

# FRANCHISE DISCLOSURE DOCUMENT

## GROUTSMITH™ FRANCHISING, INC.

A Nevada Corporation

6341 Porter Road, Suite 11, Sarasota, Florida 34240 (941) 924-4433

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As a Groutsmith™ franchisee, you will operate a grout and tile restoration and maintenance business for residential and commercial customers.

The total investment necessary to begin operation of a Groutsmith™ franchise is between \$27,300 and \$34,400. This includes the \$19,900 that must be paid to the franchisor and its affiliates.

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 in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jonathan Smith at 6341 Porter Road, Suite 11, Sarasota, Florida 34240 (941) 924-4433 or at [jonathan@groutsmith.com](mailto:jonathan@groutsmith.com).

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

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

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

ISSUANCE DATE: January 23, ~~2019~~2020.

## STATE COVER PAGE

### How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

<u>QUESTION</u>	<u>WHERE TO FIND INFORMATION</u>
<u>How much can I earn?</u>	<u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.</u>
<u>How much will I need to invest?</u>	<u>Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.</u>
<u>Does the franchisor have the financial ability to provide support to my business?</u>	<u>Item 21 or Exhibit A includes financial statements. Review these statements carefully.</u>
<u>Is the franchise system stable, growing, or shrinking?</u>	<u>Item 20 summarizes the recent history of the number of company-owned and franchised outlets.</u>
<u>Will my business be the only Groutsmith business in my area?</u>	<u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>
<u>Does the franchisor have a troubled legal history?</u>	<u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>

<u>What's it like to be a Groutsmith franchisee?</u>	<u>Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.</u>
<u>What else should I know?</u>	<u>These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.</u>

## What You Need To Know About Franchising Generally

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

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

~~Call the~~ recommends the franchise or has verified the information in this document. To find out if your state franchise administrator listed on has a registration requirement, or to contact your state, use the agency information in Exhibit B ~~for information about the franchisor, or about franchising in your state.~~

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

~~Please consider~~ Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About This Franchise

Certain states require that the following ~~RISK FACTORS~~ ~~before you buy this franchise:~~ risk(s) be highlighted:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION FIRST. ALL LITIGATION MUST BE FILED IN THE STATE OF FLORIDA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN FLORIDA THAN IN YOUR OWN STATE.
- ~~2. THE FRANCHISE AGREEMENT STATES THAT NEVADA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.~~
- ~~3. 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 investigations of the franchise.~~

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted

## ~~STATE EFFECTIVE DATES~~

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

~~This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having Franchise registration and disclosure laws, with the following effective dates:~~

~~CALIFORNIA — March 21, 2019~~  
~~MINNESOTA — May 10, 2019~~  
~~**VIRGINIA** — October 2, 2019~~  
~~WASHINGTON — July 31, 2019~~  
~~WISCONSIN — July 2, 2019~~

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## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

#### Franchisor

The name of the Franchisor is Groutsmith™ Franchising, Inc. In this disclosure document Groutsmith™ Franchising, Inc. is referred to as “we” or “us”, The Groutsmith™ or “Groutsmith”™. “You” or yours means the person who buys the franchise from us and includes the owners of a franchise that is a corporation, partnership or other entity. If you are a corporation, partnership or other entity, your owners must sign an agreement that all provisions of our Franchise Agreement also will apply to your owners. Our company was incorporated in September 2010 in Nevada. Our principal place of business is 6341 Porter Road, Suite 11, Sarasota, Florida 34240. Our fiscal year ends on December 31<sup>st</sup>. Our website is located at [www.groutsmith.com](http://www.groutsmith.com) .

We do not own or operate a franchise business of the type to be operated by you, but our affiliate, J. Arthur Smith Inc., owns a Groutsmith™ business and has conducted the type of business to be operated by you since January of 1992. In addition to operating its Groutsmith™ business, the affiliate also has a product division known as Smitty’s Tile and Grout Solutions, which provides products to Groutsmith franchisees. Our affiliate shares our offices at 6341 Porter Road, Suite 11, Sarasota, Florida 34240. We have no other business activities. We have not offered franchises in any other line of business.

The address of our agent for service of process in this state is disclosed in Exhibit B.

#### Predecessors, Parents and Affiliates

Our predecessor and affiliate is J. Arthur Smith, Inc., DBA Groutsmith. That company founded the Groutsmith concept in 1992. Our predecessor did not offer franchises in any line of business. We do not have a parent, nor any other predecessors or affiliates required to be disclosed in this item.

#### The Franchise

We grant franchises authorizing you to use The Groutsmith™ trademarks to perform grout and tile restoration and maintenance to residential and commercial customers. We have offered franchises in this business since 2010.

We recommend that you form a corporation or limited liability company (which you control) to be the owner of the franchise prior to opening. If there will be multiple owners or you later transfer or assign a portion of your interest in the franchise to another, we reserve the right to require you to form an entity to act as franchisee, with each individual personally guaranteeing the performance of the entity. If your franchise is operated as a partnership, corporation or limited liability company, the majority owners, partners, shareholders, members and owner-managers respectively must sign a personal guaranty.

The general market for our services consists of residential and commercial buildings whose tile is cracked or loose and whose grout is discolored, worn or cracked and needs to be cleaned or replaced. The Groutsmith™ franchise business does not require high rent commercial facilities, significant initial employee payroll or inventory warehousing. You can operate out of your SUV, truck or van with a minimum amount of expense for tools, equipment and product.

We are not aware of any specific regulations relating to the operation of a Groutsmith™ franchise business. Some localities may have licensing requirements. You must check the city, county, and state

in which you intend to operate for these requirements and must meet any of these requirements and obtain any required license(s) before opening your Groutsmith™ business.

Your competition includes other tile and grout repair and restoration businesses, carpet cleaners and independent “handyman” contractors.

## ITEM 2

### BUSINESS EXPERIENCE

#### **JONATHAN SMITH, President, Shareholder, and Director**

Mr. Smith is the Founder and has served as President of J. Arthur Smith Inc. DBA Groutsmith in Sarasota Florida since January 1992. Smitty’s Tile and Grout Solutions in Sarasota (Groutsmith Products Division) was established and added as an additional DBA in July, 2006.

#### **MATTHEW SMITH, Treasurer and Director**

Mr. Smith owned and operated Development Faction Inc. in Pittsburgh, Pennsylvania from August 2005 until September 2012. Matthew specialized in territory demographics and development. He joined Groutsmith in September, 2012 and has operated The Groutsmith location in Pinellas County, Florida from September 2012 to the present.

#### **MARYANNE SMITH, Secretary, Shareholder and Director**

Ms. Smith has served as Corporate Secretary and Business Manager of J. Arthur Smith Inc. DBA Groutsmith in Sarasota since January 1992.

#### **JON SMITH, Director**

Mr. Smith has served as director of technical training for J. Arthur Smith Inc., DBA Groutsmith in Sarasota since February 2005

#### **SAMANTHA SMITH, Director**

Ms. Smith worked in the sales and research for Zeiss Corporation in Philadelphia from January, 2012 until February, 2016. Samantha has served as director of Groutsmith franchise sales since March, 2016.

## ITEM 3

### LITIGATION

There is no litigation which is required to be reported in this Item.

## ITEM 4

### BANKRUPTCY

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

## ITEM 5

### INITIAL FEES

#### Franchise Fee

Your initial franchise fee is \$19,900. The franchise fee is payable in a lump sum by cashier’s check at the time of execution of the franchise agreement. The costs and fees are uniform for all franchisees.

There are no other payments due to us or any affiliates of ours prior to opening your franchised business. The franchise fee is expected to be uniform and is not refundable.

### Reductions in Franchise Fee

Once you own a franchise, and you are in full compliance with all of the terms and conditions of your Franchise Agreement, you may purchase additional or multiple franchises at a 25% discount. Additional start-up packages and training are not included with the purchase of additional franchises.

## ITEM 6

### OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty	\$0 for months 1-3; \$400/month for mos. 4-12; \$600/month for year 2; \$800/month for year 3; \$1,000/month for years 4-15	5th day of each month for current month	\$0 royalty applies to the first 3 full or partial months starting the date you sign the Franchise Agreement.  Royalty can never exceed \$1,000 per month regardless of sales.
Call Center	\$15 per set appointment plus \$2.00 each for all other calls	5 <sup>th</sup> day of month following month of usage	The call center is currently not active, if and when it is activated, it will be an optional service.
Renewal Fee	\$500	Upon signing renewal Franchise Agreement	This is due if you choose to renew your franchise for another 15 year term
Additional Trainees	\$1,000 for 40 hours of management/office training and another \$1,000 for 40 hours of technical /field training	2 weeks prior to training	We provide initial training of 80 hours at no cost for two people. This fee is for each additional person trained, for an additional 40 training hours of each kind of training. (see note 1)
Advertising fee	N/A	N/A	Advertising is done on local level.
<u>Cloud Based Software</u>	<u>\$52 per month for two users</u>	<u>Monthly</u>	<u>This is optional for you. It is a cloud based Business Management and Scheduling Software program, customized for the Groutsmith business.</u>
Cooperative Advertising	N/A	N/A	Cooperative advertising may be established and managed at a regional level.

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Relocation Fee	\$3,500	Upon approval	If you request to move your franchise and we approve, this fee is to cover our costs associated with this change.
Transfer Fee	\$5,000 plus our out of pocket expenses	Before consummation of transfer	If you sell your franchise, you or your buyer must pay us the transfer fee. No fee is charged if the transfer is between entities you control.
Attorney's Fees and Costs	Costs incurred by us	Upon completion of proceeding	Payable when we occur legal costs in enforcing the Franchise Agreement in any action

Note 1 Training fee for each additional attendee, after the first two people, is currently \$1,000 for 40 hours management / office training and \$1,000 for 40 hours technical / field training. Training for both portions of the program is \$2,000.

Unless otherwise noted, all fees are imposed by Groutsmith Franchising, Inc. All fees are nonrefundable. All fees are uniformly imposed in accordance with this disclosure document.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

<b>Type of Expenditure</b>	<b>Amount</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Franchise Fee	\$19,900 (Note 1)	When you sign the Franchise Agreement unless your state requires otherwise (see State Specific Addenda)	Groutsmith™ Franchising, Inc.
Start-up Package	\$0 (Note 2)	This is covered within your initial franchise fee No additional payment due	Not applicable
Expenses during Training	\$200 to \$1,500 (Note 3)	As incurred	Travel vendors
Advertising (3 Months)	\$6,000 (Note 4)	As incurred	Advertisers
Vehicle (3 months)	\$0 to \$2,000 (Note 5)	Before opening	Vehicle dealer
Vehicle Insurance	\$300 to \$1,000 (Note 6)	Before Opening	Insurance company
Liability Insurance	\$300 to \$1,000 (Note 9)	Before opening	Insurance company

Type of Expenditure	Amount	When Due	To Whom Payment is to be Made
Additional Funds (3 months)	\$600 to \$3,000	As incurred	Vendors, employees
Total	\$27,300 to \$34,400 (Note 16)		

**Note 1 Franchise Fee:** Your initial franchise fee of \$19,900.

The franchise fee is not refundable under any circumstances. We do not finance any portion of this fee. After opening your franchise you may purchase additional or multiple franchises at a reduced rate if you are in full compliance under your Franchise Agreement as described in Item 5.

**Note 2 Start-up Package:** The start-up package includes equipment, supplies, forms and products to get you started. Also included is our Business Management Software, and the Groutsmith polo shirts and cap. The start-up package and shipping is included in the Franchise Fee.

**Note 3 Expenses during Training:** We do not charge you a fee for initial training, but you must provide your own travel and lodging and meals for the duration of the training program. The low estimate assumes you are training locally and do not need to pay for meals or lodging costs, but will have auto expenses. The high estimate assumes you will need to pay for travel, lodging and meals.

**Note 4 Advertising:** You must spend a minimum of \$2,000 per month for advertising during the first 6 months of operations. The amount of advertising needed will vary depending on your goals and the level of response in your area. The low range assumes \$2,000 per month will generate enough business. You may decide to spend more to meet your specific goals. You must spend at least a minimum of \$12,000 in your first 6 months in business.

**Note 5 Vehicle:** You will need an SUV, van or truck in your business. The low assumes you already have a suitable vehicle. The high range assumes you lease a vehicle.

**Note 6 Vehicle Insurance:** The estimates are for the first 3 months premium. The cost of insurance will vary based on policy limits, types of policies procured, geographic location and other factors.

**Note 7 Telephone:** You must have a business telephone line and a high speed internet connection. This requirement is in addition to your use of the Call Center, as described in Item 6 above. The costs vary depending on your geographic area.

**Note 8 Computer System:** You must have a computer system compatible with accessing the Internet and a high-speed Internet connection.

**Note 9 Liability Insurance:** You must purchase the amount of insurance we require. The estimates are for the first 3 months of premiums. The cost of insurance will vary based on policy limits, types of policies procured, geographic location and other factors. See Item 8.

**Note 10 Office Furniture:** The low estimate assumes you do not need any office furniture. The high estimate assumes you need to purchase additional office furniture during the initial 3 months of the business.

**Note 11 Forms and Office Supplies:** We provide you with an ample initial supply of business cards, estimate forms, and referral cards. Additional forms and supplies can be purchased from our approved provider or other suppliers approved or designated by us. The low estimate assumes you do not need to buy anything other than what we initially furnish to you. The high estimate assumes you need to

purchase office supplies during the initial three (3) months of business. Additional supplies purchased are non-refundable.

**Note 12 Licenses:** You may be required to obtain licenses to operate your franchise from your local authorities. These will vary depending on your location, but may include a business license.

**Note 13 Call Center:** The call center is currently not activated. If and when it is activated, you must pay for all Call Center services utilized by you. The call center will be an opt-in/opt-out service, so you can be sure your business phone is being answered professionally when you are unavailable to answer the phone yourself. We will charge a fee of \$15 per demo/estimate appointment set. We will also charge a fee of \$2.00 per call for all other calls

**Note 14 Initial Inventory:** We furnish you with a new franchisee start up package, which includes the products, tools and equipment listed in Exhibit FA IV of the Franchise Agreement, for the first franchise you purchase. The cost and shipping of the new franchisee start up package is included in the franchise fee for the first franchise you purchase. There are some additional hand tools needed to perform certain repairs, and there are also small electric tools that can be used that can make some repairs faster and easier to complete. These types of tools are readily available and are inexpensive to purchase. The low estimate assumes you will not need to buy additional supplies or tools. The high estimate assumes you need to purchase additional supplies and some small tools during the initial 3 months of the business. Additional inventory purchased from the Groutsmith™ products division is non-refundable.

**Note 15 Additional Funds:** This item covers miscellaneous operating costs for the first 3 months, including: automobile fuel and maintenance and other miscellaneous costs. It does not include any payroll or salary to you or to any employees, interest expense, or debt service. We assume you will initially conduct your business out of your home, so no costs have been estimated for investment in real estate or lease of space.

**Note 16 Total:** These figures do not include any amount for your personal living expenses; you should have additional sources for payment of personal living expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses in starting the business. Your costs will depend on factors such as: how closely you follow our methods and procedures, your business management skills and experience, local economic conditions, competition, and the sales level reached during the first three (3) months. We have compiled these estimates based on the experience of our principals. These amounts are non-refundable, unless otherwise indicated.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require you to use approved Groutsmith™ products in your franchise business. These are our proprietary Groutsmith cleaning and sealing products, and they must be purchased from us or our affiliate. These are purchased from our affiliate, Smitty's Tile and grout Solutions, which is the only approved supplier of these cleaning and sealing products. Our affiliate gets distributor pricing from its suppliers, but there are no payments or other consideration given to our affiliate or to us by these suppliers. The distributor pricing given to our affiliate allows the affiliate to sell to our franchisees below normal retail pricing levels. To the extent that we sell materials and items to you, we will derive income from the sale and purchase of such items. We estimate that the purchase of products will represent approximately 5% to 15% of your overall purchases in establishing and operating your business. The initial franchise fee covers the cost of your new franchisee start up package, which includes all materials and supplies you will normally need to start your Groutsmith™ business. A list of the supplies in the start-up package is on Exhibit FA IV of the Franchise Agreement. We will make arrangements to deliver the items in the new franchisee start up package immediately after you purchase your franchise and

prior to opening. The cost of required equipment, materials and supplies you must purchase in accordance with specifications is an insignificant percent of the total purchases in connection with the establishment of your franchise. ~~There are no other suppliers in which any of our officers owns an interest.~~ There are no required purchases of computer hardware or software. We do not negotiate purchase arrangements with any suppliers who sell directly to our franchisees. There are no other suppliers in which any of our officers owns an interest. We do not provide any material benefits (including, for example, renewal or granting additional franchises) to a franchisee based on the franchisee's purchaser of particular products or services or use of designated or approved suppliers. There are no purchasing or distribution cooperatives.

We have Groutsmith™ products which are marketed and sold to the public through our website. Every time a customer from your territory purchases products from Groutsmith, your franchise will receive 100% of the profit as a credit in your account toward your future product purchases. You may not sell the products from a website created by you or over the Internet except through our Groutsmith™ website. You may purchase these items at a discount and offer them for sale to the public. You will be responsible for any sales or use tax that may become due when purchasing these products for your use or selling these products directly to the public.

We will provide you with the names of approved products and supplies during training. We may periodically make reasonable modifications to our approved list. The list of approved services is attached as Exhibit FA III to the Franchise Agreement. We may modify the standards and specifications and the list of approved products and supplies. If you propose to purchase or lease any goods or services not previously approved by us, you must submit a written request to us for approval before your use of the item. We will consider any request by you for approval of a potential product or supply or modification of a standard or specification. We do not provide a list of criteria or specifications to our franchisees or suppliers. If we request you to do so, you must also submit to us sufficient specifications, photographs and/or other information or samples for examination and/or testing. We will communicate to you in writing within 60 days our determination on whether we approve the product or item for your use. We can revoke that approval at any time, by written notice to you. We do not anticipate charging for our time in testing or inspecting any item, but we may charge you for any out of pocket expenses we might incur in doing so.

The insurance policies you must purchase and maintain throughout the term of the franchise must be issued by an insurance carrier approved by us. You must maintain Comprehensive General Liability Insurance with a General Aggregate of no less than \$500,000; Workers' Compensation including Employer's Liability insurance as provided for you and your employees in accordance with the laws of the State in which you are conducting business; Auto Liability insurance with business coverage with deductibles not to exceed \$1,000.00, but in no instance less than \$100,000/\$300,000/\$50,000 or combined single limits of \$250,000 for bodily injury and property damage, which amounts may be changed upon receipt of written demand from us. We can require you to obtain different or additional kinds of insurance and may increase the amount of coverage required. You must name Groutsmith™ Franchising, Inc. 395 Interstate Boulevard, Sarasota Florida, 34240 as an additional named insured on your Comprehensive General Liability Insurance and Business Automotive Liability Insurance and any other required insurance policies. You must provide us with proof of the required insurance for your Auto Insurance Policy with business coverage. All the policies must be written for a minimum of 6 months and provide for thirty (30) days prior written notice to us, of any material modification, cancellation or expiration of the policy. You must provide us with proof of all required policies on an Accord certificate of insurance prior to any business operation.

After operating your franchise for at least six (6) months, you may elect to be trained to offer supplemental services to the public. We are the only source for training in these supplemental services

and you must pay a training fee to us (see Item 6). The supplemental services we offer may change periodically in accordance with our operations manual.

No portion of our revenues in ~~2019~~2018 came as a result of purchases of goods or services by franchisees. We do not anticipate that in the future we will derive any revenue as a result of any purchases or leases by our franchisees. Our affiliate, Smitty's Tile and Grout Solutions, derived ~~\$240,022.10~~238,015.82 in revenues in ~~2019~~2018 from the sale of products and supplies to our franchisees, which constituted ~~70~~69% of its total ~~2019~~2018 revenues of ~~\$343,814.83~~344,579.12.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site Selection and acquisition/lease	None	None
b. Pre-opening purchase/lease	None	None
c. Site development and other pre-opening requirements	None	6, 7 11
d. Initial and ongoing training	7, 13	6, 11 15
e. Opening	2	11
f. Fees	9	5, 6 7
g. Compliance with standards & policies/Operating Manual	4, 5, 6, 7	8, 11, 14, 16 17
h. Trademarks and proprietary information	4	11, 13 14
i. Restrictions on products and services	6	8 16
j. Warranty and customer service requirements	None	11
k. Territorial development and sales quota	None	12
l. Ongoing product/service purchases	6	8 16
m. Maintenance, appearance and remodeling requirements	None	11
n. Insurance	9	5, 6 7
o. Advertising	8	6 7 11
p. Indemnification	9	13
q. Owner's participation/management/staffing	2, 7	15

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
r. Records/reports	9	None
s. Inspections/audits	None	None
t. Transfer	12	6, 17
u. Renewal	3	6, 17
v. Post-termination obligations	11	17
w. Non-competition covenants	2, 11	17
x. Dispute resolution	10, 14	17

## ITEM 10

### FINANCING

We do not offer direct financing. We do not guarantee any of your notes, leases or other obligations. We do offer you financing sources.

