

FRANCHISE DISCLOSURE DOCUMENT

Surface Experts Franchising LLC
A Washington limited liability company
159 South Lincoln St., Suite 321
Spokane, WA 99201
509-381-5884
www.surfaceexperts.com



The franchised business provides
[Surface Experts Franchising LLC](#)
[A Washington limited liability company](#)
[159 South Lincoln St., Suite 321](#)
[Spokane, WA 99201](#)
[509-381-5884](#)
www.surfaceexperts.com



As a Surface Experts franchisee, you will provide on-site repair of interior surfaces such as vinyl, wood, glass, linoleum, tile, leather laminate, and stainless steel to residential and commercial customers, under the trade name “Surface Experts”.

The total investment necessary to begin operation of a Surface Experts franchise is ~~\$114,450~~ 137,015 to ~~\$203,050~~ 232,260. This includes ~~\$77,700~~ 79,065 to ~~\$112,700~~ 115,360 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure documents in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact ~~Surface Experts Franchising, LLC~~ Jacob Grady at 159 South Lincoln Street, Suite 321, Spokane, Washington 99201, (509) 381-5884

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

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

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

Issuance date: ~~May 2, 2019~~ March 26, 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 H.</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 F 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 Surface Experts 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 Surface Experts franchisee?</u>	<u>Item 20 or Exhibit H 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 ~~us~~ franchisors to register ~~or file with a state franchise administrator~~ before offering or selling ~~in your franchises in the state.~~ Registration does not mean that 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 in Exhibit A for information about the franchisor or about franchising in your has a registration requirement, or to contact your state, use the agency information in Exhibit A.

~~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 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 ARBITRATION OR LITIGATION ONLY IN WASHINGTON. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO RESOLVE DISPUTES WITH US IN WASHINGTON THAN IN YOUR OWN STATE.~~

~~2. THE FRANCHISE AGREEMENT STATES THAT WASHINGTON 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. YOU MUST MAKE MINIMUM ROYALTY PAYMENTS AND ADVERTISING CONTRIBUTIONS REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THESE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.~~

~~4. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAT A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.~~

~~5. THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21) CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.~~

~~6. THE PRIMARY TRADEMARK THAT YOU WILL USE IN YOUR BUSINESS IS NOT FEDERALLY REGISTERED. IF THE FRANCHISOR'S RIGHTS TO USE THIS TRADEMARK IN YOUR AREA IS CHALLENGED, YOU MAY HAVE TO IDENTIFY YOUR BUSINESS AND ITS PRODUCTS OR SERVICES WITH A NAME THAT DIFFERS FROM THAT USED BY OTHER FRANCHISEES OR THE FRANCHISOR. THIS CHANGE CAN BE EXPENSIVE AND MAY REDUCE BRAND RECOGNITION OF THE PRODUCTS OR SERVICES YOU OFFER.~~

~~7. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

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

~~Effective Date: See the next page for state effective dates.~~

|

~~STATE EFFECTIVE DATES~~

The following chart lists states which require that this disclosure document be registered or filed with the state or be exempt from registration. In these states, the effective date of this disclosure document is as follows

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Washington. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Washington than in your own state.

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 Date
California	See California FDD
Illinois	See Illinois FDD
Indiana	July 28, 2019
Maryland	
Michigan	March 19, 2019
Minnesota	August 29, 2019
New York	
Rhode Island	August 2, 2019
Virginia	
Washington	See Washington FDD
Wisconsin	July 11, 2019

In the following states, we have filed a notice of exemption from the registration or filing requirements of the state's business opportunity laws with respect to the offering described in this disclosure document:

State	Effective Date
Connecticut*	July 9, 2019
Florida	July 2, 2019
Kentucky*	August 14, 2019
Nebraska*	July 29, 2019
Texas*	March 26, 2019
Utah	July 11, 2019

* One time filing

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373 7117

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES...	1
Item 2 BUSINESS EXPERIENCE.....	2
Item 3 LITIGATION	2
Item 4 BANKRUPTCY	3
Item 5 INITIAL FEES	3
Item 6 OTHER FEES.....	4
Item 7 ESTIMATED INITIAL INVESTMENT	8
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	11
Item 9 FRANCHISEE’S OBLIGATIONS	14
Item 10 FINANCING	15
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	15
Item 12 TERRITORY.....	21
Item 13 TRADEMARKS.....	22
Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	24
Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	26
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	27
Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	27
Item 18 PUBLIC FIGURES	31
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS	32
Item 20 OUTLETS AND FRANCHISEE INFORMATION	34
Item 21 FINANCIAL STATEMENTS.....	38
Item 22 CONTRACTS	38
Item 23 RECEIPTS.....	38

EXHIBITS

- A. State Administrators and Agents for Service of Process
 - B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
 - C. Form of General Release
 - D. Financial Statements
 - E. Operating Manual Table of Contents
 - F. Current and Former Franchisees
 - G. State Addenda to Disclosure Document
 - H. State Addenda to Franchise Agreement
 - I. Information [About](#)[about](#) Area Representatives
- [State Effective Dates](#)
Receipt (2 copies)

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

In this disclosure document, “we”, “us,” or “our” refers to Surface Experts Franchising LLC. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

Us, Any Parents, and Certain Affiliates

Our name is Surface Experts Franchising LLC. Our principal business address is 159 South Lincoln St., Suite 321, Spokane, WA 99201. We do not have any parent entities. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

We do not have any predecessors.

We use the names “Surface Experts Franchising LLC”, “Surface Experts” and “Surface Experts On Call”. We do not intend to use any other names to conduct business.

Our agent for service of process in Washington is Jacob Grady, and the agent’s principal business address is 1611 S. Adams Street, Spokane, WA 99203. Our agents for service of process in other states are disclosed in Exhibit A.

We are a Washington limited liability company. We were formed on July 20, 2018.

We have offered Surface Experts franchises since 2018. We do not have any other business activities. We also offer Area Representative rights to act as our sales and support agent for Surface Experts in certain territories. We have not offered franchises in other lines of business.

The Business You Will Conduct

If you sign a franchise agreement with us, you will develop and operate a mobile service business providing minor repairs to interior surfaces such as vinyl, wood, glass, linoleum, tile, ~~leather~~ laminate, and stainless steel, serving commercial and residential customers. The territory for your business will be stated in your franchise agreement.

If you purchase a standard size territory, you will start your business with two wrapped “Surface Experts” vehicles ~~and~~. You must hire one full-time Lead Technician to serve clients and one Business Development person (on at least a ¾ time basis) when you start your business. You must devote full-time efforts to the business ~~(unless we permit you to hire a full-time business development manager instead)~~. Your Lead Technician will use one of the Surface Experts vehicles and you will use the other.

We ~~will~~ operate a national ~~call~~ support center which ~~will manage~~ manages customer intake and ~~schedules~~ schedules services to customers.

The general market for interior surface repairs encompasses both residential and commercial clients. This market is well developed. Sales are not seasonal. You will compete primarily against independent providers of similar repair services- (if they exist in your area).

~~We also offer area representative rights to certain individuals and companies. An Area Representative acts as our representative within a defined geographic area~~In some geographic areas, we have Area Representatives who work with us to solicit prospective franchisees and to provide support before, during and after a franchisee begins operations. See Exhibit I for information regarding our Area Representatives.

Laws and Regulations

In some jurisdictions, you will need a general contractor license, a “handyman’s license”, or some other governmental permit. The requirements to obtain such a license or permit vary, and may include an application to a state licensing board, coursework, and/or passing an examination. You should inquire with your local state, county and city regulators as to specific regulations that may exist related to light restoration and home services operations. You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you.

Item 2 BUSINESS EXPERIENCE

Jacob Grady – President and CEO. Jacob Grady has served as our President and Chief Executive Officer in Spokane, WA since our inception in July 2018. From 2009 to April 2017, he served as Founder and President of The Detail Difference in Portland, OR.

Jack Grady – ~~Chief Operating Officer~~ Vice President. Jack Grady has served as our ~~Chief Operating Officer~~ Vice President in Spokane, WA since our inception in July 2018. From 2007 to 2016, Jack developed Stratford Suites and served as Owner/General Manager.

Erin Oranen – Director of Sales and Training. Erin Oranen has served as Director of Sales and Training in Spokane, WA since January 2019. She was not otherwise employed in the five years preceding the date of this disclosure document.

Otis Laney – Director of Technical Development. Otis Laney has been Director of Technical Development in Spokane, WA since August 2018. He performed Inside Sales for Predator Software in Beaverton, OR from March 2018 to August 2018. From April 2014 to March 2018, Otis was a Repair Technician for The Detail Difference in Portland, OR. He was owner of Otis Laney Contracting in Portland, OR from October 2012 to April 2018.

Dennis Mulgannon – Director of Franchising. Dennis Mulgannon been our Director of Franchising in El Dorado Hills, CA since July 2018. He has also been as Director of Franchising for GTN Capital Group in Guilford, Connecticut since February 2017 and Director of Franchising for TFL Franchise Systems, LLC in Boston, Massachusetts since April 2015. He was Director of Franchising for Junk King Franchise Systems, Inc. from October 2009 through August 2015 and for JKFS Canada Inc. from October 2012 through August 2015, both in San Carlos, California.

