanates from the Property or any contiguous real estate including any loss of value of the Property as a result of any of the foregoing;

(b) any costs of removal or remedial action incurred by the United States Government or any costs incurred by any other person or damages from injury to, destruction of, or loss of natural resources, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Laws;

(c) liability for personal injury or property damage arising under any statutory or common law tort theory, including, without limitation, damages assessed for the maintenance of a public or private nuisance or for the carrying on of an abnormally dangerous activity at or near the Property; and/or

(d) any other environmental matter affecting the Property within the jurisdiction of the Environmental Protection Agency, any other federal agency, or any state or local environmental agency.

Grantor's obligations under this Agreement shall arise upon the discovery of the presence of any Substance, whether or not the Environmental Protection Agency, any other federal agency or any state or local environmental agency has taken or threatened any action in connection with the presence of any Substances.

IN WITNESS WHEREOF, Grantor has caused this Deed of Trust to be duly executed on its behalf and its seal to be hereunto affixed as of the date first above written.

Notary Acknowledgment

<u>EXHIBIT A</u>

PROPERTY DESCRIPTION

{00178118;v1}

<u>EXHIBIT B</u>

PERMITTED ENCUMBRANCES

{00178118;v1}

FASTSIGNS INTERNATIONAL, INC.

AGREEMENT OF FRANCHISOR (INDIRECT FINANCING)

EXHIBIT "L"

AGREEMENT OF FRANCHISOR

This Agreement is entered into this _____ day of _____, 20__ by and between The Bancorp Bank ("Lender") ______ ("Borrower") and FASTSIGNS International, Inc. ("Franchisor").

Whereas, Franchisor and Borrower have entered into that certain Franchise Agreement dated , by and between Franchisor and Borrower a copy of which is attached as Exhibit A; and

Whereas, Borrower has requested that Lender provide Borrower with a United Stated Small Business Administration ("SBA") Guaranteed Loan; and

Whereas Lender is unwilling to provide and fund such a loan to Borrower unless Franchisor shall provide Franchisor's agreement to certain terms and conditions.

Now therefore, for and in consideration of the Lender's agreement to provide the requested SBA funding to Borrower, and other valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

- 1. Franchisor hereby agrees that in the event of any default by Borrower under the terms of the Franchise Agreement such that Franchisor determines to or intends to terminate the Franchise Agreement, it shall provide written notice of such default and intent to terminate to Lender at the Lender's address as set forth below and shall provide Lender with a minimum of twenty-one (21) days to cure such default(s), which Lender cure period shall run conterminously with, and shall not extend beyond, any cure period provided to Borrower by Franchisor; provided, that Franchisor may proceed with termination immediately upon notice to Lender if such default by Borrower is not curable under the terms of Subsection 14.A. of the Franchise Agreement.
- 2. That Lender and SBA can have access to Franchisor's books and records relating to Borrower's billing, collections and receivables.
- 3. Franchisor hereby certifies that there have been no changes in the Franchisor's Franchise Agreement as of the date hereof that are in any way relevant to the SBA's eligibility guidelines since the initial registration thereof or since that last revision date in the SBA Franchise Registry.
- 4. Franchisor agrees to provide upon request the Borrowers Financial Statements for the Lender and SBA.

FRANCHISOR:

FASTSIGNS International, Inc. By:	BORROWER: By:	
Its	Its	
LENDER: The Bancorp Bank By:		
Its		
30 N LaSalle Street, Suite 1420, Chicago, IL 60602		

FASTSIGNS INTERNATIONAL, INC.