## ITEM 11

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

**Except as listed below, Groutsmith™ Franchising, Inc. is not required to provide you with any assistance.**

We provide the following services to you before the opening of the franchised business (references are to the Franchise Agreement unless otherwise noted):

- 1) We will configure your territory (Section 13.1.2) before you purchase your franchise.
- 2) We will furnish you with initial training, which is described in more detail later in this Item 11 (Section 13.1.1). At training we will supply you with a list of our designated or approved suppliers and our specifications. No initial training will be provided when additional units are purchased.
- 3) We will furnish you with a complete start up package that includes an initial supply of estimate sheets, business cards, shirts, and other supplies and materials in quantities that will last approximately 30 - 90 days (Section 13.1.3). No start-up package will be provided when additional units are purchased.
- 4) We will loan you a copy or provide electronic access to our 95 page confidential operations manual. We have the right to add to and otherwise modify the confidential operations manual to reflect changes in products, services, specifications, standards and operating procedures, including sales and marketing techniques relating to the franchise business. The master copy of the confidential operations manual maintained by us at our principal office will be controlling in the event of a dispute relative to the contents of the confidential operations manual (Section 13.1.4). The table of contents of the operations manual is set forth on Exhibit E. No additional operations manual will be provided when additional units are purchased.

- 5) We will provide you with an advertising program which may include direct mail advertising, online advertising and a media package that includes ads approved for immediate use (Section 13.1.5).

We provide the following services to you after the opening of your franchised business:

- 1) We may at some future date provide a Call Center for message retrieval and distribution. The Call Center will be an opt-in/opt-out service for your convenience. The Call Center will receive, retrieve and distribute all calls to your Groutsmith™ telephone number. You will pay for this service; the charge is a minimum of \$15 per set appointment and \$2.00 for all other calls (Exhibit FA V).
- 2) We will, upon request, make our training program available to your employees, partners and associates, at reasonable times and at our then-current fees (Section 13). The training and operating assistance, in whole or in part may be provided by qualified, existing franchisees, who are not our employees. You will be responsible to pay for the cost of travel, food and lodging for your employees or for our representative if a representative travels to you.
- 3) We may conduct telephone conferences as needed to provide an advisory service which may include consultation on promotional efforts, business or operational problems with analysis of your sales, marketing and financial data. Such services may be provided by us by mail, e-mail, telephone, teleconference, or other means at our discretion (Section 13.2.2).
- 4) We provide you with access to an optional cloud based Business Management and Scheduling Software program customized for the Groutsmith business ~~with a minimal additional~~. It is optional for you to use the program, and if you do there is a monthly cost to you fee of \$52 for two users.
- 5) We have Groutsmith™ products which are marketed and sold to the public through our website. Every time a customer from your territory purchases products from The Groutsmith, your franchise will receive 100% of the profit as a credit in your account toward your future product purchases. You may not sell the products from a website created by you or over the Internet except through our Groutsmith™ website. You may purchase these items at a discount and offer them for sale to the public. You will be responsible for any sales or use tax that may become due when purchasing these products for your use or selling these products directly to the public.

We may, but are not obligated by the franchise agreement to:

- 1) Establish additional policies, procedures, standards and specifications for the operation of your franchise business. We may change, modify or update these procedures, standards and specifications at our discretion. All modifications may be posted online. You must strictly follow these policies, procedures, standards and specifications. Failure to do so is grounds for termination of your franchise (Section 13).
- 2) Develop promotional programs and campaigns which shall be mailed to clients and prospective clients or which shall be placed in state, regional or national publications. (Section 13).

### **Marketing and Advertising Program**

There is no separate marketing program, and you are not required to contribute to an advertising fund, either national or regional in scope. There is currently no advertising council, which advises us on advertising policies (Section 8). We are not required to spend any amount on advertising in your territory.

You must spend a minimum sum of \$2,000 per month on local advertising enhancing the reputation of your services on a local level during the first six months of the operation of the Franchise Business. Upon completion of the first six months, your advertising allotment shall be at your sole discretion although we highly recommend that you continue advertising at a rate covered in training. You may be

required to substantiate advertising outlays by supplying information to us including paid advertising invoices. You may only use advertising materials approved by us. (Sec 8.1)

You may become a member of a local and/or regional cooperative advertising association created and administered by franchisees in a self-defined area. Upon the formation of a local or regional cooperative advertising association, you shall be deemed to be a member of such association as covers the area in which your franchise is located and shall be bound by any decisions made by such association upon a majority rule by members voting. We may be a member of the association with one vote. Any funds collected by this association will be kept at the local/regional level and used for the defined advertising purpose. (Sec 8.2)

We do not have a national marketing fund. If a national marketing fund is formed in the future, it will be created and administered by the franchisees. We may be a member of this association with one vote. We may at our discretion assist the association with creative concepts, market data and other advertising tools. (Sec 8.3)

Section Advertising and promotional materials developed by us are available to all franchisees. An individual franchise is not limited in the amount or type of advertising that it may conduct in its territory. Consequently, your gross sales may be directly affected by the amount, type and effectiveness of advertising conducted by you.

Although we may suggest prices for the services offered at each unit, you may offer and sell such services at any price you choose. Your gross sales may be directly affected by the pricing you charge.

You may create your own website and/or social networking site. You will also be provided a page on our company website.

### **Computer Requirements**

You are required to buy and maintain at your expense any computer system capable of accessing the internet and utilizing the web based Business Management and Scheduling Software. You must also have a high speed internet connection. We estimate the cost of purchasing a computer system to fit these specifications to be approximately \$500. You are not obligated to upgrade or update any computer systems but you will spend around \$100 per year on normal updates. We do not have independent access to your computer. You must maintain a valid e-mail address, known to us, during the entire term of your franchise agreement.

### **Site Selection and Business Opening**

We must configure your territory ~~and approve your office location, if it is not your home.~~ The criteria we consider in configuring your territory are the number of owner-occupied households located in your territory. If your office is located outside of your home, the office space must be located in your territory. Our approval is not required for the location of your office, so there are no consequences if we cannot agree with you on the selection of a site.

The average length of time from the date the Franchise Agreement is signed to the opening of the franchised business is approximately one month. Factors affecting this length of time include setting up your office, obtaining the necessary licenses, placement of advertising, and delivery of inventory, tools, and supplies, and successful completion of the initial training program.

By the terms of the Franchise Agreement, you must open your franchised business within 90 days of the date you sign the Franchise Agreement.

We do not provide assistance with providing equipment, signs, fixtures, opening inventory and supplies. We do not provide you with written specifications for any of these items and we do not deliver or install any of them

## **Training**

You must successfully complete our initial training program to our satisfaction. Initial training can be divided between office/manager and estimating/grout technician, depending on your choice of business structure. There is no additional fee for the training of the initial two people (husband/wife, father/son, partners), etc. The total initial training program is a total of 80 Hours. In the event you wish to bring more than two people to initial training, you must pay us a training fee for each additional attendee, currently \$1,000 for management / office training and \$1,000 for technical / field training. Training for both portions of the program is \$2,000 for anyone above the initial two people. You must provide travel, lodging and meals for all training attendees for the duration of the training program. Each manager or technician hired after the initial training may be trained by us for the same fees and expenses as described above. The training will cover the same material as the initial training. Trainees will be “on the job” doing work at actual customers’ locations. Trainees will not be compensated for such work. Training sessions will be scheduled by appointment.

Your attendance at the initial training is mandatory. We may require you to attend additional training if we determine you need it. The initial training program will be scheduled by appointment. Your start date must be within 30 days of successfully completing the initial training. Successful completion will be determined by our trainers and include demonstrating competence in several areas of running a Groutsmith™ franchise business. These may include knowledge of basic policies and procedures, demonstrated understanding of the system techniques and methods, products, tool and equipment maintenance, daily operations, record keeping and basic accounting.

Initial training will be approximately 80 hours over 9 to 10 days, at our Sarasota, Florida location, or at another approved location. You must attend and successfully complete the training and testing before the opening of your franchised business. Initial training will cover all aspects of the franchise operation including sales and marketing, local advertising, customer relations, job estimating, performance of required approved services, approved product information, measuring, restoration, trouble shooting and products. Your training will be comprised of both classroom and field work. You will be doing physical work at actual customers’ locations. You will not be compensated for such work. Training is conducted by our founder, Jonathan Smith, who has operated a Groutsmith business since 1992, Jon Smith, our director of technical training since 2005, and by other certified technicians and employees. These are employees and technicians who have completed our training programs themselves and have worked with us for at least one full year. The training material consists primarily of our Operations Manual.

We may require you to attend on-going training/support sessions for the duration of your franchise agreement, at our discretion. Monthly on-going training/support sessions will be held via phone or teleconference at agreed upon dates and times. These meetings should require approximately one hour monthly.

**All trainees will be required to sign an insurance liability waiver before they start field training.**

## **THE GROUTSMITH TRAINING PROGRAM**

Activity/Discipline	Hours of In the Office Training	Hours of On the Job Training	Location
<b>Introduction to The Groutsmith™</b>	1.0		Groutsmith™ Headquarters, Sarasota FL
<b>Marketing and Advertising</b> Review media Review Ad and other print materials Review Competition Review Marketing Plan	5.0		Groutsmith™ Headquarters Sarasota FL
<b>Customer Service</b> Overview Answering and Returning Calls – Scheduling and Preparing for the Estimate Job Site Regulations Customer Service Policy Customer Follow up and Satisfaction Surveys Protecting Customers Property Job Preparation Handling Customer Complaints	2.0	2.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Estimating</b> Diagnosing Work Needed Sample Estimates Estimate Writing	2.0	16.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Record Keeping</b> Overview Types of Records Business Management Software	3.0		Groutsmith™ Headquarters Sarasota FL
<b>Insurances</b> Overview/Recommended Coverage	1.0		Groutsmith™ Headquarters Sarasota FL
<b>Franchisee Support System</b> Overview Your Support Team Review of Intranet Site	1.0		Groutsmith™ Headquarters Sarasota FL
<b>Expanding Your Business</b> Overview Employees	1.0		Groutsmith™ Headquarters Sarasota FL
<b>Tools and Supplies</b> Overview Groutsmith™ Customer Products Groutsmith™ Professional Products Purchasing/Storage	1.0		Groutsmith™ Headquarters Sarasota FL
<b>Safety</b> Safety Issues Review MSDS Sheets	0.5		Groutsmith™ Headquarters Sarasota FL or customer location
<b>Products, Material and Tools</b>	1.5		Groutsmith™ Headquarters

Activity/Discipline	Hours of In the Office Training	Hours of On the Job Training	Location
Purchasing Customer and Professional Products			Sarasota FL or customer location
<b>Identifying Types of Tile</b> Ceramic, Porcelain and Natural Stones		1.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Floor Repairs</b> Grout Removal Grout Repairs Sanded, Non Sanded, Epoxy and Acrylic Grouts Floor Tile Replacement/ Tile Cutting Floor Tile Re-bonding Grout Color Matching Grout Installation		8.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Caulking</b> Tubs and Showers Counter Tops Sinks		2.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Shower Repairs/Tub Wall Repairs and Restoration</b> Shower Cleaning Grout Removal Grout Replacement Caulking Removal Caulking Replacement and Color Matching Grout Restoration and Sealing		6.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Basic Natural Stone</b> Cleaning and Sealing		1.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Tile Floor Cleaning Sealing and Restoration</b> Surface Preparation and Cleaning process Solution Extraction and Drying Clear Sealing Post Job Cleanup	1.0	20.0	Groutsmith™ Headquarters Sarasota FL or customer location
<b>Final Testing and Field Work Inspection</b>	2.0		Groutsmith™ Headquarters Sarasota FL or customer location
<b>Post Training Review and Groutsmith™ Certification</b>	2.0		Groutsmith™ Headquarters Sarasota FL
<b>Total Hours Classroom Training</b>	24.0		Groutsmith™ Headquarters Sarasota FL
<b>Total Hours On-The-Job Training</b>		56.0	Customer location

Activity/Discipline	Hours of In the Office Training	Hours of On the Job Training	Location
<b>Total Training Hours</b>			<b>80</b>

**Note 1:** Time spent on each individual training item may vary.

**Note 2:** The location of on the job training will be determined by the trainer setting up the training schedule. On the job training is typically performed at customer locations. You will not be paid for work performed during training. We reserve the right to provide this training at our training facility.

## ITEM 12

### TERRITORY

You will be granted an exclusive territory in which you are authorized to offer and perform The Groutsmith™ services. The specific size of your territory is negotiable between you and The Groutsmith™ Franchising, Inc. and will be based upon the number of owner-occupied households in the territory, with 125,000 owner-occupied households being the target. Your territory will be further designated by a map outlining your area. You will operate out of one office location, generally your home. If you wish to operate your business outside of your home, prior written approval must be obtained.

We retain the right, at our sole discretion to ourselves operate, or to grant other persons the right to operate, The Groutsmith™ businesses under our trademarks, trade names, logos, or other commercial symbols at such locations outside your territory, and on such terms and conditions, as we deem appropriate. Neither we nor our affiliate operate or franchise, or have any plans to operate or franchise, a business under a different trademark that will sell goods or services that are the same or similar to those that you will be selling as part of your franchised business.

We will not place another franchise unit, company or affiliate unit within your territory selling similar products or services, using The Groutsmith™ or other trademark. .

We have The Groutsmith™ products which are marketed and sold to the public through our website. Every time a customer from your territory purchases products from The Groutsmith, your franchise will receive 100% of the profit as a credit in your account toward your future product purchases. You may not sell the products from a website created by you or over the Internet and you do not have the right to use other channels of distribution, such as the internet, catalog sales, telemarketing or other direct marketing, to make sales outside of your territory. Your customers can purchase products through The Groutsmith website. You may purchase these items at a discount and offer them for sale directly to the public. You will be responsible for any sales or use tax that may become due when purchasing these products for your use or selling these products directly to the public.

We reserve the right, both for ourselves and for our affiliate, to use other channels of distribution, including the internet, within your territory, to market products, both using our principal trademarks and other marks. If we do so, you will receive credit for any profits we receive from such sales.

You may not solicit customers outside of your territory. You may provide services only in your territory, except you may service customers in other areas under certain limited conditions, including referrals from customers, acquaintances and/or from your family and friends. Other conditions that may exist will be determined on a customer-by-customer basis by us. There may be other franchisees located adjacent to or in close proximity to your territory. Such other franchisees may service customers within your territory under certain conditions, including referrals from customers and/or from their family and friends.

Continuation of your territorial rights does not depend on you achieving any specific level of sales volume, market penetration or other contingency. Your territory may not be altered except by mutual agreement.

If you want to relocate your territory, you must receive our prior approval in writing and pay a relocation fee of \$3,500 to cover our costs and expenses. We will designate your new territory.

## ITEM 13

### TRADEMARKS

We grant you the non-exclusive right to use The Groutsmith™ trademarks in the operation of your franchise business. You may also use other current or future trademarks in the operation of your franchise business as we designate. You will not at any time acquire any rights in the trademark. By trademark we mean our trade names, trademarks, commercial symbols, service marks and logos. The following trademarks listed below are registered with the United States Patent and Trademark Office. The principal trademarks to be employed in your business are as follows:

Our Service Mark, "THE GROUTSMITH", was registered November 29, 2011, Registration No. 4,063,243 on the Principal Register of the United States Patent and Trademark Office for the Service Mark The Groutsmith. The registration is owned by our affiliate, J. Arthur Smith, Inc., which has licensed to us the right to use the mark and to license it to our franchisees. There is no written agreement evidencing that license to us, but we and our affiliate have the same owner and there is no reason for the license agreement to be terminated. If it were to be terminated somehow, depending on how that happened, your right to use the trademark could be at risk.

There are no superior rights in or infringing uses of the trademarks actually known to us which could materially affect your use of such trademarks, service marks, trade names, logo types or other commercial symbols in your territory.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition or cancellation proceeding.

You must use all trademarks in strict compliance with our policies and procedures manual and the Groutsmith™ system. You must modify or discontinue the use of a trademark at your cost, if we modify or discontinue it. You are prohibited from using any trademark as part of your corporate name or trade name. You cannot make application for registration or other protection of Groutsmith™ names or derivatives. You may only use the trademarks with the letters TM or SM or ® as appropriate. You are prohibited from using any trademark in the sale of any unauthorized product or service or in any manner

not expressly authorized in writing by us. You are required to adhere fully and strictly to all security procedures required by us for maintaining the secrecy of proprietary information.

We have the right to require you to use new marks and to discontinue or modify your use of any name or commercial symbol. If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue use of any trademarks and/or use one or more additional or substitute trademarks or service marks, you must do so within a reasonable time after notice by us. In the event we require you to discontinue the use of any name or commercial symbol; and to use a substitute mark or commercial symbol, our sole obligation will be to reimburse your out-of-pocket expenses of complying with this obligation.

You must display the trademarks prominently and in the manner prescribed by us on signs, forms, and other materials and articles. Further, you must give such notices of trademark or service mark ownership or registration as we specify and to obtain fictitious or assumed name registrations as may be required under applicable law. You may not use the name “Groutsmith” or a derivative in your corporate or other formal name.

You are obligated to immediately notify us when you learn about an infringement of or challenge to your use of our trademark. We agree in the Franchise Agreement to defend your proper use of the trademark and will indemnify you from those claims. You may not contest, directly or indirectly, our right and interest in our names or marks, trade secrets, methods, and procedures which are part of our business and agree to execute documents and assurances necessary to effectuate these provisions. Any goodwill associated with the trademarks or system belongs exclusively to us. We do not know of any infringing uses that could materially affect your use of the trademark.

## **ITEM 14**

### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We hold no patents and have no pending patent applications material to this franchise.

There are no agreements currently in effect, which significantly limit our rights to use or license the copyrighted materials in any manner material to The Groutsmith™ franchise. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state where The Groutsmith™ franchise is to be located. We are not obligated under any agreement to protect or defend the copyrights.

You can use the proprietary information in our operations manual. We have not registered the operations manual with the United States Copyright Office, but we claim a copyright and consider the information proprietary. The manual may not be copied. The operations manual must be returned to us upon termination of your franchise. As mentioned above, the system is a trade secret and proprietary to us.

You must also promptly tell us when you learn about unauthorized use of this manual and any proprietary information. We are not obligated to take any action but will respond to this information as we believe appropriate.

The Franchise Agreement also provides that you will: (a) strictly follow all confidential security procedures required by us, (b) disclose this information to your employees only as needed to market our products and services; (c) not use this information in any other business; (d) exercise the highest degree of diligence to maintain this information as confidential; and (e) promptly notify us if you learn

of any unauthorized use of our trade name, trade secrets or proprietary information. Your use of our proprietary information is limited to the uses required or allowed by us.

We claim other copyrights in sales literature and advertising materials which we, or our franchisees develop for our use and for use by our franchisees, and your use of these materials will be limited to the uses required by us.

## **ITEM 15**

### **OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You must personally participate in the operation of the franchise business, but need not manage the business full time. We require direct supervision by you or your designated manager. You, your manager, and employees must keep free from competing enterprises. You are not required to work a certain or minimum number of hours; however, you must work sufficient hours to operate your franchise business at maximum capacity and efficiency. You must attend the initial training program unless you have been previously trained by us. You must understand clearly that the risks, financial and otherwise, which are inherent with the beginning of any new business, are yours alone. We, as a matter of policy, will not assist you in any decision making process which may affect your business operations. The success or failure of the franchise as a business enterprise is for the most part dependent on your efforts. Purchase of this franchise should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business.