~~From August 2004 to December 2014, he held a similar position with Home Care Assistance Franchise Inc. in Palo Alto, California. Dennis has been Principal of Franchise Seale, Inc., in El Dorado Hills, CA, since January 2002.~~

Sean Hansen – Franchise Development Manager. Sean Hansen has served as our Franchise Development Manager in El Dorado Hills, CA, since August 2018. He has also been a Franchise Development Manager and Area Representative for GTN Capital Croup in El Dorado Hills, CA, since May 2017, and has been an Area Representative and Franchise Developer for WaveMAX Laundry in El Dorado Hills, CA since November 2016. Mr. Hansen was a Director for Kiefer Consulting, Inc. in Folsom, CA from August 2011 to July 2017.

Geoff Batchelder – Franchise Development Consultant. Geoff Batchelder has served as our Franchise Development Consultant in Livermore, CA, since August 2018. He has also been a Franchise Development Consultant for TFL Franchise Systems, LLC in Boston, MA since April 2015 and for WaveMAX Franchise LLC in Jacksonville, FL since April 2016. He has also owned Compass Franchise Group in Livermore, CA since May 2010.

Item 3 LITIGATION

No litigation is required to be disclosed in this Item.

Item 4 BANKRUPTCY

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

Item 5 INITIAL FEES

Franchise Fee

When you sign your franchise agreement, you must pay us an initial franchise fee equal to \$75,000 for a territory with a population of 325,000 people. For a larger territory, your franchise fee will increase by \$.20 per person in the territory. ~~This fee is uniform and~~ For example, the initial franchise fee for a territory with a population of 500,000 people would be \$110,000. This fee is not refundable.

Equipment, Tools, and Inventory Package

Initial Items You Purchase Through Us

You will purchase certain initial equipment, safety gear, tool box, tools, and inventory from us, including supplies that should serve for three ~~to six~~ months of operations. Your cost will be approximately \$2,800 to \$3,000. The package does not include a sander/vacuum, which you will purchase from an independent vendor. 700, but may be higher or lower. We do not mark up the

cost of these items. In addition, we will send you a Tech Selection Kit with certain tools and supplies, which costs \$60. You pay for these items when you order them (which must be ~~prior to attending~~ at least three weeks before you attend our training program). ~~The package does not include a sander/vacuum, which you will purchase from an independent vendor.~~ This payment is not refundable.

You will also purchase initial marketing materials (such as brochures, handouts, giveaways, and promotional material) and staff uniforms (including shirts, jackets, and t-shirts) from us. We do not mark up the cost of these items. Your cost will be approximately \$1,000 to \$2,000. You pay for these items when you order them. This payment is not refundable.

Website

You will pay us one-time fee of \$100 to set up your Surface Experts website page. You must pay this fee before you open. This payment is not refundable.

ExpertNet and Technology Fees

You will pay us a monthly fee for our “ExpertNet” operations portal. This fee is currently \$160 per month for you and one technician. Additional email addresses are \$5 per month, additional service management licenses are \$99 per month, and additional tech service application licenses are \$25 per month. The voice-over-IP (VOIP) phone system is \$5 per month per number. You will begin paying this fee approximately 2-3 weeks before opening. We estimate you will pay \$165 to \$260 before you open.

Item 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	8% of your gross sales; minimum of \$1,600 per month after your first year	Monthly, on the 5 th day of the following month	See Note <u>Notes 1, 2 and 3</u> . If you purchase a larger territory that 500,000 people, we will increase the minimum gross sales proportionally.
Marketing Fund Contribution	Up to 2% of your gross sales; currently, none.	Monthly, on the 5 th day of the following month	We have the right to create a marketing fund in the future and to require you to contribute.
Market Cooperative Contribution	As determined by co-op. Currently, none.	Monthly, on the 5 th day of the following month	We have the right to establish local or regional advertising cooperatives. The maximum contribution to the co-op will not exceed 4% of gross sales unless all members of the co-op unanimously agree to a higher contribution.

Type of Fee	Amount	Due Date	Remarks
CallSupport Center Services Fee	4% of your gross sales	Monthly, on the 5th of each month	We (or a third party we designate) will operate a callsupport center on your behalf, unless we approve your request to operate your own callsupport center.
Replacement / Additional Training fee	Currently, none	Prior to attending training	If you send your Lead Technician or other employee to our training program after you open, we have the right to charge a training fee. Currently, we do not charge this fee, but any replacement Lead Technician must attend our regularly-scheduled class.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Technology fees	Currently, \$235 160 per month for you and one technician; \$29. Additional email addresses are \$5 per month for second technician; \$35 per month for each, additional technicians <u>service management licenses are \$99 per month, and additional tech service application licenses are \$25 per month. The voice-over-IP (VOIP) phone system is \$5 per month per number.</u>	Monthly, at same time as the royalty fee	This The base \$160 fee is for use of our “ExpertNet” operations portal, including three an email addresses address, one service management system license, and one which has customer relationship management (CRM) license. Currently, additional capability. We use Office 365 for email addresses are \$5 per month, additional service management licenses are \$29 per month, and additional CRM licenses are \$15 per month and several other Microsoft applications. These prices are subject to change. We may modify ExpertNet and its functionality in the future. We collect this fee monthly and pay the respective software providers for your use.

Type of Fee	Amount	Due Date	Remarks
Non-compliance fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance. <u>If your non-compliance is a failure to make any required report to us when due, we may charge the non-compliance fee immediately rather than give you 30 days prior notice and opportunity to cure.</u>
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Breach of territory fee	\$25 per job	On demand	If you serve a customer outside of your territory without our prior written permission, we impose this fee.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

Type of Fee	Amount	Due Date	Remarks
Customer complaint resolution	Our expenses	As incurred	We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any month.
Special evaluation fee	Currently \$600, plus our out-of-pocket costs	On demand	Payable only if we conduct an in-person evaluation of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Renewal fee	\$5,000	Upon renewal	Payable if you enter into a successor franchise agreement at the end of your agreement term.
Transfer fee	\$10,000 plus any broker fees and other out-of-pocket costs we incur	When transfer occurs	Payable if you sell your business.
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).

Type of Fee	Amount	Due Date	Remarks
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us ~~(other than software subscription charges)~~. All fees are imposed by us and collected by us ~~(other than software subscription charges)~~. All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

Notes

1. "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include bona fide refunds to customers or sales taxes collected.

2. You must report your gross sales to us each month. If you fail to report your gross sales, we will withdraw estimated royalty fees and marketing fund contributions based on 125% of the most recent gross sales you reported. We will true-up the actual fees after you report gross sales.

3. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft. However, we can require an alternative payment method.

Item 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee (see Note 1)	\$75,000 - \$110,000	Check or wire transfer	Upon signing the franchise agreement	Us

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Two Surface Experts Cars, including Vehicle Wraps (see Note 2)	\$4,400 <u>6,000</u> - \$30,900 <u>40,000</u>	Check or debit	Upon purchase	Vendor
Equipment, Tools, Supplies and Inventory (see Note 3)	\$2,700 <u>800</u> - \$2,700 <u>3,000</u>	Check, debit, and/or credit	When purchased	Us
Sander/Vacuum	\$1,100 - \$1,100	Check, debit, and/or credit	When purchased	Vendor
<u>ExpertNet and technology fees</u>	<u>\$165</u> - <u>\$260</u>	<u>Electronic funds transfer</u>	<u>Before opening for business</u>	<u>Us</u>
Rent, Utilities, and Leasehold Improvements (see Note 4)	\$0 - \$2,250 <u>1,500</u>	Not applicable	Not applicable	Not applicable
Office Furniture	\$0 - \$500	Check, debit, and/or credit	As incurred	Vendors and suppliers
Office Supplies	\$100 - \$300	Check, debit, and/or credit	As incurred	Vendors and suppliers
Computer Systems and Software	\$500 - \$2,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance (see Note 5)	\$400 <u>1,000</u> - \$1 <u>3,000</u>	Check	Upon ordering	Insurance company
Signage	\$0 - \$250	Check, debit, and/or credit	Upon ordering	Vendor
Licenses and Permits	\$0 - \$250	Check	Upon application	Government
Professional Fees (lawyer, accountant, etc.)	\$250 - \$1,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Market Introduction Plan	\$500 - \$2,000	Check, debit, and/or credit	As incurred or when billed	Vendors and suppliers
Franchisee Website	\$1,500 100 - \$1,800 100	Check, debit, and/or credit	As incurred or when billed Upon ordering	Vendors and suppliers Us
Marketing Materials and Uniforms (see Note 6)	\$1,000 - \$2,000	Check, debit, and/or credit	Upon ordering	Vendors and suppliers Us
Travel, lodging and meals for initial training	\$2,000 3,500 - \$5,000	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
Additional funds (for first 3 to 6 months) (see Note 7)	\$25 45,000 - \$40 60,000	Varies	Varies	Employees, suppliers
Total	\$114,450 137,015 - \$203,050 232,260			

Notes

1. Franchise Fee; Refunds. The amount of the initial franchise fee is determined by population in your territory. For a territory with up to 325,000 people, the franchise fee is \$75,000. The fee will increase by \$.20 for each additional person in your territory. The high amount would be for a territory with 500,000 population. If you lease an office, your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

2. Vehicle Leases. You will begin your Surface Experts franchise with two vehicles dedicated to your Surface Experts business. The vehicles must be new ~~white~~ Nissan ~~Versa Note hatchbacks~~ Kicks or Hyundai Elantra GT, and they must have our required vehicle graphics. The low-end estimate assumes that you lease your vehicles, with a down payment, first month's payment, and payment towards the vehicle wrap due when you sign the lease. The high-end estimate assumes you purchase your vehicles. We have an arrangement with Enterprise under which you would lease/purchase your two vehicles with a down-payment of approximately \$10,000 for both.