INFORMATION, CONSENT AND AUTHORIZATION AGREEMENT

EXHIBIT "M"

INFORMATION, CONSENT AND AUTHORIZATION AGREEMENT

Financing for a FASTSIGNS Franchised Unit

- A. Franchise America Finance LLC, the business development manager for the Bancorp Bank, has retained SFG Business Services LLC ("Siegel") to facilitate the compiling and submission of a complete 7(a) SBA loan application for FASTSIGNS franchisees who are interested in an SBA loan to the Bancorp Bank.
- B. Borrower acknowledges and understands that the services provided by Siegel are optional. Use of Siegel's services does not prevent the Borrower from pursuing other lending options available in the marketplace concurrently. The responsibility for conducting due diligence and decisions related to funding options and recommendations are Borrower's responsibility. The Borrower will not be charged any fee(s) by Siegel for its services.
- C. In order for Siegel to assist Borrower, Siegel must receive Borrower's consent and authorization.
- D. Upon receiving Borrower's executed Information and Consent Form:
 - 1. Siegel will send Borrower forms to complete.
 - 2. Along with the completed forms, Siegel will require copies of Borrower's last three years federal tax returns.
 - 3. Such tax returns must be provided for all individuals who own 20% or more of Borrower.
 - 4. Please sign the bottom of the first page of these returns, in **BLUE** ink.
- E. Siegel will maintain the confidentiality of all information submitted by Borrower except as specifically authorized herein or otherwise in writing by Borrower.
- F. Borrower acknowledges and agrees that Siegel and the Bancorp Bank shall have the right to communicate and share information with respect to the Borrower's loan application up to the date the loan is closed.
- G. Borrower grants to Siegel the continuing right to communicate with FASTSIGNS International, Inc., including, without limitation, the ability to report on the status of Borrower's loan and to share all loan proposal(s), commitment(s) and/or approval(s) that Borrower receives from the Bancorp Bank.
- H. Other matters (some hints):
 - 1. Borrower should determine the name of its new corporation, LLC or other business entity as soon as possible. The SBA application requires the name of the business entity, and changes of that name may cause delays in processing.

- 2. Partners or stockholders with a 20% or greater ownership interest in the Borrower may be required to have term or other life insurance, all of which policies shall in the aggregate equal the amount of the loan. Borrower should apply for additional insurance (if needed) immediately after Siegel pre-qualifies Borrower's loan request. Once the loan is approved, and the policy issued, Siegel or the lender will provide Borrower with a form providing the lender with a Collateral Assignment of the Life Insurance Policy to the extent of the debt.
- 3. A Landlord Waiver form will be provided if and when the loan is approved. Send Siegel contact information for the landlord.

The parties have executed this form as of the date written below.

BORROWER:

 Company Name

 By:

 Name:

 Title:

 Date:

, Principal Owner

SFG BUSINESS SERVICES LLC

By:		
Name:		
Title:		
Date:		

FASTSIGNS INTERNATIONAL, INC.

CONVERSION AND CO-BRAND PROMISSORY NOTE (DIRECT FINANCING)

EXHIBIT "N"

Payee: FASTSIGNS International, Inc. Maker:

Principal Amount: \$27,500 **Interest Rate:** 0% annually

_____, 20____

For value received, the undersigned (whether one or more, jointly and severally), individually and personally (the "Maker"), promises to pay to the order of FASTSIGNS International, Inc., a Texas corporation ("FII" or "Payee") its transferees, successors or assigns, at c/o FASTSIGNS International, Inc., 2542 Highlander Way, Carrollton, Texas 75006-2333, or at such other address as the Payee hereof shall specify in writing to the undersigned, the sum of Twenty Seven Thousand Five Hundred and no/100 dollars (\$27,500), legal and lawful money of the United States of America from the date hereof until maturity.

The principal of Seven Hundred Sixty Three Dollars and 89/100 (\$763.89) shall be due and payable in thirty six (36) monthly installments on the twenty fifth (25^{th}) day of each month. The first payment is due thirty (30) days after commencement of operation as a FASTSIGNS Center by Maker.