Neither you nor your management employees can have an interest in or business relationship with any competing grout and tile maintenance and repair business. Your managers do not need to have an ownership interest in your franchise business. You and your principal employees, however, will be required to sign a standard confidentiality agreement to protect and keep confidential our trade secrets and confidential information described in Item and to conform to the covenants not to compete described in Item 17 (See Exhibit C & D). If the franchisee is a legal entity, the principal owners of the franchised business, but not their spouse, are required to sign a personal guaranty.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may provide only those products and services specified and approved by us in writing. No service or product or other item may be added to or included or performed by your business unless it is first approved by us in writing. We reserve the right to add, modify, or delete products, items and services that you will be required to offer. There are no limits on our right to do so. You must strictly follow our policies, procedures, specifications, methods and techniques concerning all of The Groutsmith™ services and products (See Item 8). There are no limits on the customers you may service, except as described in Item 12, under territorial restrictions.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

#### THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	3	15 years. Not affected by any other agreements.
b. Renewal or extension of the term	3.1	If you are in good standing, you can renew on the then current terms
c. Requirements for franchisee to renew or extend	3.2, 3.2	Not be in default, pay renewal fee of \$500 and sign a new franchise agreement which may have materially different terms and conditions than your previous agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of the Territory will remain the same, and the Continuing Royalty on renewal will not be greater than the Continuing Royalty that we then impose on similarly situated renewing franchisees. SEE STATE LAW ADDENDA/EXHIBIT G
d. Termination by franchisee	10.7	You may terminate for good cause
e. Termination by franchisor without cause	Not Applicable	We must have cause to terminate the franchise agreement.
f. Termination by franchisor with cause	10.1, 10.2	We can terminate only if you are in default of your agreement.
g. "Cause" defined curable defaults	10.2	You have 15 days to cure monetary defaults, and 5 to 30 days to cure all other defaults listed in the franchise agreement. SEE STATE LAW ADDENDA/EXHIBIT G
h. "Cause" defined non-curable defaults	10.1	Failure to open franchised business within 90 days of signing franchise agreement, failure to complete initial training, abandonment, conviction of felony, creation of a threat to public health or safety, insolvency or bankruptcy, trademark misuse and repeated defaults (even if cured)
i. Franchisee's obligations on termination/ non renewal	11	Pay outstanding amounts, complete de-identification, return confidential information, turn over telephone number and customer list, covenant not to compete, continuing obligations
j. Assignment of contract by franchisor	12.1	No restrictions on our right to assign including merging with, acquisition by, or sale to a competing business
k. "Transfer" by franchisee defined	12 .2	Includes transfer of any interest in franchise agreement, assets or ownership change in Franchisee.
l. Franchisor approval of transfer by franchisee	12.2	Franchise agreement: we have the right to approve all transfers, but will not unreasonably withhold approval.

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
m. Conditions for franchisor approval of transfer	12.2, 12.3	You are not in default, transferee qualifies, all obligations assumed by transferee, all amounts due us are paid, transferee completes training, transfer fee paid, transferee signs, at our sole discretion, either: (a) our assignment and assumption agreement or (b) our then-current franchise agreement, which may contain materially different terms than your franchise agreement, and a release is signed by you
n. Franchisor's right of first refusal to acquire franchisee's business	12.9	We can match any offer for your franchise business within (60) days of written notice to us.
o. Franchisor's option to purchase Franchisee's business	No Provision	No Provision
p. Death or disability of franchisee	12.10	Franchise or ownership interest in franchise must be assigned to approved buyer
q. Non-competition covenants during the term of the franchise	2.7	No involvement in competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	11.8	No competing business for 2 years within your former territory or within 50 miles of your territory or within 50 miles of any other The Groutsmith™ Territory. (including after assignment)
s. Modification of the agreement	14.3	All modifications to the franchise agreement must be in writing, but operations manual, and standards and specifications subject to change by us.
t. Integration/ merger clause	14.3	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	14.9	All disputes between franchisees and franchisor must first go before Mediation
v. Choice of forum	14.9	Mediation and Litigation must be in Sarasota County, Florida (subject to state law)
w. Choice of law	14.7	Governed by state of Florida law except when US Trademark Act or other federal law governs (subject to state law)

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 01 et seq).

Some states may have statutes or court decisions that may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

## ITEM 18

### PUBLIC FIGURES

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

## ITEM 19

### FINANCIAL PERFORMANCE REPRESENTATIONS

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

~~The following financial information is~~

~~We do not make any representations about a franchisee's future financial performance or the actual results—past financial performance of the Company—company-owned Outlet for calendar year—or 2018 (January 1, 2018—December 31, 2018):~~

- ~~• Annual Revenue (2018): \$1,156,647~~
- ~~• Average Monthly Revenue: \$96,387~~
- ~~• Median Monthly Revenue: \$95,136~~
- ~~• Average Number of Jobs completed each month: 158~~
- ~~• Median Number of Jobs completed each month: 156~~
- ~~• Average Revenue per job: \$610~~
- ~~• Median Revenue per job: \$602~~

~~The following is the average and median of information reported for the calendar year 2018 (January 1, 2018—December 31, 2018) of 64% of all system-wide franchised outlets in operation for at least one year. Financial information was requested from all 39 franchised outlets in operation for at least one year, of which 25 outlets reported and 14 outlets did not. Of the 25 who reported, 13 met or exceeded the average levels, or 52% of the reporting units. The following financial information is the average and median of the 25 franchised outlets open at least one year that reported their financial information:~~

- ~~• Average Annual Revenue per Franchise: \$273,725~~
- ~~• Median Annual Revenue per Franchise: \$275,450~~
- ~~• Average Monthly Revenue per Franchise: \$22,810~~
- ~~• Median Monthly Revenue per Franchise: \$25,465~~
- ~~• Average Number of Jobs completed each month: 37~~
- ~~• Median number of Jobs completed each month: 40~~
- ~~• Average Revenue per job: \$616~~

- ~~Median Revenue per job: \$628~~

~~Some outlets have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.~~

~~Written substantiation for this financial performance representation is available to you upon reasonable request.~~

~~Other than the preceding financial performance representation, Groutsmith Franchising, Inc., does not make any financial performance representations.~~ We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income you should report it to the franchisor's management by contacting Jonathan Smith at 6341 Porter Road, Suite 11, Sarasota, Florida 34240, and 941 924-4433, the Federal Trade Commission and the appropriate state regulatory agencies.

**ITEM 20**

**LIST OF OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
System Wide Outlet Summary

For years ~~2016~~, 2017, 2018, 2019

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets and the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	<del>2017</del> <u>2016</u>	<del>2634</del>	<del>3340</del>	<del>+76</del>
	<del>2018</del> <u>2017</u>	<del>3340</del>	<del>3943</del>	<del>+63</del>
	<del>2018</del> <u>2019</u>	<del>3943</del>	<del>4348</del>	<del>+45</del>
Company Owned	<del>2017</del> <u>2016</u>	1	1	0
	<del>2018</del> <u>2017</u>	1	1	0
	<del>2018</del> <u>2019</u>	1	1	0
Total Outlets	<del>2017</del> <u>2016</u>	<del>2735</del>	<del>3441</del>	<del>+76</del>
	<del>2018</del> <u>2017</u>	<del>3441</del>	<del>4044</del>	<del>+63</del>
	<del>2019</del> <u>2016</u>	<del>4044</del>	<del>4449</del>	<del>+45</del>

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)**

For Years ~~2016~~, 2017, 2018, 2019

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Florida	<del>2017</del> <u>2016</u>	0
	<del>2017</del>	0
	2018	1
Idaho	<del>2019</del> <u>2016</u>	0
	<del>2019</del>	0
	2018	1

Column 1 State	Column 2 Year	Column 3 Number of Transfers
<b>Total</b>	<del>2019</del> 2016	0
<b>Oklahoma</b>	2017	0
	<del>2018</del>	<u>0</u>
	<del>2019</del>	<u>2</u>
<b>Texas</b>	<del>2017</del>	<u>0</u>
	<del>2018</del>	<u>0</u>
	<del>2019</del>	<u>2</u>
<b>Total</b>	<del>2017</del>	<u>0</u>
	2018	2
	<del>2019</del>	<u>4</u>

Table No. 3

Status of Franchised Outlets

For Years ~~2016~~/2017/2018/~~2019~~

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
<b>California</b>	<del>2017</del> 2016	3	0	0	0	0	0	3
	<del>2018</del> 2017	3	0	0	0	0	0	3
	<del>2018</del> 2019	3	0	0	0	0	0	3
<b>District of Columbia</b>	<del>2017</del> 2016	<del>8</del> 0	<del>3</del> 0	0	0	0	0	<del>4</del> 0
	<del>2018</del>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<del>2019</del>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>Florida</b>	2017	<del>4</del> 12	1	0	0	0	0	<del>4</del> 213
	2018	<del>4</del> 213	2	1	0	0	0	<del>4</del> 314
	<del>2019</del>	<u>14</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16</u>

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
<del>Georgia</del> Idaho	<del>2017</del> 2016	<del>4</del> 0	<del>0</del> 1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Idaho	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Minnesota	<del>2017</del> 2016	1	0	0	0	0	<del>0</del> 1	<del>4</del> 0
	<del>2018</del> 2017	<del>4</del> 0	<del>0</del> 1	0	0	0	<del>4</del> 0	<del>0</del> 1
	20182019	0	1	0	0	0	0	1
Missouri	<del>2017</del> 2016	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
	<del>2017</del>	4	0	0	0	0	0	4
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Nebraska	<del>2017</del> 2016	1	0	0	0	0	0	1
	<del>2017</del>	4	0	0	0	0	0	4
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
New Jersey	<del>2017</del> 2016	1	0	0	0	0	0	1
	<del>2017</del>	4	0	0	0	0	0	4
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
North Carolina	<del>2017</del> 2016	<del>3</del> 4	<del>1</del> 0	0	0	0	0	4
	<del>2018</del> 2017	4	0	0	0	0	0	4
	20182019	4	0	0	0	0	0	4
Oklahoma	<del>2017</del> 2016	2	0	0	0	0	0	2

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
	<del>2018</del> <del>2017</del>	2	0	0	0	0	0	2
	<del>2018</del> <del>2019</del>	2	0	0	0	0	0	2
Pennsylvania	<del>2017</del> <del>2016</del>	0	<del>0</del> <u>2</u>	0	0	0	0	<del>0</del> <u>2</u>
	<del>2017</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2018	<del>0</del> <u>2</u>	1	0	0	0	0	<del>1</del> <u>3</u>
	<del>2019</del>	<del>3</del> <u>3</u>	<del>1</del> <u>1</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>4</del> <u>4</u>
Tennessee	<del>2017</del> <del>2016</del>	0	1	0	0	0	0	1
	<del>2017</del>	<del>4</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>2</del>
	2018	<del>2</del> <u>1</u>	<del>0</del> <u>1</u>	0	0	0	0	2
	<del>2019</del>	<del>2</del> <u>2</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>2</del> <u>2</u>
Texas	<del>2017</del> <del>2016</del>	4	<del>0</del> <u>1</u>	0	0	0	0	<del>4</del> <u>5</u>
	<del>2017</del>	<del>4</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>5</del>
	2018	5	0	0	0	0	0	5
	<del>2019</del>	<del>5</del> <u>5</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>5</del> <u>5</u>
Utah	<del>2017</del> <del>2016</del>	0	0	0	0	0	0	0
	<del>2018</del>	<del>0</del>	<del>1</del> <u>1</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>1</del> <u>1</u>
	<del>2019</del>	<del>1</del> <u>1</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>1</del> <u>1</u>
<u>Virginia</u>	2017	0	0	0	0	0	0	0
	2018	0	<del>1</del> <u>0</u>	0	0	0	0	<del>1</del> <u>0</u>
	<del>2019</del>	<del>0</del> <u>0</u>	<del>1</del> <u>1</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>1</del> <u>1</u>
Washington	<del>2017</del> <del>2016</del>	1	0	0	0	0	0	1
	<del>2017</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
	2018	1	0	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
	<u>2019</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Wisconsin	<del>2017</del> <u>2016</u>	1	0	0	0	0	0	1
	<u>2015</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2018	1	0	0	0	0	0	1
<b>Total</b>	<del>2016</del> <u>2019</u>	<del>26</del> <u>1</u>	<del>70</del>	0	0	0	<del>40</del>	<del>33</del> <u>1</u>
<b>Total</b>	2017	33	6	0	0	0	0	39
	2018	39	5	1	0	0	0	<del>44</del> <u>3</u>
	<u>2019</u>	<u>43</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48</u>

Table No. 4

Status of Company-Owned Outlets

For Years ~~2016~~/2017/2018/2019

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to Franchisees	Column 8 Outlets at End of Year
Florida	<del>2017</del> <u>2016</u>	1	0	0	0	0	1
	<del>2018</del> <u>2017</u>	1	0	0	0	0	1
	<del>2018</del> <u>2019</u>	1	0	0	0	0	1
<b>Total</b>	<del>2017</del> <u>2016</u>	1	0	0	0	0	1
	<del>2018</del> <u>2017</u>	1	0	0	0	0	1
	<del>2018</del> <u>2019</u>	1	0	0	0	0	1

Table 5

Projected Openings as of December 31, ~~2018~~2019

<b>Column 1</b> <b>State</b>	<b>Column 2</b> <b>Franchise Agreements Signed but Outlet Not Opened</b>	<b>Column 3</b> <b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Column 4</b> <b>Projected New Company-Owned Outlets in the Current Fiscal Year</b>
California	0	1	0
Georgia	0	2	0
Nevada	0	1	0
Pennsylvania	0	1	0
Texas	0	1	0
Virginia	0	1	0
<b>Total</b>	0	7	0

A list of the names, addresses and telephone numbers of the above-mentioned franchises is attached to this Disclosure Document as Exhibit F. A list of names, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee whose franchise has, within the twelve-month period immediately preceding the date of this Disclosure Document, been terminated, canceled, not renewed or, who has, during the same time period, otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement, or has not communicated with us within the ten weeks prior to the date of application of this registration, is attached to this Disclosure Document as Exhibit F. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former franchisees which would in any way restrict their ability to speak with you openly about their experience with Groutsmith.

There are no trademark-specific franchisee organizations associated with this franchise system, nor are there any independent franchisee organizations that have asked to be included in this disclosure document.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached as Exhibit A to this Disclosure Document are our audited financial statements for the years ending December 31, 2019, 2018, ~~2017~~ and ~~2016~~2017. Note that we have no fixed assets with which to support the franchise system.

## **ITEM 22**

## **CONTRACTS**

We have attached the following: As Exhibit H, the Franchise Agreement; as Exhibit C and D, the Confidentiality and Non-Competition Agreements; and as Exhibit FA VI, the Call Center Enrollment Agreement.

### **ITEM 23**

#### **RECEIPT**

The last 2 pages of this disclosure document, receipt in duplicate, which is a detachable acknowledgment that you have received this disclosure document. This receipt should be returned to us upon receipt of this document. Please sign and date the receipt and return one copy to us and keep the other for your records. You may return the signed receipt either by mailing it to: Groutsmith Franchising Inc. at 6341 Porter Road, Suite 11, Sarasota, Florida 34240, or by faxing a copy of the signed and dated receipt to us at (941) 925-9411, or by emailing the signed and dated receipt to [sales@groutsmith.com](mailto:sales@groutsmith.com).

**EXHIBIT A  
TO DISCLOSURE DOCUMENT  
FINANCIAL STATEMENTS**

**GROUTSMITH FRANCHISING, INC.**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2019, 2018, and 2017**



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**AUDITED FINANCIAL STATEMENTS**

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LOTON L. WILLIAMS *Certified Public Accountant*

1001 N. WASHINGTON BLVD., SUITE 101 • SARASOTA, FL 34236 • (941) 953-6644 • lotonl@comcast.net

Board of Directors  
Groutsmith Franchising, Inc.  
Sarasota, Florida

INDEPENDENT AUDITOR'S REPORT

*Report on the Financial Statements*

I have audited the accompanying financial statements of Groutsmith Franchising, Inc., which comprise the balance sheets as of December 31, 2019, 2018, and 2017 and the related statements of revenues and expenses and changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Board of Directors  
Groutsmith Franchising, Inc.

*Auditor's Responsibility (CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groutsmith Franchising, Inc., as of December 31, 2019, 2018, and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America



CERTIFIED PUBLIC ACCOUNTANT

January 22, 2020

GROUTSMITH FRANCHISING, INC.

BALANCE SHEETS

December 31, 2019, 2018 and 2017

	2019	2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 232,198	\$ 226,666	\$ 217,037
Accounts receivable - Royalties & territory	25,133	18,400	8,800
<b>TOTAL CURRENT ASSETS</b>	<b>257,331</b>	<b>245,066</b>	<b>225,837</b>
<b>OTHER ASSETS</b>			
Organizational costs	440	440	440
Less accumulated Amortization	(440)	(440)	(440)
	-	-	-
	<b>\$ 257,331</b>	<b>\$ 245,066</b>	<b>\$ 225,837</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 42	\$ 42	\$ 42
Prepaid royalty fee	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>42</b>	<b>42</b>	<b>42</b>
<b>SHAREHOLDER EQUITY</b>			
Common stock, \$1 par value, 1,000 shares authorized and issued	1,000	1,000	1,000
Additional paid-in capital	3,065	3,065	3,065
Retained earnings	253,224	240,959	221,730
	257,289	245,024	225,795
	<b>\$ 257,331</b>	<b>\$ 245,066</b>	<b>\$ 225,837</b>

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



GROUTSMITH FRANCHISING, INC.

STATEMENTS OF INCOME AND CHANGES  
IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
<b>SALES INCOME</b>			
Franchise fees	\$ 91,800	\$ 114,100	\$ 129,900
Royalties	462,320	369,040	349,500
Miscellaneous	70	1,293	3,000
<b>TOTAL SALES INCOME</b>	<b>554,190</b>	<b>484,433</b>	<b>482,400</b>
<b>COST OF SALES</b>			
Franchise sales commissions	20,000	35,224	34,776
Product fee, shipping, handling and printing	11,672	16,434	24,245
Printing	829	971	-
<b>TOTAL COST OF SALES</b>	<b>32,501</b>	<b>52,629</b>	<b>59,021</b>
<b>GROSS PROFIT FROM SALES</b>	<b>521,689</b>	<b>431,804</b>	<b>423,379</b>
<b>OTHER INCOME/EXPENSE</b>			
Interest income	136	114	107
	<b>521,825</b>	<b>431,918</b>	<b>423,486</b>
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>			
Advertising, promotions	18,868	39,545	21,642
Accounting	6,075	6,100	5,950
Amortization	-	-	-
Bank charges	12	-	9
Computer and internet	-	-	-
Convention expense	-	2,789	-

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



GROUTSMITH FRANCHISING, INC.

STATEMENTS OF INCOME  
AND RETAINED EARNINGS (CONTINUED)

Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
<b>GENERAL/ADMINISTRATIVE EXPENSES (CONTINUED)</b>			
Legal	\$ 11,706	\$ 5,372	\$ 5,118
Licenses and taxes	3,043	4,268	3,388
Office Supplies	134	-	-
Telephone	200	150	100
Rent/overhead	21,128	22,908	6,947
State registrations	1,400	1,300	1,000
Officer compensation	130,000	155,000	208,000
Payroll taxes	9,994	10,257	11,133
Professional fees	-	-	-
SEP-IRA	-	-	50,000
	<u>202,560</u>	<u>247,689</u>	<u>313,287</u>
<b>TOTAL GENERAL/ ADMINISTRATIVE EXPENSES</b>	<u>202,560</u>	<u>247,689</u>	<u>313,287</u>
<b>NET INCOME</b>	<u>319,265</u>	<u>184,229</u>	<u>110,199</u>
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	240,959	221,730	161,531
<b>DISTRIBUTIONS TO SHAREHOLDER</b>	<u>(307,000)</u>	<u>(165,000)</u>	<u>(50,000)</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 253,224</u>	<u>\$ 240,959</u>	<u>\$ 221,730</u>

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



GROUTSMITH FRANCHISING, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES			
Net Income	\$ 319,265	\$ 184,229	\$ 110,199
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	-	-	-
Change in assets and liabilities:			
Increase in royalties & territory receivable	(6,733)	(9,600)	(8,000)
Decrease in prepaid royalty fee	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Total adjustments	<u>(6,733)</u>	<u>(9,600)</u>	<u>(9,000)</u>
Net cash provided (used) by operating activities	312,532	174,629	101,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Shareholder distributions	(307,000)	(165,000)	(50,000)
CASH AT BEGINNING OF YEAR	<u>226,666</u>	<u>217,037</u>	<u>165,838</u>
CASH AT END OF YEAR	<u>\$ 232,198</u>	<u>\$ 226,666</u>	<u>\$ 217,037</u>

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

GROUTSMITH FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Groutsmith Franchising, Inc. (Company) is incorporated in the State of Nevada. The company commenced operations on September 15, 2010, and was in development stage through December 31, 2010. The year 2011 was the first year which the Company was considered an operating company and is no longer in the development stage. The company sells franchises authorizing the performance of grout and tile restoration and maintenance to residential and commercial customers, provides support services to the franchisees and earns ongoing royalty income.

The company presents results using the accrual basis of accounting

Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could vary from the estimates that were used.

Cash

Cash is defined as cash on deposit at financial institutions available upon demand.