3. Equipment, Tools, Supplies and Systems. We will sell to you a package with most of the equipment, tools, supplies, and inventory you need to equip a technician. You must also purchase a specific palm sander / vacuum tool from a third-party vendor. You will also need some disposables (such as paper towels) that you may purchase from any source.

4. Real Estate. We estimate the low-end of real property, leasehold improvements, and utilities at zero because you may start your business from home. If you rent an office, we expect you will open as a home-based business. Although the Surface Experts business is primarily a mobile operation, you may want to operate the business from a small office location. The approximate size of a Surface Experts business is 100 to 200 square feet. If you initially work from home, we reserve the right to require you to lease an appropriate office space in the future.

5. Insurance. Our estimate for the initial cost of insurance is based on payment of initial set up charges plus premium for one quarter (and not for the entire year).

6. Marketing Materials and Uniforms. This is an estimate for marketing related expenses for brochures, handouts, giveaways, promotional material and uniforms for your staff members including shirts, jackets, t-shirts and wearable items to promote the business.

7. Additional Funds. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, and other operating expenses in excess of income generated by the business. It does not include any salary or compensation for you. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of a business similar to Surface Experts by our owners, the experience of our franchisees, and our research and general knowledge of the industry.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Vehicles. You must lease or purchase new white Nissan ~~Versa Note~~Kicks or Hyundai Elantra GT hatchbacks as your business vehicles. The vehicles must be wrapped with our required graphics. You and your staff must use these vehicles for all Surface Experts business work, and only for Surface Experts business work.

B. Equipment, Tools, and Supplies. We will sell to you a package with most of the equipment, tools, and supplies you need to equip a technician. The supplies will last approximately three ~~to six~~ months, and thereafter we are the sole source of these supplies~~items~~. You must also purchase a palm sander / vacuum tool that we specify, from an independent vendor.

C. Marketing Materials. We will sell to you an initial supply of marketing materials, such as brochures, handouts, giveaways, and promotional material. Thereafter, we are the sole source of these items.

D. Uniforms. We will sell to you an initial supply of staff uniforms, including shirts, jackets, and t-shirts. Thereafter, we are the sole source of these items.

E. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (iii) Workers Compensation coverage as required by state law. Your ~~insurance~~ policies (other than Workers Compensation) must addlist us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

F. Computer software and hardware. You must purchase and use the computer software and hardware that we specify. See Item 11 for more details.

~~E. Call Center Service Fee.~~ G. Support Center We will operate a centralized call service on your behalf. The ~~call center~~Support Center will provide services such as inbound customer inquiries, scheduling service calls, setting appointments with customers, dispatching technicians to customers, routing service calls to the technicians, assisting the customers, and assisting the ~~customers and~~ technicians throughout the process to ensure a positive customer experience. You pay us 4% of your gross sales for this service.

H. Website. We will provide you with an individual Surface Experts website page. You will pay us a one-time fee of \$100.

Us or our Affiliates as Supplier

Except as described above ~~under “Equipment, Tools and Supplies”~~, as described in Item 11 for our “ExpertNet” portal, neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve to the right to be a supplier (or the sole supplier) of additional goods or services in the future.

Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees.

Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier’s capacity, quality,

financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after ~~thorough~~ testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

Revenue to Us and Our Affiliates

We will derive revenue from the required purchases and leases by franchisees. Our total revenue in the prior fiscal year was \$~~0~~579,255. Our revenue from all required purchases and leases of products and services by franchisees in the prior fiscal year was \$~~0~~75,987. The percentage of our total revenues that were from required purchases or leases in the prior fiscal year was ~~0~~13.12%.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 30% to 50% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 10% to 20% of your total purchases and leases of goods and services to operate your business.

Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

~~We do not~~ Where possible, we seek to negotiate ~~purchase arrangements with suppliers, including price terms, bulk discounts on items we order~~ for ~~the benefit of~~ franchisees. ~~However, we may do so in the future.~~

We have a master lease agreement with Enterprise Fleet Management under which you can (but are not obligated to) sublease your Surface Experts vehicles.

Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

**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 agreement	Disclosure document item
a. Site selection and acquisition/lease	§ 6.1	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.8, 8.5, 10.5, 11.2, 11.3, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.7, 7.9 – 7.13, 7.15, 10.1 , 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 7.12, 7.13, 15.2	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11

Obligation	Section in agreement	Disclosure document item
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Items 6 and 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

Item 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligations.

Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Our Pre-Opening Obligations

Before you open your business:

A. *Your site.* We do not assist you in (i) locating your site and negotiating the purchase or lease of the site, (ii) conforming the premises to local ordinances and building codes and obtaining any required permits, or (iii) constructing, remodeling, or decorating the premises.

B. *Hiring and training employees.* We will provide you with ~~our suggested staffing levels (Section 5.2)~~, suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. All hiring decisions and conditions of employment are your sole responsibility.

C. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will sell ~~to you~~ (1) certain equipment, tools, and supplies, (2) our Tech Selection Kit, (3) initial marketing materials, and (4) staff uniforms to you, and we will have these items delivered to you. (Section

5.4) We will provide you a list of our specifications and approved suppliers for other items necessary to open your business. (Section 5.4) We do not provide, deliver, or install these other items directly; we only provide the names of approved suppliers.

D. *Operating Manual.* We will give you access to our Operating Manual (Section 5.1).

E. *Initial Franchisee Training Program.* We will conduct our initial training program for you. (Section 5.4). The current initial training program is described below.

F. *Lead Technician Training Program.* We will conduct our lead technician training program for your Lead Technician. (Section 5.4)

G. *Business plan review.* If you request, we will review your pre-opening business plan and financial projections. (Section 5.4).

H. *Market introduction plan.* We will advise you regarding the planning and execution of your market introduction plan. (Section 5.4).

G. *Website.* We will provide with you own individual Surface Experts webpage (in exchange for a one-time fee of \$100). (Section 5.4)

Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is ~~four~~six to ~~eight~~nine weeks. Factors that may affect the time period include your ability to obtain financing, obtain business permits and licenses, schedule initial training, and hire employees.

Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees.* We will provide you with ~~our suggested staffing levels (Section 5.2)~~, suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket

expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5).

D. *Establishing prices.* Upon your request, we will provide recommended prices for products and services. (Section 5.5).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control. (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Marketing Fund.* We will administer the Marketing Fund, if we create it (Section 5.5). We will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon request. (Section 9.3)

G. ~~*Support Website.* We will maintain a website for the Surface Experts brand. (Section 5.5) You must have your own individual home page on the internet, which will be a copy of our home page but with your local information.~~

H. ~~*Call Center Services.* We will operate a centralized ~~call service~~support center on your behalf. The ~~call~~support center will provide services such as inbound customer inquiries, scheduling service calls, setting appointments with customers, dispatching technicians to customers, routing service calls to the technicians, assisting the customers, and assisting ~~the customers and~~your technicians throughout the process to ensure a positive customer experience. (Section 5.5).~~

Advertising

Our obligation. ~~We~~If we establish the Marketing Fund, we will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which may be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

Your own advertising material. You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

Advertising council. We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

Local or Regional Advertising Cooperatives. We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media

markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of gross sales. The maximum contribution to the co-op will not exceed 4% of gross sales unless all members of the co-op unanimously agree to a higher contribution. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

Advertising Fund. If we start a Marketing Fund, then you and all other franchisees must contribute to our Marketing Fund. Your contribution will be an amount we determine, not to exceed 2% of gross sales per month. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Marketing Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request. We did not spend any money from the Marketing Fund in our most recently concluded fiscal year. If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year. No money from the Marketing Fund is spent principally to solicit new franchise sales.