Upon the occurrence of any of the following events of default, Payee, at its option and without notice to Maker, may declare the entire unpaid principal balance of this Note together with all other indebtedness of Maker to Payee, to be immediately due and payable: (a) Maker's failure to pay any principal, or any other charge or expense payable hereunder, when due and payable hereunder; (b) any breach or default by Maker of any warranty, representation, covenant, term or condition stated herein, in the Agreement, or in any other security instrument, affidavit or other agreement or instrument between Maker and Payee; (c) if the Franchise Agreement is terminated for any reason by Maker or Payee, (d) if Maker is generally not paying its debts as such debts become due; (e) the commencement of any proceedings under any bankruptcy or insolvency laws by or against Maker; or (f) the sale, assignment, transfer or conveyance of all or substantially all of Maker's assets. Upon any such event of default, Payee may (in addition to accelerating the debt) exercise any and all rights and remedies available to it under this Note, under any other security instrument, affidavit or other document instrument executed in connection with or pursuant to this Note, and otherwise at law and in equity, all such rights and remedies being cumulative, and not exclusive.

Upon the occurrence of any event of default, the entire indebtedness shall be matured, at the option of the Payee; and in the event default is made in the prompt payment of this Note when due or declared due, and the same is placed in the hands of an attorney for collection or suit is brought on same, or the same is collected through Probate, Bankruptcy or other judicial proceedings, then Maker agrees and promises to pay a reasonable attorneys' fee for collection, which in no event shall be less than ten percent (10%) of the principal then owing. Neither the failure, partial failure, nor any delay on the part of Payee to exercise any right, power or privilege hereunder shall operate as a waiver thereof.

This Note may be prepaid, in whole or in part, without premium or penalty, as of the date of any regularly scheduled payment hereunder.

Each Maker, surety and endorser of this Note expressly waives all notices, demands for payment, presentations for payment, notices of intention to accelerate the maturity, protest and notice of protest, as to this Note and as to each, every and all installments hereof, and each consents that the Payee or any other creditor under this Note may at any time, and from time to time, upon request of or by agreement with any of us, extend the maturity date hereof or change the time or method of payments without notice to any of the other makers, sureties or endorsers, who shall remain bound for the payment hereof.

No delay or failure of Payee in exercising any right, remedy, power or privilege hereunder shall operate as a waiver or otherwise affect such right, remedy, power or privilege, nor shall any single or partial exercise thereof preclude the exercise of any other right, remedy, power or privilege. No delay or failure of Payee at any time to demand strict adherence to the terms of this Note shall be deemed to constitute a waiver of any such rights or a course of conduct inconsistent with Payee's right at any time, before or after any event of default, to demand strict adherence to the terms of this Note. Payee shall not be deemed to have waived any of its rights hereunder unless the same shall be in writing signed by Payee, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall not impair the rights of Payee or the obligations of Maker in any other respect.

Maker shall not assign or otherwise transfer this Note (in whole or in part), nor shall Maker delegate any or all of its obligations hereunder, without the prior written consent of Payee, which consent may be withheld for any reason or for no reason. No assignment or other transfer of this Note shall be construed so as to release Maker from any of its obligations or liabilities hereunder, whether accruing before or after such assignment or transfer.

This Note shall be binding upon Maker and its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Payee and its successors and assigns.

If any term or provision of this Note or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Note shall be valid and be enforced to the fullest extent permitted by law.

The liability of each Maker executing this Note shall be joint and several and the term "Maker" shall mean each and all such Makers.

To induce Payee to extend to Maker the loan evidenced by this Note, Maker irrevocably agrees that, subject to Payee's sole and absolute election, ALL ACTIONS OR PROCEEDINGS IN ANY WAY ARISING OUT OF OR RELATED TO THIS NOTE WILL BE LITIGATED EXCLUSIVELY IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION IN DALLAS, TEXAS. MAKER AND PAYEE EACH WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS NOTE.

IN WITNESS WHEREOF, the undersigned have executed this Note as of the date and year first set forth above.

MAKER:

Title_____

This Note is personally guaranteed by ______ (the "Guarantor"). Guarantor unconditionally guarantees payment to Payee of all amounts owing under the Note. This Guarantee remains in effect until the Note is paid in full. Guarantor must pay all amounts due under the Note when Payee makes written demand upon Guarantor. Payee is not required to seek payment from any other source before demanding payment from Guarantor.