Receivables and Credit Policies

Trade accounts receivable consist of proceeds due from franchisees. Management expects all receivables at December 31, 2019, 2018 and 2017 are collectible and there is no provision for uncollectible franchise or royalty fees.

Revenue Recognition

Franchise revenue is recognized when the agreement is signed. Royalty revenue is recognized when receivable, based on an established schedule.

Intangible Assets

Organization costs are being amortized over 60 months on the straight-line method.



GROUTSMITH FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019, 2018 and 2017

NOTE 2 - INCOME TAXES

The company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income tax has been included in these financial statements.

NOTE 3 - RELATED PARTY

The Company utilized office and warehouse space and administrative support provided by J. Arthur Smith, Inc., a company owned by Jonathan Smith, President and shareholder in both companies. J. Arthur Smith, Inc. provides training to franchisees of the company through it's Groutsmith division and provides grout and tile products to franchisees through it's Smitty's Tile and Grout Solutions division. The company incurred products costs with J. Arthur Smith, Inc. in 2019, 2018 and 2017 of \$ 11,286, \$ 14,329, and \$ 21,433, respectively.

NOTE 4 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 22, 2020, which is the date the financial statements were approved by management and were available to be issued.



LOTON L. WILLIAMS *Certified Public Accountant*

1001 N. WASHINGTON BLVD., SUITE 101 • SARASOTA, FL 34236 • (941) 953-6644 • lotonl@comcast.net

CONSENT

Loton L. Williams, CPA, consents to the use in the Franchise Disclosure Document issued by Groutsmith Franchising, Inc. ("Franchisor") on January 23, 2020, (issuance date) as it may be amended, of my report dated January 22, 2020, relating to the financial statements of Franchisor for the periods ending December 31, 2019, 2018, 2017.

Loton L. Williams, CPA

January 22, 2020

~~GROUTSMITH FRANCHISING, INC.~~  
~~AUDITED FINANCIAL STATEMENTS~~  
~~December 31, 2018, 2017, and 2016~~

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~~AUDITED FINANCIAL STATEMENTS~~

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~~Board of Directors  
Groutsmith Franchising, Inc.  
Sarasota, Florida~~

~~INDEPENDENT AUDITOR'S REPORT~~

~~*Report on the Financial Statements*~~

~~I have audited the accompanying financial statements of Groutsmith Franchising, Inc., which comprise the balance sheets as of December 31, 2018, 2017, and 2016 and the related statements of revenues and expenses and changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.~~

~~*Management's Responsibility for the Financial Statements*~~

~~Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.~~

~~*Auditor's Responsibility*~~

~~My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.~~

~~Board of Directors  
Groutsmith Franchising, Inc.~~

~~Auditor's Responsibility (CONTINUED)~~

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion.~~

~~An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.~~

~~I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.~~

~~Opinion~~

~~In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groutsmith Franchising, Inc., as of December 31, 2018, 2017, and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America~~

~~CERTIFIED PUBLIC ACCOUNTANT~~

~~January 22, 2019~~

~~GROUTSMITH FRANCHISING, INC.~~

~~BALANCE SHEETS~~

~~December 31, 2018, 2017 and 2016~~

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<del>ASSETS</del>			
<del>CURRENT ASSETS</del>			
<del>Cash</del>	<del>\$226,666</del>	<del>\$217,037</del>	<del>\$165,838</del>
<del>Accounts receivable— royalties</del>	<del>18,400</del>	<del>8,800</del>	<del>800</del>
<del>TOTAL CURRENT ASSETS</del>	<del>245,066</del>	<del>225,837</del>	<del>166,638</del>
<del>OTHER ASSETS</del>			
<del>Organizational costs</del>	<del>440</del>	<del>440</del>	<del>440</del>
<del>Less accumulated amortization</del>	<del>(440)</del>	<del>(440)</del>	<del>(440)</del>
	<u><del>\$ 245,066</del></u>	<u><del>\$225,837</del></u>	<u><del>\$166,638</del></u>
<del>LIABILITIES AND STOCKHOLDERS EQUITY</del>			
<del>CURRENT LIABILITIES</del>			
<del>Accounts Payable</del>	<del>\$ 42</del>	<del>\$ 42</del>	<del>\$ 42</del>
<del>Prepaid royalty fee</del>	<del>-</del>	<del>-</del>	<del>1,000</del>
<del>TOTAL CURRENT LIABILITIES</del>	<del>42</del>	<del>42</del>	<del>1,042</del>
<del>SHAREHOLDER EQUITY</del>			
<del>Common stock, \$1 par value, 1,000 shares authorized and issued</del>	<del>1,000</del>	<del>1,000</del>	<del>1,000</del>
<del>Additional paid-in capital</del>	<del>3,065</del>	<del>3,065</del>	<del>3,065</del>
<del>Retained earnings</del>	<del>240,959</del>	<del>221,730</del>	<del>161,531</del>
	<u><del>245,024</del></u>	<u><del>225,795</del></u>	<u><del>165,596</del></u>
	<u><del>\$245,066</del></u>	<u><del>\$225,837</del></u>	<u><del>\$166,638</del></u>

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

~~GROUTSMITH FRANCHISING, INC.~~

~~STATEMENTS OF INCOME AND CHANGES  
IN STOCKHOLDERS' EQUITY~~

~~Years Ended December 31, 2018, 2017 and 2016~~

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<del>SALES INCOME</del>			
<del>Franchise fees</del>	<del>\$ 114,100</del>	<del>\$ 129,900</del>	<del>\$ 139,400</del>
<del>Royalties</del>	<del>369,040</del>	<del>349,500</del>	<del>263,400</del>
<del>Miscellaneous</del>	<del>1,293</del>	<del>3,000</del>	<del>-</del>
<del>TOTAL SALES INCOME</del>	<del>484,433</del>	<del>482,400</del>	<del>402,800</del>
<del>COST OF SALES</del>			
<del>Franchise sales commissions</del>	<del>35,224</del>	<del>34,776</del>	<del>10,000</del>
<del>Product fee, shipping, handling and printing</del>	<del>16,434</del>	<del>24,245</del>	<del>18,989</del>
<del>Printing</del>	<del>971</del>	<del>-</del>	<del>-</del>
<del>TOTAL COST OF SALES</del>	<del>52,629</del>	<del>59,021</del>	<del>28,989</del>
<del>GROSS PROFIT FROM SALES</del>	<del>431,804</del>	<del>423,379</del>	<del>373,811</del>
<del>OTHER INCOME/EXPENSE</del>			
<del>Interest income</del>	<del>114</del>	<del>107</del>	<del>109</del>
	<del>431,918</del>	<del>423,486</del>	<del>373,920</del>
<del>GENERAL/ADMINISTRATIVE EXPENSES</del>			
<del>Advertising, promotions</del>	<del>39,545</del>	<del>21,642</del>	<del>22,246</del>
<del>Accounting</del>	<del>6,100</del>	<del>5,950</del>	<del>5,550</del>
<del>Amortization</del>	<del>-</del>	<del>-</del>	<del>-</del>
<del>Bank charges</del>	<del>-</del>	<del>9</del>	<del>-</del>
<del>Computer and internet</del>	<del>-</del>	<del>-</del>	<del>1,072</del>
<del>Convention expense</del>	<del>2,789</del>	<del>-</del>	<del>20,158</del>

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

~~GROUTSMITH FRANCHISING, INC.~~

~~STATEMENTS OF INCOME  
AND RETAINED EARNINGS (CONTINUED)~~

~~Years Ended December 31, 2018, 2017 and 2016~~

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<del>GENERAL/ADMINISTRATIVE EXPENSES (CONTINUED)</del>			
<del>Legal</del>	<del>\$ 5,372</del>	<del>\$ 5,118</del>	<del>\$ 3,352</del>
<del>Licenses and taxes</del>	<del>4,268</del>	<del>3,388</del>	<del>2,009</del>
<del>Office Supplies</del>	<del>-</del>	<del>-</del>	<del>2,882</del>
<del>Telephone</del>	<del>150</del>	<del>100</del>	<del>330</del>
<del>Rent/overhead</del>	<del>22,908</del>	<del>6,947</del>	<del>-</del>
<del>State registrations</del>	<del>1,300</del>	<del>1,000</del>	<del>1,400</del>
<del>Officer compensation</del>	<del>155,000</del>	<del>208,000</del>	<del>188,000</del>
<del>Payroll taxes</del>	<del>10,257</del>	<del>11,133</del>	<del>10,304</del>
<del>Professional fees</del>	<del>-</del>	<del>-</del>	<del>1,268</del>
<del>SEP IRA</del>	<del>-</del>	<del>50,000</del>	<del>43,750</del>
<del>TOTAL GENERAL/ ADMINISTRATIVE EXPENSES</del>	<del><u>247,689</u></del>	<del><u>313,287</u></del>	<del><u>302,321</u></del>
<del>NET INCOME</del>	<del>184,229</del>	<del>110,199</del>	<del>71,599</del>
<del>RETAINED EARNINGS AT BEGINNING OF YEAR</del>	<del>221,730</del>	<del>161,531</del>	<del>124,932</del>
<del>DISTRIBUTIONS TO SHAREHOLDER</del>	<del><u>(165,000)</u></del>	<del><u>(50,000)</u></del>	<del><u>(35,000)</u></del>
<del>RETAINED EARNINGS AT END OF YEAR</del>	<del><u>\$ 240,959</u></del>	<del><u>\$ 221,730</u></del>	<del><u>\$ 161,531</u></del>

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

~~GROUTSMITH FRANCHISING, INC.~~

~~STATEMENTS OF CASH FLOWS~~

~~Years Ended December 31, 2018, 2017 and 2016~~

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<del>CASH FLOWS PROVIDED</del>			
<del>FROM (USED IN)</del>			
<del>OPERATING ACTIVITIES</del>			
<del>Net Income</del>	<del>\$ 184,229</del>	<del>\$ 110,199</del>	<del>\$ 71,599</del>
<del>Adjustments to reconcile net</del>			
<del>income to net cash provided</del>			
<del>by operating activities:</del>			
<del>Amortization</del>	<del>-</del>	<del>-</del>	<del>-</del>
<del>Change in assets and</del>			
<del>liabilities:</del>			
<del>Increase in royalties</del>			
<del>receivable</del>	<del>(9,600)</del>	<del>(8,000)</del>	<del>200</del>
<del>Decrease in prepaid</del>			
<del>royalty fee</del>	<del>-</del>	<del>(1,000)</del>	<del>1,000</del>
<del>Total adjustments</del>	<del>(9,600)</del>	<del>(9,000)</del>	<del>1,200</del>
<del>Net cash provided (used)</del>			
<del>by operating activities</del>	<del>174,629</del>	<del>101,199</del>	<del>72,799</del>
<del>CASH FLOWS FROM INVESTING</del>			
<del>ACTIVITIES</del>			
<del>Shareholder distributions</del>	<del>(165,000)</del>	<del>(50,000)</del>	<del>(35,000)</del>
<del>CASH AT BEGINNING OF YEAR</del>	<del>217,037</del>	<del>165,838</del>	<del>128,039</del>
<del>CASH AT END OF YEAR</del>	<del>\$ 226,666</del>	<del>\$ 217,037</del>	<del>\$ 165,838</del>

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

~~GROUTSMITH FRANCHISING, INC.~~

~~NOTES TO FINANCIAL STATEMENTS~~

~~December 31, 2018, 2017 and 2016~~

~~NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES~~

~~Operations~~

~~Groutsmith Franchising, Inc. (Company) is incorporated in the State of Nevada. The company commenced operations on September 15, 2010, and was in development stage through December 31, 2010. The year 2011 was the first year which the Company was considered an operating company and is no longer in the development stage. The company sells franchises authorizing the performance of grout and tile restoration and maintenance to residential and commercial customers, provides support services to the franchisees and earns ongoing royalty income.~~

~~The company presents results using the accrual basis of accounting~~

~~Estimates~~

~~Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could vary from the estimates that were used.~~

~~Cash~~

~~Cash is defined as cash on deposit at financial institutions available upon demand.~~

~~Receivables and Credit Policies~~

~~Trade accounts receivable consist of proceeds due from franchisees. Management expects all receivables at December 31, 2018, 2017 and 2016 are collectible and there is no provision for uncollectible franchise or royalty fees.~~

~~Revenue Recognition~~

~~Franchise revenue is recognized when the agreement is signed. Royalty revenue is recognized when receivable, based on an established schedule.~~

~~Intangible Assets~~

~~Organization costs are being amortized over 60 months on the straight-line method.~~

~~GROUTSMITH FRANCHISING, INC.~~

~~NOTES TO FINANCIAL STATEMENTS (CONTINUED)~~

~~December 31, 2018, 2017 and 2016~~

~~NOTE 2 — INCOME TAXES~~

~~The company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income tax has been included in these financial statements.~~

~~NOTE 3 — RELATED PARTY~~

~~The Company utilized office and warehouse space and administrative support provided by J. Arthur Smith, Inc., a company owned by Jonathan Smith, President and shareholder in both companies. J. Arthur Smith, Inc. provides training to franchisees of the company through its' Groutsmith division and provides grout and tile products to franchisees through its' Smitty's Tile and Grout Solutions division. The company incurred products costs with J. Arthur Smith, Inc. in 2018, 2017 and 2016 of \$ 14,329, \$ 21,433, and \$ 17,199, respectively.~~

~~NOTE 4 — SUBSEQUENT EVENTS~~

~~Subsequent events have been evaluated through January 22, 2019, which is the date the financial statements were approved by management and were available to be issued.~~

**EXHIBIT B  
TO DISCLOSURE DOCUMENT  
LIST OF STATE ADMINISTRATORS AND AGENTS AUTHORIZED TO RECEIVE  
SERVICE OF PROCESS**

**California**

**Agent for Service of Process and Agency for Franchise Inquiries**

Department of Business Oversight  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013  
(866) 275-2677

**Hawaii**

Department of Commerce & Consumer Affairs  
335 Merchant Street, #203  
Honolulu, Hawaii 96813  
(808) 586-2722

**Illinois**

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

**Indiana**

Franchise Section  
Indiana Securities Division  
Secretary of State  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

**Maryland**

Maryland Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202  
(410) 576-7044

**Michigan**

Franchise Administrator  
Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Dept. of Attorney General  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

**Minnesota**

Administrator - Minnesota Dept. of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1600

Agent for Service of Process- Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1500

**New York**

Bureau of Investor Protection & Securities  
New York State Dept. of Law  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8211

**North Dakota**

Office of Securities Commissioner  
Fifth Floor  
600 East Boulevard  
Bismarck, North Dakota 58505  
(701) 224-4712

**Rhode Island**

Division of Securities  
Suite 232  
233 Richmond Street  
Providence, Rhode Island 02903  
(401) 277-3048

**South Dakota**

Division of Securities  
c/o 118 West Capitol  
Pierre, South Dakota 57501  
(605) 773-4013

**Virginia**

**Agent For Service of Process**

Clerk of the State Corporation Commission of Virginia  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

**Inquiries About Franchise Matters**

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

**Washington**

Dept. of Financial Institutions  
Securities Administrator  
150 Israel Rd SW  
Tumwater, Washington 98501  
(360) 902-8760

**Wisconsin**

Securities & Franchise Registration  
Wisconsin Securities Commission  
P.O. Box 1768  
Madison, Wisconsin 53701  
(608) 266-8559

**EXHIBIT C  
TO DISCLOSURE DOCUMENT  
CONFIDENTIALITY & NON-COMPETITION AGREEMENT FOR  
EMPLOYEES**

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Employee”) Residing at \_\_\_\_\_.

- A. Franchisee is the holder of a Groutsmith™ Franchising, Inc. franchise and as such is the beneficiary of certain confidential and proprietary information of Groutsmith™ Franchising, Inc.
- B. Employee may in the course of his or her employment by Franchisee have access to this proprietary information.

NOW, THEREFORE, in consideration of the employment of the Employee by Franchisee, the parties hereto agree as follows:

1. Employee acknowledges that during the course of employment by Franchisee he or she has obtained or may obtain knowledge of confidential matters and procedures developed and owned by Groutsmith™ Franchising, Inc., and made available to the Franchisee which are necessary and essential to the operation of the business of the Franchisee, without which information the Franchisee could not efficiently, effectively and profitably operate its franchise. Employee further acknowledges that this confidential information was not known to him or her before employment.
2. Except as may be required in the performance of duties for Franchisee, Employee will not, during the course of his or her employment and thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use, any information under the business or interest of Franchisee or Groutsmith™ Franchising, Inc., which he or she knows or reasonably should know is regarded as confidential and valuable to Franchisee or Groutsmith™ Franchising, Inc., including, without limitation, techniques, pricing, accounting systems and procedures, specifications, products, manuals, business plans, customer lists, technical designs or drawings that relate to Franchisee’s business, the Groutsmith™ systems, franchise products, customers, suppliers and marketing plans.
3. Employee will not, during the course of his or her employment by Franchisee, and for one year thereafter, directly or indirectly in any capacity, without Franchisee’s prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in a business, which is competitive with or substantially similar to the business of a The Groutsmith™ franchise or any other Grout Repair Franchisee by becoming an owner, officer, director, shareholder, partner, associate, employee, agent, representative or consultant or serve in any other capacity in any such business. The ownership of not more than 1% of the voting stock of a publicly held corporation shall not be considered a violation of the foregoing provision. Without limiting the generality of the foregoing, the minimum area of competitive nature hereinbefore referred to shall be that area within a 50 mile radius of the Franchisee’s place of business or any place of business conducted by a Franchisee of the Groutsmith™ Franchising, Inc. at the time of Employee’s termination of employment.
4. Employee will not, during the course of his or her employment and for one year thereafter, directly or indirectly, employ or attempt to employ or solicit for any employment any of Franchisee’s employees.
5. Employee will not, during the course of his or her employment and for one year thereafter, directly or indirectly, contact any customer of Franchisee for the purpose of soliciting from any such customer

any business that is the same as or substantially similar to the business conducted between the Franchisee and the customer.

6. At the termination of his employment, Employee agrees to deliver to Franchisee (and will not keep in his possession or deliver to anyone else) the Groutsmith™ Franchising, Inc.'s. Operations Manual and any and all records, data, designs, photographs, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any of these items belonging to Franchisee, its successors or assigns under The Groutsmith™ Business.

7. Employee hereby acknowledges and agrees that any breach by him or her of Sections 1 through 6 above, inclusive, will cause damage to Franchisee and Groutsmith Franchising, Inc. in an amount difficult to ascertain. Accordingly, in addition to any other relief to which Franchisee may be entitled, either Franchisee or Groutsmith™ Franchising, Inc., shall be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Employee of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages that have been or may be caused to Franchisee or Groutsmith™ Franchising, Inc. by this breach.

8. If any portion of this Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement shall be considered valid and operative, and effect shall be given to the intent manifested by the portion held invalid or inoperative. Whenever the context so requires, the masculine shall include the feminine and neuter and the singular shall include the plural and conversely.

9. This Agreement shall bind the successors and assigns of Franchisee and the heirs, personal representative and successors of Employee.

10. All covenants made in this Agreement by Employee shall survive the termination of this Agreement

11. This Agreement may be amended in whole or in part only by an agreement in writing signed by the parties.

12. Any notice, request, demand or other communication given pursuant to the terms of this Agreement shall be deemed given upon delivery, if hand-delivered, or three days after deposit in the United States mail, postage prepaid, and sent certified or registered mail, return receipt requested, addressed to the addresses of the parties indicated below or at any other address as the party shall have advised the other party in writing.

EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.

IN WITNESS WHEREOF, the parties have signed this Agreement the day and year first herein above written.

FRANCHISEE: By: \_\_\_\_\_

EMPLOYEE: By: \_\_\_\_\_

# EXHIBIT D TO DISCLOSURE DOCUMENT CONFIDENTIALITY & NON-COMPETITION AGREEMENT FOR PRINCIPALS

This Confidentiality and Non-Competition Agreement (the “Agreement” is entered into and made effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Groutsmith™ Franchising, Inc. a Nevada corporation (hereinafter referred to as “Franchisor” and at times as “Groutsmith™”) and the undersigned (referred to herein as “Principal”).

WHEREAS, Franchisor has developed a system for the operation of a retail business selling The Groutsmith™ Services and other related products (hereinafter “The Groutsmith™ Business”). The system includes, among other things: the right to purchase trademarked items, a marketing plan, an operations and training manual, and the marketing and sale of products under the name The Groutsmith™ and other proprietary marks we may develop, herein at times the “System” and at times the “The Groutsmith™ System”; and

WHEREAS, the Principal or his Company entered into an agreement with us (the “Franchise Agreement”) so as to be able to obtain the rights to operate a Groutsmith™ Business using the System developed by us, including certain confidential and proprietary information of Groutsmith™ Franchising, Inc. and

WHEREAS, Principal will have access to this proprietary information; and

WHEREAS, Principal recognizes the value of the System and the intangible property rights licensed under the Franchise Agreement and recognize that the Franchisor’s entering into the Franchise Agreement is conditioned upon the principal entering into this Agreement.