~~*Market introduction plan.* You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business.~~

~~*Required spending.* After you open, you must spend at least 10% of gross sales or \$1,500 (whichever is greater) \$250 each month on marketing your business during the first two years of operation. Thereafter, This amount is only a minimum, and we do not represent that is the optimal amount of money for you must spend at least 5% of gross sales or \$500 (whichever is greater) each month on marketing.~~

~~*Customer programs.* At your expense, you must offer pre-paid systems and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, that we determine from time to time. We do not currently have any such programs.~~

Computer Systems

You will need an office computer for your main office, and a smartphone for each driver. In exchange for the monthly Technology Fee, we will provide you with our “ExpertNet” software package. The package currently includes WorkWave ~~service~~ Service management software, Office 365, ~~three~~ an e-mail ~~addresses~~ address, and ~~our customer relationship management (CRM) system~~ a voip phone number through RingCentral. The system is designed to provide you with daily management systems and infrastructure as it relates to management, financials and daily

transactions. It coordinates scheduling, dispatch, management and execution of work that occurs in the field, with additional functions such as work order management, route planning and optimization, payments systems, marketing, and fleet management. It generates and stores data on employees, sales, work orders, key performance indicators, and other metrics. We require you to use WorkWave Service (WWS) to track and complete work orders; invoices, and key performance indicators (KPIs). We have required reporting on KPIs (weekly and monthly) and revenue (monthly).

You must use QuickBooks (Desktop or Online) for your accounting and bookkeeping. WWS integrates with QuickBooks.

We estimate that these systems will initially cost between \$500 and \$2,000. The low-end estimate assumes you already own a suitable computer for office use.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates, and we do not require you enter into any such contract with a third party, except to the extent included in your monthly subscription for the ExpertNet software.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

The Technology Fee for the ExpertNet software is currently ~~\$235~~160 per month for you and one technician. Currently, additional email addresses are \$5 per month, additional ~~service management~~WWS mobile app licenses are ~~\$29~~22 per month, and additional ~~CRM~~web licenses are ~~\$15~~96 per month. We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be ~~\$2,820~~1,920 to ~~\$3,500~~000.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Operating Manual

See Exhibit E for the Table of Contents of our Operating Manual as of the date of this disclosure document, with the number of pages devoted to each subject. The Operating Manual contains 242 pages.

Training Program

Our training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
OWNER			

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Accounting, Reports, Payroll, Invoicing	4	-	Spokane, WA
Scheduling, Work Order and Call Support Center support	4	-	Spokane, WA
Compliance, Insurance and Safety	6	-	Spokane, WA
Sales Training 1: Property Management Sales Cycle	8	-	Spokane, WA
Sales Training 2: Hotels, Moving Companies, home owners and more	8	-	Spokane, WA
Hiring and Team Building	4	-	Spokane, WA
TOTALS:	34	-	
LEAD TECHNICIAN			
Lead Tech Initial Training	36	-	Spokane, WA
Lead Tech Advanced Training (within 90 days after opening)	15	-	Spokane, WA
TOTALS:	51	-	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes once per month. Training will be held at our offices and business location in Spokane, Washington. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of the Operating Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Franchise owner training classes will be ~~led~~held by Jacob Grady. ~~His~~ and Erin Oranen. ~~Their~~ experience is described in Item 2. ~~He~~Jacob Grady has ~~10~~11 years of experience in our industry, and ~~1-year~~2 years of experience with us or our affiliates. ~~Erin Oranen has 1 year of experience in our industry, and 1 year of experience with us or our affiliates.~~

There is no fee for up to ~~three~~six people to attend training. You must pay the travel and living expenses of people attending training.

You must attend the franchise owner training. You must employ a full-time sales and development person, who must attend the ~~two~~“Sales Training” ~~days~~~~describe~~first three days of training in Spokane described in the chart above. You may send any additional people to training that you want (up to the maximum described above). You must complete training to our satisfaction at least ~~two weeks~~one week before opening your business.

In addition to the franchise owner training program described above, we also have a Lead Technician training program which your Lead Technician must complete. This program is ~~led~~held by Otis Laney. He has ~~1-year~~2 years of experience with us and ~~6~~7 years of experience in the subjects taught. ~~The Lead Technician training requires an additional trip back to our office in Spokane, WA for advanced surface training within 90 days after beginning doing repairs in the field.~~

We do not currently require additional training programs or refresher courses, but we have the right to do so.

Item 12 TERRITORY

Your Location

We anticipate that you will manage from your home or from a small office setting. Your primary office must be located in your territory.

Grant of Territory

Your franchise agreement will specify a territory will be specified by zip codes, county or city lines, or some other limit that we mutually agree with you. For a territory with up to 325,000 people, the franchise fee is \$75,000. The fee will increase by \$.20 for each additional person in your territory. The largest territory that would constitute a single franchise is 500,000 people.

Relocation; Establishment of Additional Outlets

You may relocate your business headquarters anywhere in your territory.

You do not have the right to establish additional franchised outlets or expand into additional territory. If you desire to do so, you must (1) meet our then-current criteria for new franchisees, (2) be in compliance with your franchise agreement at all times since opening your business, (3) have demonstrated your capability to operate a multi-territory franchise successfully, and (4) obtain our agreement.

Options to Acquire Additional Franchises

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

Exclusivity

We grant you an exclusive territory. In your territory, we will not establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks as a Surface Experts business. Continuation of your territorial exclusivity does not depend on any contingency. There are no circumstances that permit us to modify your territorial rights.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

Except as described in this paragraph, we will not serve customers in your territory, nor authorize another party to serve customers in your territory, under our Surface Experts brand. However, we may serve (or authorize other franchisees to serve) customers in your territory if you are in default, or if you are incapable of meeting customer demand in your territory. We may also serve (or authorize another franchisee to serve) a particular customer in your territory if you fail to properly serve such customer, or if we reasonably believe that you will not properly serve such customer. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory (i) using our principal trademarks, but only for sales of products or services different from the ones you will offer, and (ii) using trademarks different from the ones you will use. In the circumstances where the franchise agreement does not prohibit us from soliciting or accepting orders from inside your territory, we do not pay any compensation to you.

Soliciting by You Outside Your Territory

You cannot solicit or market to potential customers outside of your territory, except for solicitations or marketing which are primarily targeted inside the territory and which incidentally reach potential customers outside of the territory. You cannot serve customers outside of your territory without our prior written permission. We may withdraw permission at any time. If you serve a customer outside your territory without our prior written permission, we may impose a Breach of Territory Fee of \$25 per job, as a reasonable estimate of our internal costs of addressing your breach.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

Item 13 TRADEMARKS

Principal ~~Trademark~~ Trademarks

The following ~~is~~are the principal ~~trademark~~trademarks that we license to you. ~~This trademark is~~These trademarks are owned by us. ~~The “Surface Experts On Call” word mark is registered on the Supplemental Register of the United States Patent and Trademark Office—has been filed. It has not yet been renewed. No affidavits are due at this time. The “SE Surface Experts On Call” logo is registered on the Principal Register of the United States Patent and Trademark Office.~~

Trademark	Registration Date	Registration No.
Surface Experts On Call	June 4, 2019	5771750

Trademark	Registration Date	Registration No.
	<u>August 20, 2019</u>	<u>5837913</u>

Because the federal trademark registrations are less than six years old, no affidavits are required at this time. The registrations have not yet been renewed.

Determinations

~~On or about February 21, There²⁰¹⁹, the United States Patent and Trademark Office examiner issued office actions contending that the word portions of the marks were descriptive. The examiner contends that the words need to be disclaimed, with the word only mark to be placed on the supplemental registry. We do not agree with the office actions, and we plan on responding to those office actions within the time permitted.~~

~~Otherwise, 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. There are no pending infringement, opposition, or cancellation proceedings.

Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense. You will have a reasonable period of time to comply with the change, not to exceed 90 days. After such period, you would no longer have the right to use the unmodified or discontinued trademark. Your rights under the franchise agreement do not change, other than the modification or discontinuation of the trademark.

Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, patents that are material to the franchise.

On December 12, 2018, Jacob Grady, our President and C.E.O., filed a provisional patent application.- That application, U.S. Application No. 62/775,958, describes a method for analysis and repairing interior surfaces. Mr. Grady has not filed a non-provisional patent application for that method.

There are no currently effective material determinations of the United States Patent and Trademark Office or of any state administrator or court regarding the patent application or invention. There are no pending infringement, opposition, or cancellation proceedings.

Under an intercompany license agreement between us and Mr. Grady, we have been granted the right to sublicense the invention subject to the above-referenced application. -The agreement is of perpetual duration and may only be modified by mutual consent of the parties. This agreement may be cancelled by Mr. Grady only if (1) we materially misuse the invention fail to correct the misuse, or (2) we discontinue commercial use of the invention for a continuous period of more than one year. The agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

We intend, but have no obligation to, protect the patent application listed in this Item or to protect you against claims of infringement or unfair competition arising out of your use of the invention subject to this Item.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, the invention licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a patent or invention licensed by us to you.

We do not know of any infringement that could materially affect you.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights, at your expense.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

All customer data and other non-public data generated by your business is confidential information and is exclusively owned by us. We license such data back to you without charge solely for your use in connection with your Surface Experts business.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operating Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

You must disclose to us all ideas, plans, improvements, concepts, methods and techniques relating to your Surface Experts business that you conceive or develop. We will automatically own all such innovations, and we will have the right to incorporate any innovations into our system for use by all franchisees, without any compensation to you.