GUARANTOR:

By_____

FASTSIGNS INTERNATIONAL, INC.

STATE DISCLOSURE ADDENDA AND FRANCHISE AGREEMENT RIDERS

EXHIBIT "O"

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR CALIFORNIA

- 1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
- 2. Neither Franchisor nor any person or franchise broker listed in Item 2 of the Disclosure Document is subject to any current effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
- 3. Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.
- 4. California Business and Professions Code Section 20000 and 20043 provide rights to Franchisee concerning nonrenewal and termination of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to Franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 Et. Seq.).
- 5. If Franchisee is required in the Franchise Agreement to execute a release of claims, such release will exclude claims under the California Franchise Investment Law and the California Franchise Relations Act. Franchisee must sign a general release if Franchisee renews or transfers Franchisee's franchise rights. California Corporations Code Section 31512 voids a waiver of Franchisee's rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of Franchisee's rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043.
- 6. If the Franchise Agreement requires a payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
- 7. If the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Franchise Agreement, the covenant may be unenforceable under California law.
- 8. If the Franchise Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.
- 9. The Franchise Agreement requires binding arbitration within ten (10) miles of Franchisor's principal place of business in Dallas County with costs being determined by the arbitrator. Franchisee is encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.
- 10. If the Franchise Agreement requires that it be governed by a state's law, other than the State of California, the requirement may be unenforceable.

11. OUR WEBSITE HAS NOT BEEN REVIEWED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS, www.corp.ca.gov.

AMENDMENT TO FASTSIGNS INTERNATIONAL, INC

FRANCHISE AGREEMENT FOR THE STATE OF CALIFORNIA

The FASTSIGNS International, Inc. Franchise Agreement between _________ ("Franchisee" or "You") and FASTSIGNS International, Inc. ("Franchisor") dated _________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 <u>et seq</u>., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 <u>et seq</u>. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to You concerning non-renewal and termination of the Agreement. The Federal Bankruptcy Code also provides rights to You concerning termination of the Agreement upon certain bankruptcy-related events. To the extent the Agreement contains a provision that is inconsistent with these laws, these laws will control.
- b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
- c. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
- d. If the Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.
- e. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.
- f. If the Agreement requires that it be governed by a state's law, other than the State of California, such requirement may be unenforceable.
- g. The Agreement requires binding arbitration within ten (10) miles of Franchisor's principal place of business in Dallas County, Texas with costs being borne as determined by the arbitrator. Provisions restricting venue to a forum outside the State of California may not be applicable under California and federal laws (Business and

Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act).

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

FASTSIGNS INTERNATIONAL, INC.

	By:	
	Name:	
	Title:	
ATTEST:	FRANCHISEE:	
	By:	
Witness	By: Name:	
() fulless	Title:	
	Date Signed:	
ATTEST:	FRANCHISEE:	
	By:	
Witness	Name:	
	11tle:	
	Date Signed:	

AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT <u>FOR THE STATE OF MARYLAND</u>

 The FASTSIGNS
 International, Inc.
 Franchise
 Agreement
 between

 ("Franchisor") dated
 ("Franchisee" or "You") and FASTSIGNS
 International, Inc.

 ("Franchisor") dated
 (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Any representations requiring Franchisee to assent to a release, estoppels or waiver of any liability are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise and Disclosure Law.
- b. Any requirement that litigation is to be conducted in a forum other than the State of Maryland, shall not be interpreted to limit any rights Franchisee may have under Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.
- c. 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.
- d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, are satisfied with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _________, 20____.

FASTSIGNS INTERNATIONAL, INC.