NOW, THEREFORE, in consideration of the Franchisor entering into the Franchise Agreement with Franchisor and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Principal acknowledges that he or she has obtained or may obtain knowledge of confidential matters and procedures developed and owned by Groutsmith™ Franchising, Inc., and made available to the Franchisee which are necessary and essential to the operation of the Franchise, without which information the Franchise could not efficiently, effectively and profitably operate. Principal further acknowledges that this confidential information was not known to him or her before the association with us.
2. Except as may be required under the Franchise Agreement, Principal will not, during the term of the Franchise Agreement and any successor franchise, directly or indirectly, use, or disclose to any third party, or authorize any third party to use, any information under the business or interest of Franchisee or Groutsmith™ Franchising, Inc., which he or she know or reasonably should know is regarded as confidential and valuable to Franchisee or Groutsmith™ Franchising, Inc. including, without limitation, techniques, pricing, accounting systems and procedures, specifications, products, manuals, business plans, supplies, customer lists, technical designs or drawings that relate to Franchisee’s business, The Groutsmith™ System and franchise products, customers, suppliers and marketing plans.
3. Principal and principal’s family will not, during the term of the Franchise Agreement and any successor franchise, and for two (2) years after termination or expiration of the Franchise Agreement

for any reason, or any transfer, repurchase or termination of franchisees rights under the Franchise Agreement, directly or indirectly, in any capacity, without Franchisor's prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in a business, which is competitive with or substantially similar to the business of The Groutsmith franchise or any Groutsmith™ franchise business by becoming an owner, operator, officer, director, shareholder, partner, consultant, associate, employee, advisor, agent, lessor or lessee, representative or franchisee or serve in any other capacity whatsoever in any competing or substantially similar business. The ownership of not more than 1% of the voting stock of a publicly held corporation shall not be considered a violation of the foregoing provision. Without limiting the generality of the foregoing, the minimum area of competitive nature hereinbefore referred to shall be that area within a fifty mile radius of the Franchisee's Territory under the Franchise Agreement or a fifty mile radius of any place of business conducted by a franchisee of Groutsmith™ Franchising, Inc. or an affiliate or company owned by Groutsmith™ at the time of termination of the Franchise Agreement.

4. Principal will not, during the term of the Franchise Agreement and any successor franchise, and for three years thereafter, directly or indirectly, employ or attempt to employ or solicit for any employment any of Franchisor's employees.
5. Principal will not, during the term of the Franchise Agreement and any successor franchise and for two years thereafter, directly or indirectly, contact any customer of Franchisee or us for the purpose of soliciting from any such customer any business that is the same as or substantially similar to the business conducted between the Franchisee and the customer or us and the customer.
6. At the termination of the Franchise Agreement, principal agrees to deliver to Franchisor (and will not keep in his or her possession or deliver to anyone else) Groutsmith™ Franchising, Inc. Operations Manual and any and all records, data, designs, photographs, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any these items belonging to us, or to Franchisee, its successors or assigns under The Groutsmith™ business.
7. Principal hereby acknowledges and agrees that any breach by him or her of Sections 1 through 6 above, inclusive, will cause damage to Groutsmith™ Franchising, Inc. in an amount difficult to ascertain. Accordingly, in addition to any other relief to which we may be entitled, Groutsmith™ Franchising, Inc., shall be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by any or all principals of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages that have been or may be caused to Groutsmith™ Franchising, Inc. by such breach.
8. If any portion of this Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement shall be considered valid and operative, and effect shall be given to the intent manifested by the portion held invalid or inoperative. Whenever the context so requires, the masculine shall include the feminine and neuter and the singular shall include the plural and conversely.
9. This Agreement shall bind the successors and assigns of the Principal and his or her heirs, personal representative, successors and assigns. No rights under this Agreement shall be assignable by any Principal and any purported assignment shall be null and void and of no force or effect.
10. All covenants made in this Agreement by principal shall survive the termination of this Agreement.

11. This Agreement may be amended in whole or in part only by an agreement in writing signed by the parties.
12. Any notice, request, demand or other communication given pursuant to the terms of this Agreement shall be deemed given upon delivery, if hand-delivered, or three days after deposit in the United States mail, postage prepaid, and sent certified or registered mail, return receipt requested, addressed to the addresses of the parties indicated below or at such other address as the party shall have advised the other party in writing.

**PRINCIPAL ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.**

IN WITNESS WHEREOF, the parties have signed this Agreement the day and year first herein above written.

FRANCHISEE / PRINCIPAL

---

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**EXHIBIT F  
TO DISCLOSURE DOCUMENT  
SCHEDULE OF FRANCHISEES AS OF 12/31/~~18~~19**

**CALIFORNIA**

David, Grant & Janice Goka- San Diego Location  
663 Chateau Place  
Escondido, CA 92029  
(858) 779-1446

David, Grant & Janice Goka- Riverside Location  
663 Chateau Place  
Escondido, CA 92029  
(858) 779-1446

Mark White  
239 Oakwood Street  
Ventura, CA 93001  
(805) 469-8453

**DISTRICT of COLUMBIA**

Mary Ann OHara  
5614 Connecticut Avenue NW  
#255  
Washington, DC 20015  
(202) 925-8986

**FLORIDA**

Nicholas Smith  
21301 South Tamiami Trail  
Suite 320  
Estero, FL 33928  
(239) 322-2320

Steve Blumenthal  
16400 US Hwy 331 South  
Unit B-2, Box 27E  
Freeport, FL 32439  
(850) 367-3100

Ken Walker  
P.O. Box 222005  
Hollywood, FL 33022  
(754) 444-1012

~~Ken Walker  
P.O. Box 222005  
Hollywood, FL 33022  
(754) 444-1012~~

Lee and Sharon Conti (Polk County, FL Territory)  
3616 Harden Boulevard, #125  
Lakeland, Florida 33803  
(863) 698-7730

Lee and Sharon Conti (Osceola County, FL Territory)  
6267 Peacock Run  
Lakeland, Florida 33809  
(863) 698-7730

Craig Chapman  
22920 Eagles Watch Drive  
Land O'Lakes Florida 34639  
(813) 300-7539

Jeffrey and Sandy Yagoda  
7742 North Kendall Drive  
#204  
Miami, Florida 33156  
(305) 908-8899

Neill Roberts  
568 Heath Point Court  
Orange Park, FL 32065  
(904) 572-3215

Michael Ketzner – (Orlando Location)  
4250 Alafaya Trail  
Suite 212-360  
Oviedo, FL 32765  
(407) 600-3032

Michael Ketzner- (Brevard County Location)  
4250 Alafaya Trail  
Oviedo, FL 32765  
(407) 600-3032

Brad Young and Michele Morrow  
1732 South Congress Avenue  
#285  
Palm Springs, Florida 33461  
(561) 275-8624

~~GroutsmithFDD2019~~GroutsmithFDD2020

Matthew Smith  
7780 49<sup>th</sup> Street North  
Pinellas Park, FL 33781  
(727) 322-4033

Kyle Allen  
24123 Peachland Blvd., #113  
Port Charlotte, FL 33954  
(941) 467-3350

Mhamed Channaj (Martin County, FL Territory)  
2336 SE Ocean Boulevard  
#126  
Stuart, Florida 34996  
(800) 561-3736

Mhamed Channaj (Indian River County, FL Territory)  
2336 SE Ocean Boulevard  
#126  
Stuart, Florida 34996  
(800) 561-3736

Todd Smith  
2518 Burnsed Blvd.  
Suite 319  
The Villages, FL 32163  
(352) 396-7813

~~Steve Blumenthal~~  
~~16400 US Hwy 331 South~~  
~~Unit B-2, Box 27E~~  
~~Freeport, FL 32439~~  
~~(850) 367-3100~~

## **GEORGIA**

Rachel Tilow  
2295 Towne Lake Parkway  
Suite 116-216  
Woodstock, Georgia 30189  
(404) 704-0804

## **IDAHO**

Colin Dobi  
2801 South Raindrop Drive  
Boise, Idaho 83706  
(208) 297-2306

Anthony Paterno  
8648 N. Government Way  
#62  
Coeur d'Alene, Idaho 83815  
(855) GROUT67

**MINNESOTA**

Tim Heuer  
2515 White Bear Avenue  
Maplewood, MN 55042  
(651) 383-5301

**MISSOURI**

Martin Sidenstricker  
414 Elm Crossing Court  
Ballwin, Missouri 63021  
(314) 278-9147

**NEBRASKA**

Kevin Monismith  
5839 Cedarwood Drive  
Lincoln, NE 68506  
(402) 875-9020

**NEW JERSEY**

Thomas Paganus  
8 Joseph Street  
Whippany, NJ 07981  
(973) 647-9769

**NORTH CAROLINA**

Warren Stone - Charlotte Location  
11524-C Providence Road, #228  
Charlotte, NC 28277  
449 Overbeck Lane  
(704) 412-3399

Warren Stone - Greenville Location  
11524-C Providence Road, #228  
Charlotte, NC 28277  
449 Overbeck Lane  
(704) 412-3399

Jamie Dewitt...(Raleigh/Durham)  
2664 Timber Drive  
Suite 125

Garner, NC 27529  
(919) 341-4979

Jamie Dewitt (Wilmington/Myrtle Beach)  
3600 S. College Road  
Suite E-304  
Holly Springs, NC 27540  
(910) 202-4116

## **OKLAHOMA**

~~Kurtis Joel (Dillon) and Christie Gare Breanna Ker~~  
Tulsa Franchise  
~~1216 E. Kenosha~~  
~~Broken Arrow, OK 74012~~  
~~13045 East 133<sup>rd</sup> Place North~~  
~~Collinsville, Oklahoma 74021~~  
(918) 938-1975

~~Kurtis~~  
~~Joel (Dillon) and Christie Gare Breanna Ker~~  
Oklahoma City Franchise  
~~13045 East 133<sup>rd</sup> Place North~~  
~~Collinsville, Oklahoma 74021~~  
~~(918) 938-1975~~  
~~James & Sherren White~~  
~~2410 West Memorial Road~~  
~~Suite C117~~  
~~Oklahoma City, OK 72134~~  
~~(405) 655-0467~~

## **PENNSYLVANIA**

Brad Young and Michele Morrow  
20436 Route 19  
Cranberry Township, Pennsylvania 16066  
(724) 996-9073

Mike Citrenbaum  
929 South High Street  
Suite 193  
West Chester, Pennsylvania 19382  
(601) 246-4896

Dan Citrenbaum (Montgomery County)  
107 Forrest Avenue, Suite 14  
Narbeth, PA 19072  
(484) 297-9744

Dan Citrenbaum (Bucks County)  
107 Forrest Avenue, Suite 14  
Narbeth, PA 19072

~~Groutsmith FDD2019~~ Groutsmith FDD2020

(484) 297-9744

## TENNESSEE

Connie Phillips  
6923 Maynardville Pike  
Suite 235  
Knoxville, TN 37918  
(865) 765-6220

Tom Coffey  
P.O. Box 60692  
Nashville, Tennessee 37206  
(615) 854-7002

## TEXAS

~~Kurtis and Christie Gare~~ James Cason Tarrant County franchise and Dallas County franchise  
~~James & Sherron White~~  
~~11700 Preston Road~~  
~~Suite 660-357~~  
~~Dallas, TX~~  
4124 Amy Drive  
Mesquite, Texas 75150  
(214) 304-5611

~~Kurtis and Christie Gare~~ James Cason Denton County franchise and Collin County franchise  
~~James & Sherron White~~  
~~11700 Preston Road, Suite 660-357~~  
~~Dallas, TX~~  
~~(214) 304-5611 357 (Franchisee had a territory in Minnesota and the territory was moved to this area in Texas)~~  
4124 Amy Drive  
Mesquite, Texas 75150  
(214) 304-5611

Onur Guildali and Hasan Kaya  
18600 South Parkview Drive, #1923  
Houston, TX 77094  
(832) 277-6589

Craig and Julie Sedelmyer  
2635 Shady Acres Court  
Houston, TX 77008  
(713) 724-8132

Darren Cables  
2221 WSW Loop 323  
Suite 111  
Tyler, TX 75701  
(903) 245-8955

## UTAH

Mike Murphy  
64 East, 11400 South #25  
Sandy, Utah 84070  
(801) 599-2965

## VIRGINIA

Shawn Lawther and Lisa Coyner  
10307 West Broad Street  
#180  
Glen Allen, Virginia 23060  
(804) 457-4576

## WASHINGTON

Al and Peggy Rowe  
8825 34<sup>th</sup> Avenue NE  
Marysville, WA 98271  
(360) 926-8126

## WISCONSIN

Trish Vesper and Robert Noeske  
5892 Woodland Drive  
Waunakee, WI 53597  
(608) 335-6165

## ~~WASHINGTON~~

~~Al and Peggy Rowe~~  
~~8825 34<sup>th</sup> Avenue NE~~  
~~Marysville, WA 98271~~  
~~(360) 926-8126~~

## FRANCHISEES WHO LEFT THE SYSTEM IN ~~2018~~2019

Kurtis and Christie Gare Dallas, Tarrant, Denton and Collin Counties, TX - TRANSFER

James & Sherron White  
11700 Preston Road, Suite 660-357  
Dallas, TX

~~Barry Bond and Kevin Doran~~  
~~1896 Palm Beach Lakes Boulevard~~  
~~Suite 203~~  
~~West Palm Beach, FL 33409~~  
~~(561) 494-5192~~  
~~Terminated by Franchisor~~

~~John and Helen Bracciodieta - Transfer~~  
~~627 SW Andros Circle~~  
~~Port St. Lucie, FL 34986~~  
~~Sold Business to Mhamed Ghannaj~~James Cason

~~GroutsmithFDD2019~~GroutsmithFDD2020

Kurtis and Christie Gare Oklahoma City and Tulsa, OK - TRANSFER

James & Sherron White  
2410 West Memorial Road  
Suite C117  
Oklahoma City, OK 72134

~~Michael Tucker - Transfer~~  
~~2302 S. Georgetown Way~~  
~~Boise, ID 83709~~  
~~(208) 297-2306~~

Sold Business to ~~Colin Debi~~Joel (Dillon) and Breanna Ker

# EXHIBIT G TO DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT STATE ADDENDA

## California State Addendum disclosures:

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor nor any person or franchise broker in Item 2 of the UFDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The franchise agreement requires binding arbitration. The arbitration will occur at Sarasota Florida with the costs being borne by each party.
8. Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
9. The franchise agreement requires application of the laws of Florida. This provision may not be enforceable under California law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dbo.ca.gov](http://www.dbo.ca.gov).
13. The financial performance representation figures in Item 19 do not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

**Maryland State Law Appendix**

Notwithstanding any provisions in the Franchise Agreement to the contrary, any claims arising out of the Maryland Franchise Registration and Disclosure Law may be brought within the State of Maryland.

Pursuant to COMAR 02.02.08.16L of the Maryland Franchise Registration and Disclosure Law, a general release required as a condition to renewal, sale, and/or assignment/transfer of a franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The limitations of claims provision contained in this Agreement does not act to reduce the three year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

No release, or waiver of liability by a franchisee as a requirement to purchase a franchise shall constitute a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. Any acknowledgments or representations of the franchisee which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

In witness whereof, the parties hereto have duly executed this State Law Addendum simultaneously with the Franchise Agreement and hereby amend the Franchise Agreement to conform to the provisions of this State Law Addendum.

---

**Franchisee                      Date                                      Groutsmith Franchising, Inc.      Date**

**For residents of Minnesota**

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.440J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80c.12), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify our from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

With respect to franchises governed my Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3,4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

~~—————In witness whereof, the parties hereto have duly executed this State Law Addendum as of the Effective date of the Franchise Agreement and hereby amend the Franchise Agreement to conform to the provisions of this State Law Addendum.~~

---

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Franchisee

Groutsmith Franchising, Inc.

### For residents of Washington

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

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

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in

effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights of remedies under the act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

~~The undersigned does hereby acknowledge receipt of this addendum.~~

~~Dated this \_\_\_ day of \_\_\_\_\_, 201\_\_.~~

\_\_\_\_\_  
\_\_\_\_\_  
**In witness whereof, the parties hereto have duly executed this State Law Addendum simultaneously with the Franchise Agreement and hereby amend the Franchise Agreement to conform to the provisions of this State Law Addendum.**

\_\_\_\_\_  
**Franchisee**                      **Date**                                      **Groutsmith Franchising, Inc.** \_\_\_\_\_  
\_\_\_\_\_ **Prospective Franchisee** **Date**

## EXHIBIT H

# THE GROUTSMITH™ UNIT FRANCHISE AGREEMENT



Franchisee:

Date of Franchise Agreement:

**NOTE:** In this document, for convenience sake only, pronouns used in referring to Franchisee are “he,” “him,” or “his.” Franchisor does not in any manner wish to imply that only males are qualified, suitable, or appropriate for the Franchise described in this Franchise Agreement. Franchisor does not intend by its use of male pronouns to exclude females from consideration, and it encourages applicants of both genders.

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we may authorize, and with approved sales promotion programs. You are granted the right to use in your territory, The Groutsmith™ trademarks on and in association with the equipment, invoices, forms, stationery, and supplies for the services and products authorized by us.

1.3 You may advertise only in your territory. You will provide services only in your territory, but may service customers in other areas under certain conditions, including referrals from customers, acquaintances and/or from your family and friends. Similarly, other franchisees may service customers within your territory if those customers come from referrals from other customers, acquaintances or from family or friends. With that exception, we will not, during the term of this Agreement and for so long as you are in full compliance with your obligations under this Agreement, grant to anyone else the right to operate The Groutsmith business anywhere within your territory.

1.4 You may employ in your franchise business the merchandising, sales promotion programs and business methods and techniques developed and/or approved by us.

1.5 Nothing herein shall grant you any right(s) of first refusal, options, or any other rights associated with the operation of The Groutsmith™ business in any territory or geographical area other than that defined in Section 1.1 above. You may purchase additional or multiple franchises at a discount of 50% of the franchise fee. You may only purchase an additional franchise or additional households if you are in full compliance with your obligations under this Agreement and are open and operating.

1.6 If you want to relocate your franchise business or territory, you must first obtain our approval in writing and pay us a relocation fee of \$3,500. We will designate your new territory and you will be required to pay for additional households in the new territory over the number of households in your current territory at the rate of \$.12 per household.

## **SECTION 2: FRANCHISEE'S ACCEPTANCE**

**You hereby accept the above Franchise from us subject to all the terms, provisions and conditions and agree that you will cause your Groutsmith™ Franchise Business to be established within ninety (90) days from the date of this Franchise Agreement, unless an extension of time is expressly authorized in writing by us, and maintain and operate your office location in the territory, under your direct, personal, active and continuous supervision and management and upon the standards hereinafter provided. You further expressly acknowledge and agree:**

2.1 The trademark(s) and service mark(s) referred to herein are owned by us. We are the owner of all rights, title and interest in and to the trademarks, and the goodwill attributable to us in connection with which said trademarks have been, are and will be used in the territory. Specifically, but without limiting the foregoing, you disclaim any and all right, title and interest in or to the trademarks and to the goodwill associated with the trademarks of your office location, and acknowledge and agree that all the goodwill is our exclusive property. You agree that we have the sole rights to certain business know-how pertaining to grout cleaning repair and restoration procedures and that no goodwill associated with any of this know-how shall inure to you. It is further agreed that the items of this know-how constitute trade secrets of ours which are revealed to you in confidence and you will not, at any time during the term of this agreement or any time thereafter use or attempt to use the know-how in connection with any other entity or business in which you have an interest, direct or indirect, nor shall you disclose, duplicate, reveal, sell or sublicense this know-how or any part thereof or any way transfer any rights in the know-how except as authorized by us.

2.2 The trademarks will be used only in connection with grout cleaning repair and restoration procedures, and other business, products and services as may be approved or specified in writing by us and shall at all times be used only in a manner approved by us. The list of approved services is attached as Exhibit FA III of this Franchise Agreement.

2.3 Your right under the terms of this agreement to the use of the trademarks is specifically limited to your office location in your territory. Franchises granted by us are exclusive in that they grant you a designated territory wherein we cannot open or operate a similar operation or appoint a franchised operation to open and operate at a physical standing location within your territory.

In the case of cooperative advertising, only participants will receive leads or referrals obtained through that source. If a cooperative advertising association is established, the association will establish rules for lead or referral distribution. Other conditions for customer sharing or referrals across territorial lines may exist will be determined on a customer-by-customer basis by us. You acknowledge that there may be other Groutsmith™ franchisees who are assigned territories adjacent to or in close proximity to your territory. As described above, such other franchisees may service customers within your territory under certain conditions, including referrals from customers and/or from their personal sphere of influence.