Item 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE
FRANCHISE BUSINESS

Your Participation

You are required to participate personally in the direct operation of your business. You must devote full-time efforts to the business ~~(unless we permit you to hire a full-time business development manager instead).~~

If you are the sole owner of the business, then you are deemed the “Principal Executive”. If the business is owned through a corporation or limited liability company, you must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 50% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 2 to Exhibit B).

“On-Premises” Supervision

When your business performs services for a customer, you are not required to personally conduct “on-premises” supervision of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions on Your Manager

If we request, you must have your general manager (and your technicians, salespeople, and other key employees that we reasonably designate) sign a confidentiality and non-compete agreement. We will not require you to enter into a confidentiality and non-compete agreement that violates applicable state law. We do not require you to place any other restrictions on your manager.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

We do not restrict your access to customers, except that all sales must be made to customers in your territory.

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	§ 3.1	10 years from date of franchise agreement.
b. Renewal or extension of the term	§ 3.2	You may obtain a successor franchise agreement for up to two additional 5-year terms.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	§ 3.2	<p>For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.</p> <p>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; conform your business to then-current standards for new franchisees; sign then-current form of franchise agreement and related documents (including personal guaranty); pay renewal fee; sign general release (unless prohibited by applicable law).</p> <p>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or deem you to have renewed your agreement for a 5-year term and collect the renewal fee.</p>
d. Termination by franchisee	§ 14.1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§ 14.2	We may terminate your franchise agreement for cause, subject to any applicable notice and cure opportunity.
g. “Cause” defined--curable defaults	§ 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).

Provision	Section in franchise or other agreement	Summary
h. “Cause” defined--non-curable defaults	§ 14.2	Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our audit or evaluation; cease operations for more than 15 consecutive days; three defaults in 12 months; cross-termination; charge- of , conviction of, <u>or plea to</u> a felony, <u>commit</u> or accusation <u>be accused</u> of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
i. Franchisee’s obligations on termination/non-renewal	§§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
j. Assignment of agreement by franchisor	§ 15.1	Unlimited
k. “Transfer” by franchisee - defined	Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	§ 15.2	No transfers without our approval.

Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor’s approval of transfer	§ 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; <u>(subject to state law)</u> ; business complies with then-current system specifications.
n. Franchisor’s right of first refusal to acquire franchisee’s business	§ 15.5	If you want to transfer your business (other than to your co-owner or to your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	Not Applicable § 14.6	<u>When your franchise agreement expires or is terminated, we will have the right to purchase any or all of the assets of your Surface Experts business.</u>
p. Death or disability of franchisee	§§ 2.4, 15.4	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to a third party <u>an approved new owner</u> within nine months.
q. Non-competition covenants during the term of the franchise	§ 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, <u>lend money or provide financial assistance to, provide services to,</u> or be engaged or employed by, any competitor.
r. Non-competition covenants after the franchise is terminated or expires	§ 13.2	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership or employment interest in, <u>lend money or provide financial assistance to, provide services to, or be employed by,</u> a competitor operating in your former territory or the territory of any other Surface Experts business operating on the date of termination.

Provision	Section in franchise or other agreement	Summary
s. Modification of the agreement	§ 18.4	No modification or amendment of the franchise agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	§ 18.3	Only the terms of the franchise agreement and other written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	§§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Spokane, Washington) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	§ 18.8	Washington (subject to applicable state law)

For additional disclosures required by certain states, refer to Exhibit G - State Addenda to Disclosure Document.

Item 18 PUBLIC FIGURES

We do not use any public figure 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.

Table 1 – Financial Performance for Surface Repair Business in Portland, OR

	2015		2016	
Gross Sales (see Note 2)	\$571,892		\$615,511	
Cost of Goods Sold (see Note 3)	\$12,065	2.1%	\$16,874	2.7%
Labor (see Note 4)	\$239,162	42%	\$241,330	39%
Seller’s Discretionary Income as if a Franchise Business (see Note 5)	\$200,349	35%	\$230,094	37%

Notes:

1. Table 1 is historical financial performance for the business owned and operated by Jacob Grady, our President and CEO, in Portland, Oregon. It was substantially the same business model as a Surface Experts On Call business, but it operated under a different brand name. This business primarily serviced a population of ~~750~~570,000 people, employed four full-time technicians, and operated six vehicles. It was the only such business owned and operated by Jacob Grady during this time period. The business started in March 2009 and was sold by Jacob Grady in March 2017; accordingly, all of the figures in Item ~~4~~2 are acquired from a unit which was in operation for the entirety of the year 2015 and the entirety of the year 2016.

~~2~~2. The business described in Table 1 priced most of its services at \$75 to \$95 per repair.

~~3~~3. “Gross Sales” means the total amount of revenue received from the sale of goods or services, less sales taxes, discounts, allowances, and returns.

~~3~~4. “Cost of Goods Sold” is the cost of products and materials used by the business.

~~4~~5. “Labor” does not include salary or other compensation paid to the owner of the business.

56. “Seller’s Discretionary Income” is determined by taking Gross Sales and subtracting (i) Cost of Goods Sold, (ii) Labor, (iii) all other general and administrative expenses, and (iv) 12% of Gross Sales (based on 8% Royalty Fee and 4% ~~Call~~Support Center Services Fee) that would be paid to us by a franchisee.

~~Written substantiation for the~~ **Table 2: Repairs and Invoices – April 1, 2019 to January 31, 2020**

<u>Average amount paid by client per repair</u>	<u>\$125.46</u>
<u>Median repair</u>	<u>\$95.00</u>
<u>Franchisees exceeding average</u>	<u>7 (41.18%)</u>
<u>Average number of repairs per invoice</u>	<u>1.5</u>
<u>Median number of repairs per invoice</u>	<u>1</u>
<u>Average amount paid by client per invoice</u>	<u>\$178.19</u>
<u>Median invoice</u>	<u>\$115.00</u>
<u>Franchisees exceeding average</u>	<u>8 (47.05%)</u>

Notes:

1. Table 2 shows historical financial performance representation and is not a projection of future performance.

2. Table 2 is based on 18 Surface Experts units open as of January 31, 2020. This is all of the outlets in this Item 19 will be made available to you upon reasonable request, operation on that date, including the one licensee of Surface Experts which does not operate under a franchise agreement. The outlets opened for business at various times during the period of April 1, 2019 to January 31, 2019 and Table 1 reflects of all of their sales since each of them opened for business (other than the licensee, for which Table 1 reflects only sales since September 1, 2019, when the license began reporting sales data to us).

~~One business has~~3. We are not aware of any characteristics of the included businesses that will differ materially from those of the franchise being offered to you.

4. We expect the COVID-19 pandemic to materially change the financial performance of Surface Experts businesses for the duration of the pandemic and for some period thereafter. Any quarantines, shelter-in-place orders, mandated closures, or other disruptions to our operations and the operations of our franchisees caused by COVID-19 will adversely impact financial performance. The pandemic and the measures taken to combat it could have severe negative effects on the overall economy, which would impact Surface Experts. The extent to which COVID-19 impacts the financial performance of Surface Experts will depend on future developments which are highly uncertain.

Some outlets have sold and earned these amounts. Your individual results may differ. There is no assurance that you’ll sell or earn as much.

Except as contained in this Item 19, we do not make any representations about a franchisee's future Other than the preceding financial performance or the past representation, Surface Experts Franchising LLC does not make any financial performance of company-owned or franchised outlets 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 Jacob Grady, 159 South Lincoln St., Suite 321, Spokane, WA 99201, and 509-381-5884, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For years ~~2016~~2017 to ~~2018~~2019

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised*	2017 <u>2016</u>	0	0	0
	2018 <u>2017</u>	0	0	0
	2018 <u>2019</u>	0	<u>0</u> <u>15</u>	<u>0</u> <u>+15</u>
Company-Owned	2017 <u>2016</u>	0	0	0
	2018 <u>2017</u>	0	0	0
	2018 <u>2019</u>	0	0	0
Total Outlets	2017 <u>2016</u>	0	0	0
	2018 <u>2017</u>	0	0	<u>0</u> <u>1</u>
	2018 <u>2019</u>	0	<u>0</u> <u>15</u>	<u>0</u> <u>+15</u>

*One Surface Experts business in Washington operates under a license agreement, and is not counted in this Item 20.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2016~~2017 to ~~2018~~2019

Column 1 State	Column 2 Year	Column 3 Number of Transfers
N/A	2017 <u>2015</u>	0

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

Table 3
Status of Franchised Outlets
For years ~~2016~~2017 to ~~2019~~2018

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
N/A California	2017 2016	0	0	0	0	0	0	0
	2018 2017	0	0	0	0	0	0	0
	2018 2019	0	<u>0</u> 1	0	0	0	0	<u>0</u> 1
Florida	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Georgia	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Indiana	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Kansas	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Missouri	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2019	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
North Carolina	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
	<u>2019</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Ohio</u>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>South Carolina</u>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Texas</u>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Washington</u>	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Totals	2016 <u>2017</u>	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	<u>2019</u>	<u>0</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15</u>