	By: Name: Title:	
ATTEST:	FRANCHISEE:	
	By:	
Witness	Name: Title:	
	Date Signed:	
ATTEST:	FRANCHISEE:	
	Dvr.	
Witness	By: Name: Title:	
	Date Signed:	

AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT AND DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA

The FASTSIGNS International, Inc. Franchise Agreement between _____("Franchisee" or "You") and FASTSIGNS International, Inc. ("Franchisor") dated ______(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 <u>et seq.</u>, and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

- i. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does <u>not</u> indemnify against the consequences of Franchisee's use of the Proprietary Marks except in accordance with the requirements of the Agreement, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.
- b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchise be given written notice of a franchisor's intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.
- c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases that a franchisee be given 90 days' notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

- d. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.
- e. If the Agreement requires that it be governed by a state's law, other than the State of Minnesota, those provisions shall not in any way abrogate or reduce any you may have as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.
- f. If the Agreement requires you to sue the Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights you may have as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota. As such, the disclosure in risk factor 1 on the cover page of the Disclosure Document that the Agreement requires you to sue outside the State of Minnesota is not applicable because of the Franchise Act.

2. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _______, 20____.

FASTSIGNS INTERNATIONAL, INC.

	By: Name: Title:
ATTEST:	FRANCHISEE:
Witness	By: Name: Title: Date Signed:
ATTEST:	FRANCHISEE:
Witness	By: Name: Title: Date Signed:

AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

 The
 FASTSIGNS
 International,
 Inc.
 Franchise
 Agreement
 between

 ("Franchisor") dated
 ("Franchisee" or "You") and FASTSIGNS
 International,
 Inc.

 ("Franchisor") dated
 (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchises Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under North Dakota Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If this Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.
- d. If the Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.
- e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.
- f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under North Dakota Law.
- g. Section 24.E. of the Agreement, Dispute Resolution, shall be deleted in its entirety.
- h. Section 26. of the Agreement, <u>Limitation of Claims</u>, shall have the sentence "The statute of limitations under North Dakota law applies." added to the end of the section as if it were an original part of the Agreement.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________, 20____.

FASTSIGNS INTERNATIONAL, INC.

	By: Name: Title:
ATTEST:	FRANCHISEE:
	By:
Witness	Name: Title: Date Signed:
ATTEST:	FRANCHISEE:

By:	
Name:	
Title:	
Date Signed:	

AMENDMENT TO FASTSIGNS INTERNATIONAL, INC. FRANCHISE AGREEMENT FOR THE STATE OF RHODE ISLAND

The FASTSIGNS International, Inc. Franchise Agreement between ("Franchiser") dated ______ ("Franchisee" or "You") and FASTSIGNS International, Inc. ("Franchisor") dated ______ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"): <u>RHODE ISLAND LAW MODIFICATIONS</u>

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If this Agreement requires that it is governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.
- c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________, 20___.

FASTSIGNS INTERNATIONAL, INC.

By:	
Name:	
Title:	

FRANCHISEE:

 Witness
 By:_____

 Name:_____
 Title:_____

Date Signed:

ATTEST:

FASTSIGNS INTERNATIONAL, INC.

RECEIPTS

EXHIBIT "P"

ITEM 23 - RECEIPT (YOUR COPY)

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 FASTSIGNS OFFERS YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

NEW YORK AND RHODE ISLAND REQUIRE THAT WE GIVE THIS DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR 10 BUSINESS DAYS BEFORE SIGNING A BINDING AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP. MIGHIGAN REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS BEFORE SIGNING A BINDING AGREEMENT OR THETHE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURES FIRST.

IF FASTSIGNS DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR 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 YOUR STATE AGENCY IDENTIFIED ON EXHIBIT "A".

THE NAME, PRINCIPAL BUSINESS ADDRESS AND TELEPHONE NUMBER OF EACH FRANCHISE SELLER OFFERING THE FRANCHISE: MARK JAMESON AND ______, FASTSIGNS INTERNATIONAL, INC., 2542 HIGHLANDER WAY, CARROLLTON, TEXAS 75006, (214) 346-5600.