2.4 You will use no other trademarks, trade names or service marks in said business except those authorized by us.

2.5 You will not use the word Groutsmith™ or any other of the service marks or trademarks of ours, or any similar word or mark, as a part of the name of your corporation, partnership, or Limited Liability Company. You must operate your franchise using the DBA “Groutsmith” filed with the appropriate governmental agency.

2.6 You will adopt and strictly adhere to The Groutsmith™ systems, know-how, programs and methods prescribed by us for your operation of your franchise business subject to this agreement.

2.7 Neither you, your family members, employees, agents nor any person owning an interest directly or indirectly in the franchise business shall during the term of this agreement (i) directly or indirectly operate or permit to be operated or hold any interest (other than one percent (1%) or less of the outstanding stock or debt of any class of any public company) in any grout cleaning and restoration business other than one authorized by this agreement without our prior written consent or (ii) use for any purpose other than in the conduct of the business authorized by this agreement any confidential or proprietary information, know-how, processes, formulas, business methods or other proprietary information disclosed to you, notwithstanding such information is publicly disclosed by us or comes into the public domain.

2.8 You agree not to divulge or use in any other business any data, customer or employee names and addresses, techniques, methods, advertising or other information of whatever kind used in connection with the operation of The Groutsmith™ office, without our prior written consent.

2.9 You will complete all pre-opening requirements, including training, and begin business within ninety (90) days of the date of this agreement.

2.10 You must determine the requirements, if any, of the state, county and locality of the office location for operation of your Groutsmith™ business including any licensing requirements. Before opening your business, you must comply with these requirements and must keep in full force and affect all permits required by any and all government or regulatory agencies regulating your franchise business and to comply with all applicable laws and regulations for the term of this agreement. These include obtaining business licenses, contractor licenses and permits.

2.11 You may create your own website or social networking site. We will also provide you with a page on our website. We reserve the exclusive right to sell Groutsmith™ products on our site. You may not sell any Groutsmith™ products on any site created by you or others.

## **SECTION 3: TERM AND RENEWAL**

**The initial term of the Franchise granted herein will continue for fifteen (15) years from the date of this Agreement, unless sooner terminated by either you or by us in accordance with the provisions of this agreement, and may be renewed as follows.**

3.1 Upon expiration of the initial term of this Agreement, this Franchise A, upon written request by you, delivered to us no sooner than 180 days and no later than 90 days prior to the scheduled expiration date of this Agreement, may be renewed for additional fifteen (15) year periods providing:

3.1.1 You are not in default or in violation of this Franchise Agreement or any other agreement with us; and

3.1.2 The parties sign our then current franchise agreement under the terms in effect at that time including new royalty rates, advertising fees, etc., although your territory shall not change; and

3.1.3 You pay us a renewal fee in the amount of five hundred (\$500.00) dollars; and

3.1.4 You comply with all requirements for renewal.

3.2 We will not refuse renewal when requested by you unless we have given you thirty (30) days' written notice of our intention not to renew, based on your failure to comply with all of the provisions listed above. SEE APPLICABLE STATE LAW ADDENDA/EXHIBIT G.

## **SECTION 4: TRADEMARK STANDARDS AND REQUIREMENTS**

**You agree that your use of the trademarks is to our sole benefit. Specifically, you acknowledge and agree that we have the right and may distribute for our own account products identified by the trademarks through any other distribution method, which we may periodically establish. You further agree:**

4.1 You shall confine your use of the trademarks to the sale of products and services as listed in Section 2.2 which shall, in quality, mode and conditions of manufacture and sale, comply with these reasonable standards and requirements as are established or approved by us, and to use approved advertising and sales promotion programs. In order to promote and protect the business interests of each of the parties, the value of the business and the business interests of other persons so engaged, you shall maintain uniformity with other franchise network members in accordance with our reasonable standards in the type, standard and quality of the Groutsmith™ business, office operations, equipment, fixtures, stationery, forms and supplies used, and the conditions and procedures employed in the sale of the Groutsmith™ products and services. You may only purchase cleaning and restoration materials approved by us, and only offer those services and sell those products as we may designate periodically in writing, to be consistent with Groutsmith™ quality and theme. You will be supplied with an Operations Manual that will contain specifications and instructions for the proper cleaning and restoration of grout according to specifications, parameters and cleaning, repairs and restoration systems and materials

developed by us that are to be strictly followed. Failure to use the forms, systems and supplies designated by us shall be a default under Section 10 herein.

4.2 You agree that the provisions, restrictions and controls provided in this Franchise Agreement are all necessary, reasonable and desirable for the purposes of uniformity and consistent quality of the Groutsmith™ services and operations, which you desire to adopt to become a Groutsmith™ franchisee, and that your business shall be conducted in accordance with our requirements with respect to quality, production, appearance, cleanliness, service merchandising and sales promotion standards including those outlined in the training course and our Operations Manual, as occasionally amended. You acknowledge and agree that substantial uniformity in facilities, products, services and operations are essential to the conduct of a franchised network such as the Groutsmith™, and therefore further agree to honor and implement our recommendations that are directed to enhancing and furthering this uniformity. You shall wear, at all times, when calling on or servicing a customer, the uniform we designate.

4.3 Complete and detailed uniformity under many varying conditions may not be possible or practical. We may approve exceptions to or changes in the uniform standards for you or any other franchisee that we believe are necessary or desirable based on particular circumstances. You have no right to object to this variance yourself.

4.4 In the event any person, firm or company, who is not a franchisee of ours, uses or infringes upon trademarks, we shall control all litigation and shall be the sole judge as to whether or not suit shall be instituted or other action taken. You shall promptly notify us in writing of any infringement of the trademarks by any third party of which you become aware. We shall take those steps, if any, as we deem appropriate to protect the trademarks from infringement by third parties.

4.5 You will promptly inform us of the existence of any litigation or threatened litigation by or against you, which arises out of your proper use of our proprietary marks. We agree to defend and indemnify you from any such claims.

4.6 We hereby advise you that we and/or our affiliates may periodically make available to you goods, products and/or services for your use in the Franchise Business from which we and/or our affiliates may make a profit. We further advise you that we and/or our affiliates may periodically receive consideration from suppliers and/or manufacturers in consideration of services provided or rights licensed to these suppliers and/or manufacturers.

4.7 You acknowledge that we may from time to time, and at our sole discretion, modify or discontinue use of any logos, trade names, trademarks or service marks or use one or more additional or substituted logos, trade names, trademarks or service marks, and you agree that you must operate under these logos, trade names, trademarks, or service marks, and to immediately cease using these trade names, trademarks or service marks when directed by us in writing, at your sole expense, except we shall bear the cost of changing any exterior signs.

## **SECTION 5: FACILITY STANDARDS AND MAINTENANCE**

The following provisions and conditions shall control with respect to your franchise business, territory, and office location:

5.1 Your office location, if it is other than your home, must be located within your territory. We are not obligated to provide you with any recommendations for site selection or lease improvements.

5.2 We will provide you the necessary information to include a negotiated number of households in each territory offered and assist you in the selection of your territory.

## **SECTION 6: PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS**

The following provisions shall control with respect to products and operations:

6.1 Your business shall be confined to the preparation and sale of only those products and services as identified in Paragraph 2.2 above, and as are designated and approved by us for sale by franchisees who are parties to this form of the franchise agreement. Your office location shall not be used for any competing business. You shall offer for sale only products and services authorized by us.

6.2 The list of approved services is attached as Exhibit FA III to this Franchise Agreement. The lists of currently approved products and services for your business operation are also provided in the Operations Manual, as amended periodically. We may make reasonable modifications to said approved list.

6.3 You will sell products and services and use products, including forms and other printed items associated with the services provided by your franchise business only as specified by us or that meet standards established by us in our Operations Manual, company newsletters and reports, or other applicable publications. You are required to use our Groutsmith™ products in your franchise business. These products must be purchased from us or from sources designated by us from time to time. We may require you to purchase equipment, fixtures and supplies and services from us or any of our affiliates, if necessary, to assure uniform quality. You acknowledge and agree that these standards and specifications may be changed occasionally by us and that you must conform to the standards as changed. All other supplies, and all other customer service materials of all descriptions and types, shall meet the standards of uniformity and quality as now or in the future, are established by us. You shall be furnished with lists of approved tools and approved supplies and services.

6.4 You must utilize at any given time the then current Groutsmith™ format including, without limitations, all then current uniform trade names, trademarks and service marks, forms and stationery supplies. We have designed certain forms to be used by all franchisees. You must use all forms designated by us.

6.5 All sales promotion material, used in the sales promotion, sale and distribution of all products and services covered by this Franchise Agreement shall, where practicable, contain one or more of the trademarks and indicate that it is produced and sold under our authority.

6.6 You must personally participate in the operation of the franchise business, but need not manage the business full time. We require direct supervision by you or your designated manager. You and your manager must keep free from competing enterprises. You are not required to work a certain or minimum number of hours; however, you must work sufficient hours to operate your franchise business at maximum capacity and efficiency.

6.7 You must have a computer system compatible with accessing the internet and a high-speed internet connection. Minimum system requirements are Windows XP or higher with 512 MB Ram. We provide you with Business Management Software without additional cost to you, and you are required to use it, as directed by us.

6.8 You are required to comply with our policy of charging for certain violation of policies and procedures as may be set forth in our manuals from time to time.

6.9 We have a line of Groutsmith™ maintenance products which are marketed and sold to the public through our website. Every time a customer from your territory purchases products from Groutsmith, your franchise will receive 100% of the profit as a credit in your account toward your future product purchases. You may not sell the products from a website created by you or over the Internet except through our Groutsmith™ website. You may purchase these items at a discount and offer them for sale to the public. You will be responsible for any sales or use tax that may become due when purchasing these products for your use or selling these products directly to the public.

## **SECTION 7: PERSONNEL AND SUPERVISION STANDARDS**

The following provisions and conditions shall control with respect to personnel, training and supervision:

7.1 This Agreement is granted by us in specific reliance upon your personal experience and skill and those of your present officers and managers. You shall be available and shall personally and directly manage the business. In the event that you are physically unable to conduct business in person, you may provide a substitute operator, but only if the substitute has been properly trained by you and has our written approval. You shall, at your expense, attend our training program, at a place to be designated by us before the opening of your franchise business. In the event you fail to satisfactorily complete the training and testing required by us to our reasonable satisfaction, we shall be deemed to have reasonable cause to terminate this agreement according to Section 10 hereof, in which case neither party hereto will have any further liability or obligation to the other. Nothing contained herein shall preclude you from owning and operating more than one franchised business in separate territories, each pursuant to a separate franchise agreement with us, provided that each such franchised business is operated under your direct, active and continuous management and supervision as listed in this paragraph.

7.2 You will hire and supervise efficient, competent, sober, drug-free, and courteous operators and employees for the operation of the business and set and pay their wages, commissions and incentives with no liability therefore on us. No employee of yours shall be deemed to be an employee of ours for any purpose(s) whatsoever, and it is agreed that we do not control your hiring or employment practices in any way. You are fully responsible for your own hiring and employment practices, including the terms and conditions of employment, and will indemnify us from any and all claims arising out of such matters. You shall require all employees to sign agreements by which the employees are bound by nondisclosure and noncompetition clauses in the form prescribed by us, and to furnish us a copy of each of these signed agreements.

## **SECTION 8: ADVERTISING**

You agree to participate in the following advertising programs:

8.1 Local Advertising. You must spend a minimum sum of \$2,000 per month on local advertising enhancing the reputation of your services on a local level during the first six months of the operation of the Franchise Business. Upon completion of the first six months, your advertising allotment shall be at your sole discretion although we highly recommend that you continue advertising at a rate covered in training. You may be required to substantiate advertising outlays by supplying information to us including tear sheets and paid advertising invoices. You may only use advertising materials approved by us.

8.2 You may become a member of a local and/or regional cooperative advertising association created and administered by franchisees in a self-defined area. Upon the formation of a local or regional cooperative advertising association, you shall be deemed to be a member of such association as covers

the area in which your franchise is located and shall be bound by any decisions made by such association upon a majority rule by members voting. We may be a member of the association with one vote. Any funds collected by this association will be kept at the local/regional level and used for the defined advertising purpose.

8.3 We do not have a national marketing fund. If a national marketing fund is formed in the future, it will be created and administered by the franchisees. We may be a member of this association with one vote. We may at our discretion assist the association with creative concepts, market data and other advertising tools.

## **SECTION 9: FEES, REPORTING AND FINANCIAL MANAGEMENT**

You agree to comply with the following provisions regarding fees, reporting, and financial management:

9.1 Your initial Franchise Fee is \$19,900. The initial franchise fee is payable in a lump sum by cashier's check at the time of execution of the Franchise Agreement. The initial Franchise Fee is not refundable in whole or in part.

9.2 You will also pay a non-refundable on-going monthly royalty to us as follows: No royalty is due for the first three full or partial months starting with the date you sign the Franchise Agreement; for months 4-12, the monthly royalty is \$400 per month; for year 2, the royalty is \$600 per month; for year 3, the royalty is \$800 per month; and for years 4-15, the royalty is \$1,000 per month. Royalty fees are due and payable by the 5<sup>th</sup> day of each month for the current month's operation.

9.3 You will keep true and accurate business records and books of account and shall establish and maintain these records in accordance with standard accounting procedures. You will provide us a report, in such form as we may designate from time to time, by the fifth of each month, detailing your gross sales for the prior month.

9.4 You agree to pay promptly, when due, all taxes that may be assessed against your equipment or supplies used in connection with your business, and pay all accounts and other indebtedness of every kind incurred by you in the conduct of said business. Any and all amounts owing to us by you shall bear interest at eighteen percent (18%) per annum or the maximum contract rate permitted by law, whichever is less, from and after the due date of payment thereof.

9.5 You assume full responsibility for all credit losses and expenses of your franchise business including, without limitation, taxes, insurance, payroll, advertising, rent, telephone, and lease or rental costs. You shall indemnify and hold us harmless from any and all claims or damages of any nature whatsoever arising out of or in any way connected with your acts or omissions in the operations of the franchise business. We shall have the right to defend any such claim against us by employing counsel of our choice, subject to full reimbursement of all legal fees by you. We shall use our reasonable efforts to cooperate with you in any litigation, judicial or administrative proceeding to avoid duplication of time, effort or expenditure to the greatest extent possible without compromising our interest in such matter. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this agreement. You agree that you are not authorized to use our name or other trademarks in any other capacity other than as provided herein nor to sign on our behalf any checks, drafts, leases, bonds, mortgages, documents, bills, contracts or bills of sale or any other instruments in writing or to hold yourself out as a partner of ours. You shall hold yourself out as doing business as an independently owned franchise and licensee under the name of the Groutsmith™, and member of our franchise network, unless otherwise provided for in this Agreement. You will immediately notify us of any lawsuits, actions or proceedings instituted either by private parties or governmental authorities against you or us including a complete description of the claim, action or proceeding involved.

9.6 The default by you in the payment when due of any indebtedness of yours owing to us, or to any affiliates of ours, or the default by you in the payment of any indebtedness of yours with respect to which we or any of our affiliates are guarantor, co-signer, endorser, or obligor, shall constitute a breach of this Franchise Agreement, rendering the same subject to termination in accordance with the provision of Section 10 hereof.

9.7 You hereby waive all claims against us for damages to property or injuries to persons arising out of the operation of your business, and you shall indemnify and hold us and our officers, directors, owners and affiliates harmless of and from any damage or injury to property or persons including employees from or in connection with the operation of your said business or the consumption of the products thereof, including our cost of defending any and all claims including reasonable attorney fees.

9.8 At all times during the term of this Franchise Agreement, you shall maintain in effect a policy or policies of insurance at your sole cost and expense subject to change from time to time as follows: (1) public liability in no less than \$500,000 combined single limits for bodily injury and property damage which amounts may be changed from time to time upon receipt of written demand from us; you must name Groutsmith™ Franchising, Inc. as an additional insured on this policy. (2) Workers' Compensation insurance as provided by state law for any employees you may choose to hire; (3) Auto Liability insurance with business coverage of no less than \$100,000/\$300,000/\$50,000 or combined single limits for bodily injury and property damage of no less than \$250,000 which amounts may be changed upon receipt of written demand from us from time to time. You must provide us with proof of auto insurance with business coverage. All insurance coverage shall be placed with insurers acceptable to us. All policies of insurance shall be timely renewed and new/renewal certificates of insurance or a copy of the application with copy of paid receipt shall be delivered to us on or before the expiration of these policies by U.S. Mail, fax, e-mail attachment or by hand delivery with receipt. Your insurance coverage needs to be in effect as of the date you begin operating your franchise business, or as of the date the office location is first identified as the site from which the franchise business will be operated, whichever occurs first. You are not required to purchase insurance through us. You may purchase equivalent coverage directly and must provide us with proof of coverage. If you fail to acquire insurance, do not provide proper proof of coverage or your coverage is subsequently cancelled, we may, but are not obligated to, acquire it on your behalf and bill you for the cost of the coverage. You must pay as billed upon demand. Your un-insurability or your failure to obtain insurance as required by us is expressly agreed to be cause for termination of this Agreement.

9.9 You do not have the right to offset or withhold payments owed to us or our affiliates for amounts or obligations purportedly due you from us as a result of any dispute of any nature or otherwise.

9.10 You shall maintain workers' compensation as provided by state law in which you do business and shall notify us immediately of all claims asserted against you or us. You agree to indemnify and hold us harmless, our officers, directors, owners and affiliates from any and all workers compensation claims including our cost of defense of any and all of these claims including reasonable attorney fees.

9.11 In the event you fail to pay any of the above-referenced fees in a timely fashion, you shall pay a late payment fee of five percent (5%) of the delinquent payments on any and all amounts, which are late plus interest.

9.12 If there is, at any time, assessed any nature of sales tax or use tax or other tax on royalties or advertising fees or other sums previously or at some future date received by us under this Agreement ("Sales Tax") then in addition to all royalties, advertising fees and other payments to be made by you as provided in this agreement, you shall also pay us or the taxing authority, if required by law, a sum equal to the amount of this sales tax. The term "tax" shall not include any income taxes applicable to us. Any sales tax paid to us shall be paid when due to the taxing authority.

9.13 Bank Draft Plan. The Bank Draft Royalty plan is currently not activated. If and when it is, the royalty due to us from you under this Agreement shall be made through that Bank Draft Plan. At that time, you shall sign those documents as may be required by us to permit us to withdraw from your general operating checking account the amounts due to us. A sample form authorizing the bank draft is attached as Exhibit FA II. Once activated, you may not make any change in your banking relationships, including any change in the account number of your general operating account, or any change in banks, without our prior written approval.

## **SECTION 10: TERMINATION**

We may terminate this agreement before the expiration of its term if you breach or violate any material term, condition or provision of this franchise agreement in any respect or default(s) in the performance or fulfillment of any material term or provision of this Franchise Agreement, including, without limitation, those breaches set forth herein below, Section 10.2 and 10.3 provide a specified cure period for certain breaches or defaults, while Section 10.1 and 10.4 list non-curable breaches or defaults. This agreement will terminate automatically at the end of its term as specified in Section 3.

10.1 If you fail to open business within ninety (90) days of the date of this agreement, or if you are unable to successfully complete the training and testing program described in Section 13 this Franchise Agreement may be terminated by us with notice with no opportunity to cure.

10.2 The conditions under which we may terminate subject to five (5) day notice to cure are as follows:

A. You fail to pay for any product, or any royalty fee, franchise fee, loan payment, advertising fee, transfer fee, renewal fee or other amounts due to us, or any of our affiliates or assigns, within the time period specified for these payments by this agreement, the Operations Manual or the agreement specifying the payment concerned; or

B. Failure by you to secure and maintain the required insurance, including public liability and workers' compensation insurance.