Table 4
Status of Company-Owned Outlets
For years ~~2016~~2017 to ~~2019~~2018

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
N/A	2016 <u>2017</u>	0	0	0	0	0	0
	2017 <u>2018</u>	0	0	0	0	0	0
	2018 <u>2019</u>	0	0	0	0	0	0
Totals	2016 <u>2017</u>	0	0	0	0	0	0
	2018 <u>2017</u>	0	0	0	0	0	0
	2018 <u>2019</u>	0	0	0	0	0	0

Table 5
Projected Openings As Of December 31, ~~2019~~2018

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year
<u>Alabama</u>	=	<u>2</u>	=
<u>California</u>	=	<u>2</u>	=
<u>Colorado</u>	=	<u>2</u>	=
Florida	<u>0</u> <u>1</u>	<u>+2</u>	<u>0</u> <u>-</u>
Georgia <u>Illinois</u>	<u>0</u> <u>-</u>	2	<u>0</u> <u>-</u>
<u>Nevada</u>	=	<u>2</u>	=
<u>New Jersey</u>	=	<u>2</u>	=
<u>Minnesota</u>	=	<u>2</u>	=
North Carolina	<u>0</u> <u>-</u>	<u>+2</u>	<u>0</u> <u>-</u>
Ohio <u>South Carolina</u>	<u>0</u> <u>-</u>	<u>+2</u>	<u>0</u> <u>-</u>
Texas	<u>0</u> <u>1</u>	2	<u>0</u> <u>-</u>
Washington <u>Wisconsin</u>	<u>0</u> <u>-</u>	2	<u>0</u> <u>-</u>
Totals	<u>0</u> <u>2</u>	<u>+0</u> <u>24</u>	0

Current Franchisees

Exhibit F contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Former Franchisees

Exhibit F contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

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

Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

Item 21 FINANCIAL STATEMENTS

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission. Exhibit D contains our audited financial statements for the fiscal ~~year~~years ending December 31, ~~2018, and our unaudited interim financial statements for the period from January 1, 2019 through April 30, 2019~~and December 31, 2018.

Item 22 CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- H. State Addenda to Franchise Agreement

Item 23 RECEIPTS

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Business Oversight Department of Business Oversight 1515 K Street Suite 200 Sacramento, CA 95814-4052 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8236	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex 69-1 <u>Building 68-2</u> Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 <u>4822 Madison, WI 53701 Yards Way</u> <u>Madison, Wisconsin 53705</u> (608) 266- 2801 <u>0448</u>	Division of Securities And Franchise Registration <u>Department of Financial Institutions</u> <u>4822 Madison Yards Way</u> <u>Madison, Wisconsin Securities</u> Commission <u>53705</u> 201 West Washington Avenue, Suite 300 Madison, WI 53703 <u>(608) 261-7577</u>

EXHIBIT B
FRANCHISE AGREEMENT



SURFACE EXPERTS

O N C A L L

FRANCHISE AGREEMENT

SUMMARY PAGE

1. **Franchisee** _____
2. **Initial Franchise Fee** \$ _____
3. **Business Location** _____
4. **Territory** _____
5. **Opening Deadline** _____
6. **Principal Executive** _____
7. **Franchisee's Address** _____

FRANCHISE AGREEMENT

This Agreement is made between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”), and Franchisee effective as of the date signed by Surface Experts Franchising (the “Effective Date”).

Background Statement:

A. Surface Experts Franchising has created and owns a system (the “System”) for developing and operating a business that provides on-site repair of interior surfaces such as vinyl, wood, glass, linoleum, tile, leather, and stainless steel to residential and commercial customers, under the trade name Surface Experts On Call (“Surface Experts”).

B. The System includes (1) methods, procedures, and standards for developing and operating a Surface Experts business, (2) particular products and services, (3) the Marks, (4) training programs, (5) business knowledge, (6) marketing plans and concepts, and (7) other mandatory or optional elements as determined by Surface Experts Franchising from time to time.

C. The parties desire that Surface Experts Franchising license the Marks and the System to Franchisee for Franchisee to develop and operate a Surface Experts business on the terms and conditions of this Agreement.

ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by Surface Experts Franchising.

“**Business**” means the Surface Experts business owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business which offers on-site repairs of interior services.

“**Confidential Information**” means all non-public information of or about the System, Surface Experts Franchising, and any Surface Experts business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

“**Gross Sales**” means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales does not include bona fide refunds to customers or sales taxes collected by Franchisee.

“Input” means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

“Location” means the location stated on the Summary Page.

“Losses” includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of Surface Experts Franchising’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

“Manual” means Surface Experts Franchising’s confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

“Marketing Fund” means the fund established (or which may be established) by Surface Experts Franchising into which Marketing Fund Contributions are deposited.

“Marks” means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by Surface Experts Franchising from time to time for use in a Surface Experts business.

“Owner” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“Required Vendor” means a supplier, vendor, or distributor of Inputs which Surface Experts Franchising requires franchisees to use.

“System Standards” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by Surface Experts Franchising, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, [data and privacy requirements](#), design, equipment, inventory, marketing and public relations, operating [days and](#) hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

“Territory” means the territory stated on the Summary Page.

“Transfer” means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in Franchisee, or (iv) control of the Business.

ARTICLE 2. GRANT OF LICENSE

2.1 Grant. Surface Experts Franchising grants to Franchisee the right to operate a Surface Experts business solely in the Territory. Franchisee shall develop, open and operate a Surface Experts business in the Territory for the entire term of this Agreement.

2.2 Protected Territory.

(a) Limitation. Franchisee shall not solicit or market to potential customers outside of the Territory, except for solicitations or marketing which are primarily targeted inside the Territory and which incidentally reach potential customers outside of the Territory.

(b) Service. Franchisee shall not serve customers outside of the Territory without Surface Experts Franchising's prior written permission. Surface Experts Franchising may withdraw permission at any time. If Franchisee serves a customer outside of the Territory without Surface Experts Franchising's prior written permission, Surface Experts Franchising may impose a fee equal to \$25 per job. This fee is a reasonable estimate of Surface Experts Franchising's internal cost of personnel time attributable to addressing Franchisee's breach of this Section, and it is not a penalty or estimate of all damages arising from Franchisee's breach. This fee is in addition to all of Surface Experts Franchising's other rights and remedies. If Surface Experts Franchising permits Franchisee to serve a clientcustomer outside of the Territory, Surface Experts Franchising may at any time sell the territory where such clientcustomer is located to another franchisee, and Surface Experts Franchising may require Franchisee to transfer the clientcustomer to the franchisee.

(c) Exclusivity. Surface Experts Franchising shall not establish, nor license the establishment of, another business within the Territory or which serves customers located in the Territory selling the same or similar goods or services under the same or similar trademarks or service marks as a Surface Experts business. However, Surface Experts Franchising retains the right to:

- (i) serve (or authorize other franchisees to serve) customers in the Territory if Franchisee is in default, or if Franchisee is incapable of meeting customer demand in the Territory (in Surface Experts Franchising's reasonable opinion);
- (ii) serve (or authorize other franchisees to serve) a particular customer in the Territory if Franchisee fails to properly serve such customer, or if Surface Experts Franchising reasonably believes that Franchisee will not properly serve such customer;
- (iii) establish and license others to establish and operate Surface Experts businesses outside the Territory;
- (iv) operate and license others to operate businesses anywhere that do not operate sell the same or similar goods or services under the same or similar trademarks or service marks as a Surface Experts brand-name business; and

- (v) sell and license others to sell Surface Experts products and services to customers in the Territory through channels of distribution (including the internet) so long as such products and services are not provided through a Surface Experts outlet in the Territory, and are different from the products and services provided by Franchisee.

(d) Policies. Surface Experts Franchising may set policies binding on all franchisees regarding soliciting, marketing, and serving customers in another franchisee's territory, and Surface Experts Franchising may waive or modify such policies in any circumstance as Surface Experts Franchising determines. If Franchisee obtains a customer in the protected territory of another franchisee, then, in addition to all other rights and remedies Surface Experts Franchising may have, Surface Experts Franchising may in its discretion (i) require Franchisee to transfer the customer to such other franchisee, (ii) require Franchisee to pay such other franchisee 75% of the Gross Sales received from such customer, or (iii) fashion such other remedy as Surface Experts Franchising deems appropriate.

(e) Referrals. Surface Experts Franchising may set policies binding on all franchisees regarding referral fees (and other terms and conditions) when a customer is referred from one Surface Experts business to another. Surface Experts Franchising may waive or modify such policies in any circumstance as Surface Experts Franchising determines.

2.3 Franchisee Control. Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify Surface Experts Franchising within 10 days.