	I have received a Franch	nise Disclosure Document dated: Date of Issuance: April 30	2014		
	Effective Date of Disclo	-	is		
	See Exhibit "A" for our	See Exhibit "A" for our registered agents authorized to receive service of process.			
	I have received a Disclo	I have received a Disclosure Document that included the following Exhibits:			
	Exhibit A State Agencies/Agents for Service of Process Exhibit B Franchise Agreement		Exhibit I Promissory Note (Indirect Financing)		
	Exhibit C Development Agreement Exhibit D Financial Statements		Exhibit J Security Agreement (Indirect Financing)		
			Exhibit K Open End Mortgage, Security Agreement		
	Exhibit E Franchisees	as of 12/31/13	Fixture Filing (Indirect Financing) ements for centers which were not yet operational as of 12/31/13		
	Exhibit F-1 Franchisees	who have signed Franchise Agreem			
	Exhibit F-2 Former Fran	• •	5 1		
	Exhibit F-3 Franchisees	that resold their centers	Exhibit L Agreement of Franchisor		
	Exhibit G Confidentiality Agreement		Exhibit M Information, Consent and Authorization		
	Exhibit H General Relea		Agreement Exhibit N Conversion Promissory Note (Direct Financing)		
			Exhibit O State Disclosure Addenda and Franchise Agreement		
			Riders		
			Exhibit P Receipts		
Dated:					
		Signature	Printed Name		
Date:		Signature	Printed Name		
		-	document is also available in pdf format on our website		

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document is also available in pdf. format on our website, www.fastsigns.com.

ITEM 23 - RECEIPT (OUR COPY)

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 FASTSIGNS OFFERS YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

NEW YORK AND RHODE ISLAND REQUIRE THAT WE GIVE THIS DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR 10 BUSINESS DAYS BEFORE SIGNING A BINDING AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP. MICHIGAN REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS BEFORE SIGNING A BINDING AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRSTFIRST.

IF FASTSIGNS DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR 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 YOUR STATE AGENCY LISTED ON EXHIBIT "A".

THE NAME, PRINCIPAL BUSINESS ADDRESS AND TELEPHONE NUMBER OF EACH FRANCHISE SELLER OFFERING THE FRANCHISE: MARK JAMESON AND _______, FASTSIGNS INTERNATIONAL, INC., 2542 HIGHLANDER WAY, CARROLLTON, TEXAS 75006, (214) 346-5600.

	I have received a Franchise Disclosure Document dated:			
	Date of Issuance: April 30,	2014		
	Effective Date of Disclosure Document for the state of	is		
	See Exhibit "A" for our registered agents authorized to recei	ve service of process.		
	I have received a Disclosure Document that included the following Exhibits:			
	Exhibit A State Agencies/Agents for Service of Process	Exhibit I Promissory Note (Indirect Financing)		
	Exhibit B Franchise Agreement			
	Exhibit C Development Agreement	Exhibit J Security Agreement (Indirect Financing)		
	Exhibit D Financial Statements	Exhibit K Open End Mortgage, Security Agreement		
	Exhibit E Franchisees as of 12/31/13	Fixture Filing (Indirect Financing)		
Exhibit F-1_Franchisees who have signed Franchise Agreements for centers which were not yet operational as of 12				
	Exhibit F-2 Former Franchisees			
	Exhibit F-3 Franchisees that resold their centers	Exhibit L Agreement of Franchisor		
	Exhibit G Confidentiality Agreement	Exhibit M Information, Consent and Authorization		
	Exhibit H General Release	Agreement		
		Exhibit N Conversion Promissory Note		
		Exhibit O State Disclosure Addenda and Franchise Agreement		
		Riders		
		Exhibit P Receipts		
Dated:				
	Signature	Printed Name		
Dated				
	Signature	Printed Name		

Please sign this copy of the receipt, date your signature, and return it to Executive Vice President of Franchise Support and Development, FASTSIGNS International, Inc., 2542 Highlander Way, Carrollton, Texas 75006. This disclosure document is also available in pdf. format on our website, www.fastsigns.com.