10.3 The conditions under which we may terminate subject to a thirty (30) day notice to cure are as follows:

A. The attachment of any involuntary lien in the sum of \$1,000 or more upon any of the business assets or property of franchisee, which lien is not promptly removed;

B. Conduct of the franchised business in a manner so as to affect materially and adversely our goodwill or reputation or our products and services;

C. Failure or refusal to maintain and operate the franchise in a professional manner and in compliance with the Operations Manual or the standards of quality or uniformity otherwise prescribed by us;

D. Selling products or goods or services other than those designated by us or which fail to conform to the Groutsmith™ System and specifications or which are not in accordance with the methods prescribed by us or fail to sell products designated by us;

E. Any purported assignment, transfer, or sublicense of the franchise, or any right hereunder, without our prior written consent;

F. Failure by you to use the Business Management Software, techniques, training, uniforms, and methods promulgated by any manuals and any periodic directives from us or failure by you to meet standards of quality or failure by you to use forms, invoices, receipts, stationery, ads and printed matter as directed by us or failure to attend mandatory training or seminar sessions required by us, as provided in Section 13.2.1;

G. Failure by you to put your full efforts into the franchise business or in your excused absence, to have the franchise business managed by someone who has the proper training and aptitude in our procedures and systems;

H. Failure to maintain confidential any information designated as confidential by us;

I. Failure to comply with any other provision of this Agreement or the Manuals; or

J. You or your employees are found to be using drugs or abusing other substances.

10.4 We may terminate this agreement with notice but without giving you an opportunity to cure if there occurs any of the following events: (No Cure Periods allowed.)

A. We mutually agree in writing to terminate this agreement;

B. You or the business to which this agreement relates is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or you admit your inability to pay your debts as they come due;

C. You fail to comply with any material federal, state or local law or regulation applicable to the operating of the franchise; or fail to pay when due, obligations of taxing authorities and other obligations of the franchise business;

D. You duplicate the Groutsmith™ system or use the system or any part thereof in connection with any other business;

E. You use any name, trademark, mark, service mark or other property right, either tangible or intangible, granted by the franchise other than in connection with the operation of your franchise business;

F. You make any material misrepresentation relating to the acquisition of the referenced business or you engage in conduct which reflects materially and unfavorably upon the operation and reputation of The Groutsmith™ business or franchise network;

G. You abandon the business;

H. You attempt to transfer, sell or assign all or any part of this agreement, the franchise business, or any material portion of the property associated with the business or attempt to purport to sublicense to another any of the rights, property licensed to You hereunder or otherwise fail, refuse or neglect to obtain any prior written consent or approval required hereunder;

I. You repeatedly breach conditions of the franchise agreement;

J. You, or any of your owners are, or have been convicted by a trial court, or plead or have pleaded no contest or guilty to a felony or other serious crime or offense;

K. You make any change in your banking relationships, including any change in the account number of your general operating account, or any change in banks, without our prior written approval.

10.5 In the event of any default by you, we shall give you written Notice of Default specifying the default(s) and, if curable; state what you must do to cure the specific default(s) with the cure period. Termination of this Franchise Agreement by us will occur as follows:

A. If the default is curable as listed in 10.2, above, you must cure all defaults within five (5) days from the date of Notice of Default; or

B. If the default is curable as listed in 10.3 above, you must cure all these defaults within thirty (30) days from the date of Notice of Default; or

C. If the default is one which is incapable of cure as listed in 10.1 or 10.4 above, termination is effective as of the date of the Notice of Default. Notwithstanding anything to the contrary we have the right, in our sole discretion, to grant you an extended period of time to cure.

SEE APPLICABLE STATE LAW ADDENDA/EXHIBIT G.

10.6 Upon your failure to cure any default within the time period specified in above paragraphs 10.2 and 10.3 or if you commit a non-curable default as specified in 10.1 or 10.4 above, you will be required to pay all current monies owed to us plus twenty four (24) months of royalties. We may also proceed to enforce any or all of the following non-exclusive remedies and the pursuit of any one remedy shall not be deemed an election or waiver by us to pursue additional remedies:

A. Bring an action for the balance of any monies due hereunder, including, without limitation, sustained by us as a result of your breach of this Franchise Agreement;

B. Accelerate the balance of any outstanding installment obligation due hereunder and bring an action for the entire accelerated balance;

C. Bring an action for temporary or permanent injunctions and orders of specific performance enforcing the provisions of this Franchise Agreement and otherwise stop you from engaging in actions prohibited hereby, including, without limitation, (1) improper use of the trademarks or system; (2) unauthorized assignment of the Franchise Agreement; (3) violation of the covenant not to compete; and (4) your failure to meet or perform your obligations upon termination or expiration of this Franchise Agreement. If we secure an injunction or order of specific performance, you will pay all reasonable costs incurred by us in obtaining the injunction, including attorney's fees;

D. Terminate this Agreement and proceed to enforce our rights under the appropriate provisions. This termination shall be effective upon delivery of notice of termination to you without further action by us;

E. Seek any other remedy available to us at law or in equity; or

F. In any litigation of any dispute arising under or related in any manner to this Agreement, the parties expressly agree that Sarasota County, State of Florida shall be the proper venue for any proceedings. (See paragraph 14.9 Mediation and Arbitration below) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. If any provision of this Agreement is found to be void under the laws of the State of Florida, any and all of the remaining provisions of the Agreement shall still be binding (however, this provision may not be applicable in certain states, see state specific addenda).

10.7 You may terminate for good cause only if we materially breach this Franchise Agreement. Before taking any action against us, you agree to first give us sixty (60) days prior written notice and an opportunity to cure any alleged act or omission. If this act or omission cannot be cured within the sixty (60) day period, and we are diligently continuing efforts to attempt to cure this alleged act or omission, you will give us additional time as is reasonably necessary to cure.

10.8 Without waiving or relinquishing any other right or remedy we may have by reason of any default by you, we may initiate litigation to compel you to comply with the provisions of this Agreement or with any duly established requirement hereunder.

## **SECTION 11: FRANCHISEES DUTIES UPON TERMINATION OR EXPIRATION**

Upon the expiration or termination of this franchise agreement for any reason, the following provisions shall apply:

11.1 All of your rights to the use of the trademarks and the right and license to conduct said business at your office location shall revert to us without further act or deed of any party. All of your rights as a franchisee shall terminate and you shall immediately cease to use, by advertising or otherwise, The Groutsmith™ program or any part thereof, or any device, marks, service marks, trademarks, trade names, systems, slogan or symbols used in connection with the Groutsmith™ program. You will promptly, and at your own expense, remove all Groutsmith™ signage and displays furnished to you by us and shall remove and discontinue all use of any signage or displays at the office location, on your vehicle, or in your possession bearing any of the trademarks or names, marks or material deceptively or confusingly similar to any of the trademarks. You will take those other steps reasonably required by notice from us, including repainting your office location premises a different color or altering the appearance of any other distinctive aspect or feature of these premises, that we deem necessary by notice to you to distinguish these premises from a Groutsmith™ franchise business and removal of any vehicle decals designating you as part of the Groutsmith™ system. You will promptly and at your sole expense release and terminate any and all use of any trade name or fictitious name, which incorporates the words “The Groutsmith”™, or any other trademark of ours.

11.2 You shall pay all monies due to us at said date. In addition, if due to default by you, you shall pay to us, as liquidation charges and not as a penalty, your regular monthly royalty fee for 24 months or the number of months remaining on your franchise term, whichever is less.

11.3 All right, title and interest of franchisee in and to this Franchise Agreement and/or the franchise granted shall become our property.

11.4 You will turn over to us, or our designee, a complete list of the names and addresses of all persons employed by you during the three years immediately preceding termination or expiration, together with a copy of their employment files.

11.5 You will turn over to us or our designee a complete list of the names, addresses and telephone numbers of all of your customers from the date your office location was opened to the date of expiration or termination, together with your customer record file. Upon expiration or termination, you shall give us a list of all telephone numbers, facsimile numbers, and all extensions utilized by the business and within 30 days of receipt of this list, we shall notify you of our election to either have said telephone numbers and service canceled or have it, or any part of it, transferred to us or our designee. You shall take whatever steps are necessary to immediately comply with our election. Costs associated with a transfer of the service to us shall be paid by you.

11.6 You will return to us, in good condition, all manuals furnished by us, all advertising material, stationery and printed forms, and all other printed materials bearing The Groutsmith™ names or marks, in your possession at the time of this expiration or termination.

11.7 If this agreement is terminated during the training period, we shall refund a portion of the initial franchise fee as listed in Section 7.1 above.

11.8 Upon expiration or any termination of this Agreement for any reason, with the sole exception of your compliance with Paragraph 10.7, you agree that neither you, your family members, owners, principals, members or other agents shall directly or indirectly engage in any competitive business within fifty (50) miles of the boundaries of the territory of any Groutsmith for a period of two (2) years after said date of expiration or termination of this agreement, except as a Groutsmith™ franchise under another effective Franchise Agreement. You further agree not, at any time, to furnish any information designated as confidential by us including our methods of promoting, maintaining and operating the Franchise Business or any other information relative to our business. You shall: (1) strictly adhere to all security procedures prescribed by us at our sole discretion; (2) disclose this information to your employees only if necessary to market your products and services and for the orderly operation of your business and only after securing a valid enforceable confidential agreement from these employees at

your cost; (3) be prohibited from using any of this information in any other business or in any manner not specifically authorized or approved in writing in advance by us; and (4) be required to exercise your highest degree of diligence to maintain the confidentiality of all of this information during and after the term of this Franchise Agreement and to use your best efforts to secure confidentiality agreements enforceable under state law when required by us. You also stipulate that neither you nor your key employees will be employed or have a financial interest in a business similar to ours during the term of the franchise except for owning less than one percent (1%) of the stock of a competing company whose shares are traded on a National Securities Exchange. You agree that it is the parties' intent that this paragraph be enforced to the fullest extent permissible under the applicable law. You understand and acknowledge that we shall have the right, at our sole discretion, to reduce the scope of this paragraph or any portion thereof without your consent upon notice to you and you agree to comply with the paragraph as modified.

11.9 Even after expiration or termination of this Agreement, you shall be required to compensate us for any costs we or any other franchisee may incur in remedying any problems that you may have left with any of your customers.

11.10 The requirements of this Section 11 shall survive expiration or termination of this Agreement for any reason(s).

## **SECTION 12: TRANSFER OF FRANCHISE**

12.1 This Agreement and all rights and obligations hereunder are fully assignable and transferable by us and if so assigned or transferred, shall be binding upon and inure to the benefit of our successors and assigns. We may be sold or we may sell any or all of our intellectual property or other assets (including the trademarks) to a competitive or other entity. In addition, we may go public, may engage in a private or other placement of some or all of our securities, may merge, acquire other entities or assets which may be competitive with the Franchise System or not, be acquired by a competitive or other entity, and may undertake any refinancing, leveraged buy-out or other transaction. You waive all claims, demands and damages with respect to any transaction or otherwise allowed under this section. You will fully cooperate with any such proposal, merger, acquisition, conversion, sale or financing.

12.2 This Agreement is personal as to you, and is being entered into in reliance upon and in consideration of the qualifications and representations of you and your present partners or members or officers if you are a partnership, corporation or limited liability company. Therefore, neither this Agreement nor any of its rights or privileges, nor the assets of the franchised business, nor any shares in the Franchisee if it be a corporation, partnership or limited liability company, shall be assigned, sold, transferred, or divided in any manner by you or anyone else unless our prior written approval is obtained. You will provide us with all documentation relating to the transfer of your franchise business. Said approval will not be unreasonably withheld, but may be conditioned upon our satisfaction with the character, business experience and credit rating of the proposed transferee and its partners, members or officers and controlling stockholders, if it is a partnership, corporation or limited liability company. The term "transfer" includes any direct or indirect assignment, sale, gift, pledge, mortgage or granting of any security interest.

12.3 In determining the acceptability of the proposed transferee, We will consider, among other things, our then-current standards for new franchisees, including the net worth, credit worthiness, background, training, personality, reputation, and business experience of the proposed transferee, the terms and conditions of the transfer and any circumstances that would make the transfer not in the best interests of us or the franchise System. We may meet and candidly discuss all matters relating to your franchise and the franchise business with the potential transferee. In no case will you or a proposed

transferee rely on us to review or evaluate any proposed transfer. Neither we nor our affiliates will be liable to you or the transferee or any other person or entity relating to the transfer and you agree to indemnify and hold us harmless from any liability whatsoever relating thereto.

12.4 Upon any proposed transfer of this Franchise Agreement, or any interest in it, you agree to submit to us an application in the form specified by us on behalf of the proposed transferee.

12.5 As a condition of our approving the transfer of the franchise, you agree to pay to us a transfer fee of \$5,000 plus our out of pocket expenses to reimburse us for our reasonable legal, accounting, overhead, credit and investigation expenses incurred as a result of the proposed transfer; provided that we may reduce, defer or waive such fee in individual cases. The transfer fee is non-refundable and payable at the time of the approved transfer.

12.6 If a proposed transfer is only among existing shareholders or members of a corporate or limited liability company franchisee, or among existing partners of a partnership franchisee, or by an individual or partnership franchisee to a corporation or limited liability company owned not less than sixty percent (60%) by the pre-existing franchisee or franchisees, there will be no transfer fee and we shall not be entitled to exercise our right of first refusal. Each stock certificate of a corporate or limited liability company franchisee shall have endorsed upon its face that assignment or transfer thereof is subject to the restrictions of this Agreement.

12.7 Involuntary transfers of this Agreement by you, such as by legal process, are not permitted, are not binding on us, and are grounds for the termination of this Agreement. You agree that using this Agreement as security for a loan or otherwise encumbering this Agreement is prohibited, unless we specifically consent to any such action in writing prior to the proposed transaction. You agree not to purport to grant a sub-franchise under this Agreement nor to otherwise seek to license or permit others to use this franchise or any of the rights derived by you under it. Any attempt to transfer this agreement in whole or in part, or any material portion or property used by you in connection herewith, whether or not binding on us, will be grounds for the immediate termination of this Agreement, unless such transfer is authorized in writing by us.

12.8 Prior to the effective date of transfer of the franchise and as a condition for our approval of any transfer, you agree as follows:

12.8.1 You must be in full compliance with this Agreement and not be in default hereunder. All accounts payable and other monetary obligations to us or our affiliates or subsidiaries must be paid in full. You must have submitted all required reports, financial statements and other documents.

12.8.2 The terms and conditions of the proposed transfer must be provided in writing to us.

12.8.3 All your obligations in connection with the franchised business must be assumed by the transferee.

12.8.4 The transferee must sign the then-current form of the franchise agreement, which may have different terms than this Agreement, and fully upgrade the franchise business and premises to the level required of new franchisees.

12.8.5 The transferee must pay for and complete the training program required of new franchisees.

12.8.6 You must pay a \$5,000 transfer fee plus our out of pocket expenses (see 12.5 above). In addition the transferee must agree to be trained by us. The cost of such training shall be at our standard rate for training new managers plus the cost of travel, food and lodging for our trainers if training is at any location other than our corporate office.

12.8.7 You and each of your owners must execute a general release to us and our affiliates of any claims you may have against us, our officers and directors relating to the franchise business.

12.8.8 The transferee shall sign a document stating that he/it has received a copy of the franchise disclosure documents at least two weeks prior to closing and that we have made no representations, promises, or covenants concerning the past or future success of the franchise.

12.8.9 Your non-competition, indemnity and confidentiality obligations and the provisions relating to dispute resolutions will survive any transfer.

## 12.9 First Right of Refusal.

12.9.1 You hereby grant to us the right of first refusal to purchase your assets, Franchise Agreement or franchise business on such terms and conditions specified in a bona fide written offer from a third party which you desire to accept who, other than a transfer to an entity owned more than sixty percent (60%) by you. You agree to notify us in writing of the terms and conditions of the sale or other transfer, including the interest proposed to be transferred, the purchase price or other consideration, any creditor financing terms being extended by you, the date of the proposed transfer, and all other pertinent provisions of the proposed sale or transfer. In addition, a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent and the like, must also be forwarded to us as soon as it is signed by you. Following receipt of all pertinent data and documents concerning the proposed transfer, including any additional data concerning the transaction requested by us from you, we shall have sixty (60) days in which to advise you in writing of our election to have the interest proposed to be transferred or assigned to us on the terms and conditions agreed to by the prospective transferee. Should we elect to purchase the interest proposed to be transferred pursuant to our right of first refusal, you and we agree to cooperate to accomplish the transfer as set forth in the provisions submitted to us by you, provided that the date for the completion of the transfer can be extended at our option for up to thirty (30) days beyond the date originally indicated for the completion of the transfer in order to allow the completion of the transaction in a manner more convenient to us. If Franchisee is a corporation or limited liability company (LLC) then the above right of first refusal provisions shall apply to the sale, pledge, assignment, trade or transfer of the stock of the corporation or membership in the LLC. If the franchised business is not sold to such third party within three (3) months after we elect not to purchase the interest, you must re-offer the franchised business to us before you may sell to a third party. We have no obligation to purchase the franchise business.

12.9.2 If we do not elect to purchase the interest proposed to be transferred, you may complete the proposed transfer on the terms and conditions set forth in your notice to us subject to our right to approve the proposed transferee and the terms and conditions set forth under Section 12.8 above. However, if there are any material changes in the terms and conditions of the proposed transfer after you notify us of the proposed transfer, including any changes in the terms and conditions occurring after we notify you of our election not to purchase the interest pursuant to our right of first refusal, and any of those changes are less favorable to you, you agree to notify us of the changes in writing and we shall have an additional ten (10) days within which to elect to purchase the interest proposed to be transferred on the revised terms and conditions. If the proposed transfer is not completed for any reason after we elect not to purchase the interest being transferred, a new right of first refusal commences as to any subsequent proposed sales or transfers by you.

12.10 In the event of the death or incapacity of an individual franchisee or general partner or manager of a franchisee, the heirs or personal representative shall have the right to continue the business; provided that within a reasonable time (one hundred and twenty (120) days) after such death or incapacity (or such longer period required by the laws of the state where the franchise is located) the heirs appoint a representative to act in behalf of the heirs in all matters pertaining to the franchise as provided for new managers and franchisees including the requirements to have the representative trained and accepted by us in accordance with our standards. The heirs or personal representatives, instead of operating the franchise themselves under the foregoing procedures may choose to transfer the franchise. If a decision to transfer is made, the transfer procedures explained above will apply. If

we are required to run the franchise business for a time, we will charge an operation fee of five hundred dollars (\$500) per day per representative plus our costs of travel, food and lodging.

12.11 The parties agree that in the event a court of competent jurisdiction orders you to transfer to your spouse all or any part of your interest in this Agreement, and/or in any property related thereto, such an order will constitute a transfer of this Agreement and will cause the transferee to be subject to all of the terms and conditions concerning transfers set forth herein above.

12.12 If we receive an offer to acquire a majority of the Groutsmith™ franchises outstanding or to purchase a majority of our assets or stock, or to merge or go public or similar transactions, we have the option, but not the obligation, to purchase all of your rights and interests in and under the franchise and this Agreement and the franchise business at fair market value and may be payable on terms as reasonably negotiated. Local goodwill may be taken into account in determining the value of your franchise business. Local goodwill is that goodwill which is established in the mind of the public within your territory, and only with your territory. All goodwill belongs to us. The purchase price will not include compensation for any renewal or successor term. If the purchase option is exercised, you will execute a general release to us. We will close our purchase within sixty (60) days after you receive notice of intention to exercise our right or as soon thereafter as reasonably practical.

## **SECTION 13: TRAINING AND ASSISTANCE**

13.1 We provide the following services to you before opening or shortly thereafter of the franchised business:

13.1.1 Training: We will provide an initial training period of approximately 80 hours over nine to ten days at a site we select. You must attend and successfully complete the training and testing before the opening of the franchise business. The initial training will cover all aspects of the franchise operation including sales and marketing, local advertising, customer relations, job estimating, performance of required, approved services, approved product information and service information, measuring, restoration, trouble shooting, purchasing, Business Management Software (banking, bookkeeping, profit calculations, financial planning), time management, competition, applicable lien and contractor's laws, and required permits and licenses. Your training also includes physically doing work on-site. There is no fee for the initial training program. You may also bring one partner, spouse or employee to the training program at no additional fee to you. You must successfully complete our initial training program. In the event you wish to bring more than one person, you must pay us a training fee for each additional attendee, currently \$750 for management / office training, and \$750 for technical / field training. Training for both parts of the training is \$1,500 per person. You must provide your own travel, lodging and meals for the duration of the training program. Attendance at all sessions of the initial training is mandatory. Additional training may be required if we feel it is in your best interest. In the event that you do not satisfactorily pass training, we can terminate this Agreement, with no refund of your initial franchise fee. No initial training will be provided when additional units are purchased by you.

13.1.2 Territorial Assistance: We will advise you in obtaining the necessary information in each territory offered and assist you in the selection of your territory. The criteria we use in configuring your territory is the number of owner-occupied households in your territory. If your office is located outside of your home, the office space must be located in your territory.

13.1.3 Franchise Start-Up Package, Inventory Supplies and Printed Items: We will provide the initial Start-Up Package listed as Exhibit FA IV. No start-up package will be provided to you if you purchase additional franchises.

13.1.4 Operations Manuals: We will provide you the Operations Manual, consisting of operational techniques, financial and bookkeeping information, marketing plans, advertising techniques and other

services and procedures relevant to the operation of the franchised business. All manuals are copyrighted and considered our trade secrets.