2.4 Principal Executive. Franchisee agrees that the person designated as the "Principal Executive" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 50% ownership interest in Franchisee. The Principal Executive must participate in the direct operation of the Business and must devote full-time and attention to the Business during normal business hours. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to Surface Experts Franchising's reasonable approval.

2.5 Guaranty. If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to Surface Experts Franchising, in the form of Attachment 2.

2.6 No Conflict. Franchisee represents to Surface Experts Franchising that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

ARTICLE 3. TERM

3.1 Term. This Agreement commences on the Effective Date and continues for 10 years.

3.2 Successor Agreement. When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to two additional periods of five years each, subject to the following conditions prior to each expiration:

- (i) Franchisee notifies Surface Experts Franchising of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Surface Experts Franchising (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to make (within a period of time acceptable to Surface Experts Franchising) changes to the Business as Surface Experts Franchising requires to conform to the then-current System Standards;
- (iv) Franchisee and its Owners execute Surface Experts Franchising's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that (A) Franchisee will not pay another initial franchise fee, (B) Franchisee will not receive more renewal or successor terms than described in this Section, and (C) the Territory will not be changed;
- (v) Franchisee pays a renewal fee of \$5,000; and
- (vi) Franchisee and each Owner executes a general release (on Surface Experts Franchising's then-standard form) of any and all claims against Surface Experts Franchising, its affiliates, and their respective owners, officers, directors, agents and employees.

ARTICLE 4. FEES

4.1 Initial Franchise Fee. Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable.

4.2 Royalty Fee. In Franchisee's first year of operation, Franchisee shall pay Surface Experts Franchising a monthly royalty fee (the "Royalty Fee") equal to 8% of Gross Sales. Thereafter, the monthly Royalty Fee will equal the greater of (i) 8% of Gross Sales or (ii) \$1,600. The Royalty Fee for any given month is due on the 5th day of the following month.

4.3 Marketing Fund Contribution.

(a) Marketing Fund Contribution. If Surface Experts Franchising starts a Marketing Fund, then Franchisee shall pay Surface Experts Franchising a contribution to the Marketing Fund (the "Marketing Fund Contribution") in an amount or percentage determined by Surface Experts Franchising, not to exceed 2% of Franchisee's Gross Sales per month. Franchisee will pay the Marketing Fund Contribution at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative.

4.4 CallSupport Center Services Fee. Franchisee shall pay Surface Experts Franchising a monthly fee ~~for call center services~~ (the “CallSupport Center Services Fee”) equal to 4% of Gross Sales in exchange for the callsupport center services described in Section 5.5(f), unless Surface Experts Franchising in its discretion permits Franchisee to operate its own call center. The CallSupport Center Services Fee for any given month is due on the 5th day of the following month.

4.5 Technology Fee. Franchisee shall pay Surface Experts Franchising a monthly fee (the “Technology Fee”) in exchange for the “ExpertNet” software licenses and other technology services which Surface Experts Franchising obtains from third-party providers. Surface Experts Franchising has sole discretion to determine the software included with the ExpertNet package.

4.6 Replacement / Additional Training Fee. If Franchisee sends an employee to Surface Experts Franchising’s training program after opening, Surface Experts Franchising may charge its then-current training fee. As of the date of this Agreement, there is not training fee for a replacement Lead Technician, so long as the Lead Technician attends a regularly-scheduled training class.

4.7 Non-Compliance Fee. Surface Experts Franchising may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to Surface Experts Franchising) which Franchisee fails to cure after 30 days’ notice. If the non-compliance is a failure to make any required report to Surface Experts Franchising when due, it may charge the non-compliance fee immediately (without the 30 days’ notice and opportunity to cure). Thereafter, Surface Experts Franchising may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Surface Experts Franchising’s internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of Surface Experts Franchising’s other rights and remedies (including default and termination under Section 14.2).

4.8 Reimbursement. Surface Experts Franchising may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If Surface Experts Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to Surface Experts Franchising within 15 days after invoice by Surface Experts Franchising accompanied by reasonable documentation.

4.9 Payment Terms.

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to Surface Experts Franchising by pre-authorized bank draft or in such other manner as Surface Experts Franchising may require. Franchisee shall comply with Surface Experts Franchising’s payment instructions.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to Surface Experts Franchising by the 5th day of the following month. If Franchisee fails to report monthly Gross

Sales, then Surface Experts Franchising may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to Surface Experts Franchising, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Surface Experts Franchising has the right to remotely access Franchisee's software systems to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. Surface Experts Franchising may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by Surface Experts Franchising (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. Surface Experts Franchising may apply any payment received from Franchisee to any obligation and in any order as Surface Experts Franchising may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to Surface Experts Franchising any fees or amounts described in this Agreement are not dependent on Surface Experts Franchising's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

ARTICLE 5. ASSISTANCE

5.1 Manual. Surface Experts Franchising shall make its Manual available to Franchisee.

5.2 Assistance in Hiring Employees. ~~Surface Experts Franchising shall provide its suggested staffing levels to Franchisee.~~ Surface Experts Franchising shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

5.3 Assistance in Training Employees. Surface Experts Franchising shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

5.4 Pre-Opening Assistance.

~~(a) Equipment Package. Surface Experts Franchising will sell certain initial equipment, tools, supplies, and inventory tools to Franchisee, as further described in Section 6.5.(a)~~

Operating Items. Surface Experts Franchising will sell the following to Franchisee (1) equipment, tools and supplies for approximately three months of operations, (2) Tech Selection Kit with certain tools and supplies, (3) initial marketing materials, and (4) staff uniforms. Franchisee must order and pay for these items at least three weeks before attending the initial

training program. Franchisee acknowledges the packages do not contain all equipment and supplies needed to operate the Business.

(b) Pre-Opening Specifications and Vendors. To the extent not included in the Manual, Surface Experts Franchising shall provide Franchisee with (i) applicable System Standards and other specifications as Surface Experts Franchising deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (ii) Surface Experts Franchising's lists of Approved Vendors and/or Required Vendors.

(c) Business Plan Review. If requested by Franchisee, Surface Experts Franchising shall review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that Surface Experts Franchising accepts no responsibility for the performance of the Business.**

(d) Pre-Opening Training for Principal Executive and Lead Technician. Surface Experts Franchising shall make available its standard pre-opening Franchise Owner Training to the Principal Executive and its standard Lead Technician Training program to the Lead Technician, at Surface Experts Franchising's headquarters and/or at a Surface Experts business designated by Surface Experts Franchising. Surface Experts Franchising shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. Surface Experts Franchising reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(e) Market Introduction Plan. Surface Experts Franchising shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

(f) Webpage. Surface Experts Franchising will provide an individual webpage to Franchisee, in exchange for a fee of \$100.

5.5 Post-Opening Assistance.

(a) Advice, Consulting, and Support. If Franchisee requests, Surface Experts Franchising will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent Surface Experts Franchising deems reasonable. If Surface Experts Franchising provides in-person support in response to Franchisee's request, Surface Experts Franchising may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, Surface Experts Franchising will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. Surface Experts Franchising will provide Franchisee with Surface Experts Franchising's recommended administrative, bookkeeping, accounting, and inventory control procedures. Surface Experts Franchising may make any such procedures part of required (and not merely recommended) System Standards.

- (d) Marketing. Surface Experts Franchising shall manage the Marketing Fund.
- (e) Internet. Surface Experts Franchising shall maintain a website for Surface Experts.

(f) CallSupport Center. Surface Experts Franchising (or a third party designated by Surface Experts Franchising) will operate a centralized call service and support center (the “CallSupport Center”) on behalf of Franchisee in exchange for the CallSupport Center Services Fee. The callsupport center will provide services determined by Surface Experts Franchising such as receiving inbound customer inquiries, scheduling service calls, setting appointments with customers, dispatching technicians to customers, routing service calls to technicians, and assisting the customers and technicians. Surface Experts Franchising may alter the services provided by the CallSupport Center. Surface Experts Franchising will operate the CallSupport Center for such hours as it deems appropriate in Surface Experts Franchising’s sole discretion. Surface Experts Franchising retains the right to cease operating the CallSupport Center (and cease collecting the CallSupport Center Services Fee) after 60 days’ prior written notice. Surface Experts Franchising’s liability to Franchisee for failing to properly operate the CallSupport Center shall be limited to Franchisee’s actual lost revenue from specifically identified jobs which losses are proven by Franchisee to arise from Surface Experts Franchising’s failure.

ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

6.1 Location. Franchisee is solely responsible for selecting the Location. If the Location is not stated on the Summary Page, then Franchisee shall find a suitable Location that meets Surface Experts Franchising’s System Standards (if any) within the Territory. If Franchisee’s Location is in a home, Surface Experts Franchising reserves the right, upon 60 days’ notice, to require Franchisee to obtain a professional office outside the home to be the Location for the Business

6.2 Development. If the Location will be open to the public or used for meeting customers or potential customers, then Franchisee shall construct (or remodel) and finish the Location in conformity with Surface Experts Franchising’s System Standards.