13.1.5 Ad Copy: We will provide you with an advertising program including direct mail advertising, online advertising and a media package that includes ads approved for immediate use.

13.1.6 Customer Management Software: We will provide you with access to a cloud based Customer Management Software for your Customer/jobs completed record keeping.

13.1.7 Call Center: The call center is currently not activated. If and when it is, Groutsmith Franchising will provide a message retrieval and distribution center, established for processing and distribution of calls from prospective customers by zip code, insuring the integrity of your territory and including quality control for complaints, etc. You may utilize the Call Center and pay the current fee for this service. We, although not obligated to do so by the Franchise Agreement or any other agreement, may assist you before opening, mainly by providing telephone support during regular business hours in the form of answering any questions that you may have regarding your business, together with any other information pertaining to the opening operation of the franchise.

13.2 Following the opening of the Franchised Business, we in our sole discretion may, but are not obligated to:

13.2.1 Hold annual conferences to discuss improvements, new developments, mutual concerns and business issues. There may be a conference fee, and you must pay all your travel and living expenses. These conferences will be held at various locations chosen by us;

13.2.2 Conduct telephone conferences as needed to discuss sales techniques, inventory control, performance standards and advertising programs;

13.2.3 Develop promotional programs and campaigns which shall be mailed to clients and prospective clients or which shall be placed in state, regional or national publications;

13.2.4 At Your request, provide you with samples of advertising and promotional materials developed by us occasionally. You may develop advertising materials for your use, at your cost.

13.2.5 Establish policies, procedures, standards and specifications for the operation of your franchise business. We may change, modify or update these procedures, standards and specifications at our discretion. You must strictly follow these procedures, standards and specifications. Failure to do so is grounds for termination of your franchise.

13.3 We shall, upon request, make our training program available to your employees, partners and associates, at reasonable times and at charges fixed by us.

13.4 We may offer training for supplemental services (if any) to be provided by you through your franchise business. To participate, you must have operated your franchise business for at least six (6) months and be in full compliance with all of the provision hereof. You may request to be trained by us to offer these supplemental services to the public. You must pay our then current training fee for each person to be trained in these supplemental services and you must pay for your travel, food and lodging during training. From time to time we may amend the supplemental services available to you. Providing supplemental services may require you to purchase or lease additional equipment or supplies.

## **SECTION 14: GENERAL PROVISIONS**

14.1 Except as provided in Section 14.7, in the event any one or more clauses of this Agreement shall be held to be void or unenforceable for any reason by any court of competent jurisdiction, this clause or these clauses shall be deemed to be severable and of no force or effect in the jurisdiction, and the remainder of this Agreement shall be deemed to be valid and in full force and effect, and the terms of

this Franchise Agreement shall be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of the clause or clauses.

14.2 Any waiver by us of any breach or default by you shall not be deemed to be a waiver of any other or subsequent breach or default nor an estoppel to enforce our rights in the event of any other or subsequent breach.

14.3 This Agreement constitutes the entire agreement between the parties with respect to the entire subject matter of this Franchise Agreement and embodies all prior agreements and negotiations with respect to the Groutsmith™ business. There are no representations, warranties or undertakings of any kind except as contained herein and in the Franchise Disclosure Document and in the application. Nothing in this or in any related agreement, however, is intended to disclaim the representations in the franchise disclosure document that we furnished to you. You have the qualified right to use the Trademarks as provided herein. The relationship between the parties is that of Franchisee and Franchisor, and nothing herein contained shall be construed to constitute a partnership, joint venture, employment relationship, or agency of any kind or for any purpose whatsoever. This Agreement may not be modified or amended except in writing, signed by both parties hereto.

14.4 Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein shall be in writing, signed by the party giving the same and shall be deemed delivered if sent either (I) by personal delivery when delivered personally, (II) by overnight courier upon written verification of receipt, (III) by telecopy or facsimile transmission when confirmed by telecopy or facsimile transmission, (IV) by certified or registered mail, return receipt requested, three (3) days after deposit in the mail, or (V) by email with verification or acknowledgment of receipt;

14.4.1 If intended for us, shall be addressed to ~~395 Interstate Boulevard~~6341 Porter Road, Suite 11, Sarasota, Florida 34240; or

14.4.2 If intended for you, it shall be addressed to you at the office location hereinabove designated, or to the other address as may have been given to the other party by notification as herein provided.

14.5 If Franchisee consists of two or more individuals, the individuals shall be jointly and severally liable, and references to you in this Agreement shall include all the individuals. We reserve the right to require franchises owned by more than one individual franchisee to form an entity to act as franchisee with each individual personally guaranteeing the performance of the entity. Reference to you as male shall also include a female, corporation, partnership, limited liability company, or any other business entity as relevant in the context. Heading and captions contained herein are for convenience of reference only and shall not be taken into account in construing or interpreting this Agreement.

14.6 Subject to the terms of Section 12 hereof, this Agreement shall be binding upon and inure to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

14.7 This Agreement shall be effective only when approved by an officer of franchisor and shall be governed by and interpreted in accordance with the laws of the State of Florida. All of the clauses of this agreement are distinct and severable, and if any clause shall be held to be illegal or void, it shall not affect the validity or legality of the remaining portions of the agreement. All transactions hereunder are to be construed as originating at our offices in Sarasota, Florida, and nothing in this agreement shall be construed as doing business by us or the making of any offer by us in any other state other than the State of Florida. Any legal action, which may be instituted to enforce any provision of this agreement, or otherwise arising out of this agreement or the making of it, shall be in the courts of the County of Sarasota, State of Florida.

14.8 If any applicable law or rule of any jurisdiction requires a greater prior notice of termination of, or the election not to renew this Agreement, or the taking of some other action with respect to such

termination or election not to renew than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

#### 14.9 MEDIATION

A. Any controversy or claim (other than those arising from non-payment of monies due, falsification of reports, abandonment, and those regarding trademark infringement arising out of or relating to this contract, or the breach thereof, shall be subject to mandatory non-binding Mediation. The Mediator will be appointed in accordance with the Rules and Regulations of the American Arbitration Association unless the parties agree on a Mediator in writing within ten (10) days after either party gives written notice of Mediation. If either party alleges a dispute or controversy against the other party for any reason (other than those cited above), then either party will have the right to demand non-binding Mediation within the ten (10) days after the complaining party provided the other party with written notice describing the dispute or controversy and the desired action. All Mediation hearings will take place exclusively in Sarasota, Florida, and will be held within twenty (20) days after the Mediator has been appointed. The Mediation hearing will be informal and the Mediator will have the right to hear and review all testimony and evidence presented by either party. The cost of the Mediator will be shared equally by the parties. The parties agree that they will act in good faith to settle any dispute or controversy between them either prior to or during Mediation. All matters, testimony, arguments, evidence, allegations, documents and memorandums will be confidential in all respects and will not be disclosed to any other person or entity by either party.

The Franchisor and the Franchisee will not have the right to commence any legal proceedings against the other party until the dispute or controversy has been mediated as provided for herein, unless said dispute is of a nature excluded from Mediation as set forth above. Both parties will have the right to take all actions necessary to commence legal proceedings prior to any Mediation hearing; however, neither party will have the right to prosecute any legal proceedings beyond commencement of an action until the Mediation has concluded.

B. Nothing herein shall bar the right of either party to obtain injunctive relief against threatened or actual conduct under the usual rules of equity, including the applicable rules for obtaining preliminary injunctions.

14.10 You acknowledge that you have been afforded a reasonable and sufficient opportunity, before entering into this Agreement, to review the same with legal and financial counsel as you deem appropriate, and that you have been represented in connection with entering into this Agreement by your own legal counsel.

14.11 You acknowledge and represent that you have not received from us any projections or representations regarding the amount of income you can expect to earn from the franchise granted hereby. You acknowledge that no representations or warranties inconsistent with the Franchise Disclosure Document or this Agreement were made to induce you to sign this Agreement. You acknowledge that neither we nor any other person can guarantee the success of your business.

14.12 You make the following additional warranties and representations:

14.12.1 You are a (check one):

Partnership\_\_\_\_ Corporation\_\_\_\_ Individual(s) \_\_\_\_

Sole Proprietorship\_\_\_\_ Limited Liability Company\_\_\_\_

14.12.2 If you are a corporation, partnership, or limited liability company, there is set forth below the name and address of each shareholder, partner, or member holding an ownership interest in the corporation, partnership or Limited Liability Company.

Name	Address	Shares and % Interest*

\*Corporation: Percentage owned of outstanding voting stock.  
 Partnership: Percentage owned in capital and profits.  
 Limited Liability Company: Percentage owned in membership interest.

14.12.3 The address where your records are maintained is:

\_\_\_\_\_

14.12.4 The name of the person/s who has been approved by us and who shall be directly responsible for supervising your business operations is:

\_\_\_\_\_

IN WITNESS WHEREOF, the parties have signed the foregoing Franchise Agreement the date first above written.

**FRANCHISOR**

**GROUTSMITH™ FRANCHISING, INC.**

A Nevada Corporation

By: \_\_\_\_\_

**FRANCHISEE(S)**

\_\_\_\_\_  
 (Name of Entity)

\_\_\_\_\_  
 (Signature of Sole Proprietor if a Sole Proprietorship)

\_\_\_\_\_  
 (Signature of Partner if Franchisee is a Partnership - all Partners must sign)

\_\_\_\_\_  
 (Signature of any additional Partner)

\_\_\_\_\_  
 (Signature of any additional Partner)

By: \_\_\_\_\_

Title (if Franchisee is a corporation)

\_\_\_\_\_  
Secretary (if corporate entity is involved)

**SHAREHOLDERS OF FRANCHISEE**

(If Franchisee is a corporation, all shareholders must sign and by signing hereunder agrees to be individually bound by all of the terms and conditions of this Agreement)

By: \_\_\_\_\_

Title (if Franchisee is a limited liability company)

\_\_\_\_\_  
Secretary (if applicable)

**MEMBERS OF FRANCHISEE**

(If Franchisee is a limited liability company, all members must sign and by signing hereunder agrees to be individually bound by all of the terms and conditions of this Agreement)

\_\_\_\_\_  
\_\_\_\_\_



# Exhibit FA I Territory

TO BE ATTACHED HERE

\_\_\_\_\_ Franchisee's Initials

\_\_\_\_\_ Franchisee's Initials

\_\_\_\_\_ Franchisor's Initials

## Exhibit FA II

### SAMPLE BANK DRAFT FORM

AUTHORIZATION TO HONOR CHECKS OR ELECTRONIC FUNDS TRANSFER DRAWN BY AND PAYABLE TO GROUTSMITH FRANCHISING, INC.

BANK ACCOUNT IN THE NAME OF	UNIT #	BANK ACCOUNT NUMBER
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To the Bank Designated:

You are hereby requested and authorized to honor and to charge to the account described, checks or electronic funds transfer ("EFT") drawn on the account which are payable to the above named payee. The name(s) of the depositor(s) on such checks will be printed by standard business machines. It is agreed that your rights with respect to each such check or EFT shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such check or EFT is not honored, whether with or without cause you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

\_\_\_\_\_  
Name of Franchisee (please print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Franchisee

<b>FULL NAME OF BANK</b>
<b>STREET ADDRESS</b>
<b>CITY, STATE, ZIP CODE</b>

Drawee Bank Please Note: There is an Indemnification Agreement below.

Indemnification Agreement  
To the Bank Designated

In consideration of your compliance with the request and authorization printed on the Authorization Form hereof, the Payee agrees with respect to any such action:

(1) To Indemnify you and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with the execution and issuance of any check, EFT, draft or order, whether or not genuine, purporting to be signed by the Payee and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection herewith.

(2) To Indemnify You for any loss arising in the event that any such check, EFT, draft or order shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

To defend at Our own cost and expenses any action which might be brought by any depositor or any other persons because of your actions taken pursuant to the foregoing request, or in any manner arising by reason of your participation.

**NOTICE TO OWNER**

1. ATTACH ONE VOIDED CHECK HERE.
2. BE SURE ALL SPACES SHOWN ABOVE ARE COMPLETED.

# Exhibit FA III

## Franchise Agreement

### APPROVED GROUTSMITH SERVICES

1. Grout Cleaning
2. Grout Sealing
3. Grout Restoration and Repair
4. Tile Restoration and Repair
5. Tile Anti-Slip Treatment
6. Caulking
7. Shower Restoration and Repair
8. Tile Floor Re-bonding
9. Tile Micron Coating/Sealing

\_\_\_\_\_ Franchisee's Initials

\_\_\_\_\_ Franchisee's Initials

\_\_\_\_\_ Franchisor's Initials

**Exhibit FA IV**  
**Franchise Agreement**  
**Start Up Package**

**Equipment and Tools**

Salesman's Kit  
Commercial Wet Vacuum with Squeegee Bar  
Racatac Floor Dolly/Roller System  
Rubbermaid Floor Brush  
Grout Getter Grout Removal Tools (2)  
Caulk Gun  
Knee Pads  
Safety Glasses  
Terry Cloth Towels (24)  
Eight Ounce Transfer/Sealer Bottles with Caps (4)  
Sixteen Ounce Spray Bottles (2)

**Training Materials / Management System**

Groutsmith Operations Manual (Electronic version)

**Marketing Materials**

Marketing and Advertising Plans  
Advertising Mailer Coupons and Postcards, Etc. (Electronic Samples and Templates)

**Printed Materials**

500 Business Cards  
100 Estimate Forms (4 part NCR) 100  
50 Warranty forms

**Groutsmith Products and Other Consumable Supplies**

Groutsmith Green Alkaline Cleaner (12 gallons)  
Groutsmith Grout-max Acidic Cleaner (4 gallons)  
Groutsmith Sparkle 24 Acidic Cleaner (4 gallons)  
Groutsmith Gold Neutral Cleaner (12 quarts)  
Groutsmith Green Cleaner (12 quarts)  
Groutsmith Slip-Resist (1/2 gallon)  
Groutsmith Micron Coat (1 quart)  
Groutsmith Restoration Sealer (36 pints)  
Color Matched Silicone Caulk (15 tubes)  
Color Matched Acrylic Caulk (36 tubes)  
Seven inch Detail Grout Brush (24)  
Groutsmith Polo Shirts (6)  
Groutsmith Hat



## **EXHIBIT FA V TO DISCLOSURE DOCUMENT CALL CENTER SERVICES**

**The call Center is currently not activated. If and when activated, you will complete the attached enrollment form and fax it to 941-925-9411.**

- Calls will be received and demo/estimate appointments will be set.
- All calls from your territory will be assigned to you.
- Appointments and messages will be emailed to you daily.
- Urgent or time sensitive messages will be emailed or called into you cell phone.
- Appointments set are charged at \$15 each. All other calls are charged at \$2 each.
- Payments for Call Center services are due on the 5<sup>th</sup> of each month for the prior month charges.

**EXHIBIT FA VI**  
**Enrollment Agreement for Services**  
**Groutsmith Call Center**  
**Fax 941-925-9411**

\_\_\_\_\_  
Start Date

\_\_\_\_\_  
Groutsmith Name (local)

\_\_\_\_\_  
Home Phone Number

\_\_\_\_\_  
Cellular Phone Provider

\_\_\_\_\_  
Cell Phone Number

\_\_\_\_\_  
Cell Phone Email Address

\_\_\_\_\_  
Fax Number

Please list all names that may be mentioned in customer messages such as spouse, secretary, technician, etc.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**I / we understand and agree to the following conditions and fees:**

- A 10% late fee will apply to all payments received after the 10<sup>th</sup> of the month.
- Call Center services may be interrupted if payments are not received by the 30<sup>th</sup> of the month.
- There will be a \$25 NSF charge and after two occurrences, another payment method may be required.

By executing this agreement, I acknowledge and agree to the terms above and to the sharing of information with the Call Center.

\_\_\_\_\_  
Franchisee's Signature

\_\_\_\_\_  
Date

**EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT**  
**GENERAL RELEASE**

THIS GENERAL RELEASE OF LIABILITY is dated and effective \_\_\_\_\_, (“Effective Date”) by and among Groutsmith Franchising, Inc., a Nevada corporation, (“Franchisor”) and \_\_\_\_\_, an individual residing at \_\_\_\_\_, or a \_\_\_\_\_ corporation (“Franchisee”).

WHEREAS, Franchisor and Franchisee entered into that certain Franchise Agreement, dated \_\_\_\_\_, (“Franchise Agreement”) for ownership and operation of a Groutsmith franchised business.

WHEREAS, Franchisor and Franchisee now desire to terminate such Franchise Agreement, in connection with the termination, assignment or renewal of the franchise.

NOW THEREFORE, to acknowledge that any claims and issues which Franchisee may have had prior to the date hereof have been fully resolved and as consideration for the termination/assignment or renewal of the Franchise Agreement, and other good and valuable consideration, it is agreed as follows:

Franchisee, for himself/herself/themselves and each of his/her/their successors, representatives, assigns, affiliates, principals, officers, directors, shareholders, subsidiaries, parents, agents, servants, employees, executors, joint ventures, partners, employers, administrators, accountants and attorneys, and each of them, do hereby absolutely, fully, jointly, and severally, and forever release, acquit, relieve, waive, relinquish, and discharge Franchisor, and its respective successors, representatives, assigns, affiliates, principals, officers, directors, shareholders, subsidiaries, parents, agents, servants, employees, executors, joint ventures, partners, employers, administrators, accountants and attorneys from any and all claims, actual or alleged, and any and all claims, actual or potential, whether known or unknown, whether fixed or contingent, whether actual or alleged, and any and all causes of action arising from the beginning of time to the present, including all such claims arising out of or relating to the Franchise Agreement.

Franchisee, severally and jointly, acknowledges that he/she/they may later discover facts, in addition to or different from those which he/she/they know or believe to be true, with respect to the subject matter of the Franchise Agreement, but that each intends to and does hereby fully and finally settle and release all claims as provided herein.

IN WITNESS WHEREOF, the parties hereto have caused this Release of Liability Agreement to be executed as of the day first written above.

WITNESS: \_\_\_\_\_ GROUTSMITH FRANCHISING, INC.

WITNESS: \_\_\_\_\_ FRANCHISEE:



## STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
<u>California</u>	<u>March 21, 2019</u>
<u>Hawaii</u>	
<u>Illinois</u>	
<u>Indiana</u>	
<u>Maryland</u>	<u>January 27, 2020</u>
<u>Michigan</u>	
<u>Minnesota</u>	<u>May 10, 2019</u>
<u>New York</u>	
<u>North Dakota</u>	
<u>Rhode Island</u>	
<u>South Dakota</u>	
<u>Virginia</u>	<u>October 2, 2019</u>
<u>Washington</u>	<u>July 31, 2019</u>
<u>Wisconsin</u>	<u>July 2, 2019</u>

## RECEIPT (Item 23)

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 Groutsmith™ Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise ~~sale or, in Maryland, the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or the payment of any consideration that relates to the franchise relationship.~~

If Groutsmith™ Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator listed in Exhibit "B".

The franchisor is Groutsmith™ Franchising, Inc. located at 6341 Porter Road, Suite 11, Sarasota, Florida 34240. Phone: 888-50-GROUT. Fax: (941) 925-9411. Email: sales@groutsmith.com

The issuance of this disclosure is January 23, ~~2020~~2019.

Groutsmith™ Franchising, Inc. authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

The franchise seller is Jonathan Smith, 6341 Porter Road, Suite 11, Sarasota, FL 34240 (941) 924-4433

I have received a disclosure document that included the following:

Exhibit A Financial Statements

Exhibit B List of State Administrators responsible for Franchise Disclosure and Registration Laws

Exhibit C Confidentiality and Non-Competition Agreement for Employee

Exhibit D Confidentiality and Non-Competition Agreement for Principal

Exhibit E Table of Contents of Operations Manual

Exhibit F Schedule of Franchisees and Locations of Groutsmith Franchising, Inc

Exhibit G State Addenda

Exhibit H Franchise Agreement

### Exhibit I General Release

Two copies of this receipt have been placed at the end of the entire Disclosure Document. Please sign and print your name below, date and return one copy of this receipt to Groutsmith™ Franchising, Inc. and keep the other for your records.

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

\_\_\_\_\_  
Prospective Franchisee's Signature

\_\_\_\_\_  
Prospective Franchisee's Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
By (Officer of Legal Entity)

\_\_\_\_\_  
Printed Legal Name of Entity

Retain this copy for your records.

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\_\_\_\_\_  
Prospective Franchisee's Signature

\_\_\_\_\_  
Prospective Franchisee's Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
By (Officer of Legal Entity)

\_\_\_\_\_  
Printed Legal Name of Entity

**Return this copy to the Groutsmith**