6.3 New Franchisee Pre-Opening Training.

(a) Franchisee’s Principal Executive must complete Surface Experts Franchising’s training program for new franchisees to Surface Experts Franchising’s satisfaction at least ~~two weeks~~one week before opening the Business.

~~6.4 — Lead Technician Training.~~ (b) Franchisee’s Lead Technician must complete Surface Experts Franchising’s training program for lead technicians to Surface Experts Franchising’s satisfaction at least one week before the Business opens, ~~and~~. The Lead Technician must complete advance attend the training within 90 days after opening program at the same time as the Principal Executive.

~~6.5 — Initial Operating Package.~~ Surface Experts Franchising will sell its standard package of equipment, tools and supplies to Franchisee. Franchisee must order and pay for the package before attending the initial training program. Franchisee acknowledges the package does not contain all equipment and supplies needed to operate the Business.

6.6 (c) Franchisee's Saleperson must complete Surface Experts Franchising's sales training program to Surface Experts Franchising's satisfaction before the Business opens.

(d) Before the Principal Executive attends the initial training program, Franchisee must complete the "onboarding checklist" and any other requirements specified by Surface Experts Franchising.

6.5 Conditions to Opening. Franchisee shall notify Surface Experts Franchising at least 30 days before Franchisee intends to open the Business. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Franchisee has hired sufficient employees, (5) Franchisee's officers and employees have completed all of Surface Experts Franchising's required pre-opening training; and (6) Surface Experts Franchising has given its written approval to open, which will not be unreasonably withheld.

6.76 Opening Date. Franchisee shall open the Business on or before the date stated on the Summary Page.

ARTICLE 7. OPERATIONS

7.1 Compliance with Manual and System Standards. Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards.

7.2 Compliance with Law. Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

7.3 Products and Services. Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by Surface Experts Franchising in the Manual or otherwise in writing. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that Surface Experts Franchising may require.

7.4 Prices. Notwithstanding any provision of this Agreement or the Manual to the contrary, Franchisee retains the sole discretion to determine the prices it charges for products and services.

7.5 Personnel.

(a) Lead Technician Requirement. Franchisee must at all times have at least one full-time employee that has completed the Lead Technician Training Program. If Franchisee's Lead Technician leaves employment for any reason, Franchisee must have a replacement Lead Technician employed and trained within 30 days.

(b) Sales and Business Development Requirement. Franchisee must at all times have at least one ~~full-time~~ employee (working at least ¾ time) in the role of sales and business

development who has completed the Sales and Business Development Training Program. If Franchisee's Salesperson leaves employment for any reason, Franchisee must have a replacement ~~Sales Person~~Salesperson employed and trained with 45 days.

(c) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(d) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(e) Sole Responsibility. Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and Surface Experts Franchising are not joint employers, and no employee of Franchisee will be an agent or employee of Surface Experts Franchising. Within seven days of Surface Experts Franchising's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not Surface Experts Franchising) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

7.6 Post-Opening Training. Surface Experts Franchising may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by Surface Experts Franchising. Surface Experts Franchising may charge a reasonable fee for any training programs. Surface Experts Franchising may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

7.7 Software. Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by Surface Experts Franchising. Franchisee shall enter into any subscription and support agreements that Surface Experts Franchising may require. Franchisee shall upgrade, update, or replace any software from time to time as Surface Experts Franchising may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give Surface Experts Franchising unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by Surface Experts Franchising.

7.8 Customer Complaints. Franchisee shall use its best efforts to promptly resolve any customer complaints. Surface Experts Franchising may take any action it deems appropriate to resolve a customer complaint regarding the Business, and Surface Experts Franchising may require Franchisee to reimburse Surface Experts Franchising for any expenses.

7.9 Evaluation and Compliance Programs. Franchisee shall participate at its own expense in programs required from time to time by Surface Experts Franchising for obtaining customer

evaluations, managing customer feedback, and/or reviewing Franchisee's compliance with the System, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. Surface Experts Franchising shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by Surface Experts Franchising for such programs.

7.10 Payment Systems. Franchisee shall accept payment from customers in any form or manner designated by Surface Experts Franchising (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Surface Experts Franchising. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

7.11 ~~Gift Cards, Loyalty Programs, and Incentive~~Customer Programs. At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by Surface Experts Franchising, in the manner specified by Surface Experts Franchising in the Manual or otherwise in writing. Franchisee shall honor all ~~valid gift cards and other~~ pre-paid systems, regardless of whether issued by Franchisee or another Surface Experts business. Franchisee shall comply with all procedures and specifications of Surface Experts Franchising related to ~~gift cards, certificates, and other~~ pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

7.12 Maintenance and Repair. If the Location will be open to the public or used for meeting customers or potential customers, then Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as Surface Experts Franchising may prescribe from time to time.

7.13 Vehicles. Franchisee shall initially purchase or lease at least two vehicles for the Business, and thereafter shall acquire and deploy additional vehicles sufficient to meet customer demand. All vehicles must be acquired in new condition. Franchisee shall ensure that all vehicles operated by the Business comply with all applicable System Standards, which may include, without limitation, make and model, required equipment, and required exterior décor. Franchisee shall keep all vehicles in excellent repair, clean, and free of dents and other damage, and shall ensure that the vehicles present a first-class image appropriate to Surface Experts Franchising's System. Any person driving a vehicle on behalf of the Business must be appropriately licensed and meet any applicable System Standards for drivers. Franchisee shall require personnel to use the Business-owned vehicles (and not their personal vehicles) for all Business purposes. Franchisee shall not permit Business vehicles to be used for personal reasons.

7.14 Meetings. The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that Surface Experts Franchising requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.

7.15 Insurance.

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by Surface Experts Franchising in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000; and
- (iii) Workers Compensation coverage as required by state law.

(b) Franchisee’s policies ~~must~~(other than Workers Compensation) must (1) list Surface Experts Franchising and its affiliates as an additional insured-, (2) include a waiver of subrogation in favor of Surface Experts Franchising and the policies must its affiliates, (3) be primary and non-contributing with any insurance carried by Surface Experts Franchising or its affiliates, and (4) stipulate that Surface Experts Franchising shall receive a 30-day days’ prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to Surface Experts Franchising prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of Surface Experts Franchising.

7.16 ~~Suppliers and Landlord Obligations to Third Parties.~~ Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location.

7.17 Public Relations. Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Surface Experts, the Business, or any particular incident or occurrence related to the Business, without Surface Experts Franchising’s prior written approval, which will not be unreasonably withheld.

7.18 Association with Causes. Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without Surface Experts Franchising’s prior written approval, which will not be unreasonably withheld.

7.19 No Other Activity Associated with the Business. Franchisee shall not use any of the assets of the Business for any purpose other than the Business. Franchisee shall not “co-brand” or associate any other business activity with the Surface Experts Business in a manner which is likely to cause the public to perceive it to be related to the Surface Experts Business. If Franchisee is an entity, the entity shall not own or operate any other business except Surface Experts businesses.

7.20 No Third-Party Management. Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Surface Experts Franchising, which will not be unreasonably withheld.

7.21 No Subcontracting. Franchisee shall not subcontract or delegate to a third party any services to be performed by Franchisee for a customer (other than engaging individuals as independent contractors in the ordinary course of business).

7.22 Identification. Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Surface Experts Franchising.

7.23 Business Practices. Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from Surface Experts Franchising. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

ARTICLE 8. SUPPLIERS AND VENDORS

8.1 Generally. Franchisee shall acquire all Inputs required by Surface Experts Franchising from time to time in accordance with System Standards. Surface Experts Franchising may require Franchisee to purchase or lease any Inputs from Surface Experts Franchising, Surface Experts Franchising's designee, Required Vendors, Approved Vendors, and/or under Surface Experts Franchising's specifications. Surface Experts Franchising may change any such requirement or change the status of any vendor. To make such requirement or change effective, Surface Experts Franchising shall issue the appropriate System Standards.

8.2 Surface Experts Franchising as Vendor. Without limiting the generality of Section 8.1, Franchisee acknowledges that as of the date of this Agreement, Surface Experts Franchising is the sole Approved Vendor of (1) certain equipment, tools and supplies necessary for the Business, (2) Tech Selection Kit with certain tools and supplies, (3) certain marketing materials, and (4) staff uniforms, including shirts, jackets, and t-shirts.

8.3 Alternate Vendor Approval. If Surface Experts Franchising requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Surface Experts Franchising. Surface Experts Franchising may condition its approval on such criteria as Surface Experts Franchising deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Surface Experts Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

8.4 Alternate Input Approval. If Surface Experts Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or

samples requested by Surface Experts Franchising. Surface Experts Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

8.5 Purchasing. Surface Experts Franchising may negotiate prices and terms with vendors on behalf of the System. Surface Experts Franchising may receive rebates, payments, or other consideration from vendors in connection with purchases by franchisees. Surface Experts Franchising has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor, and to impose a reasonable markup or charge for administering the payment program. Surface Experts Franchising may implement a centralized purchasing system. Surface Experts Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Surface Experts Franchising may determine.

8.6 No Liability of Franchisor. Surface Experts Franchising shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

8.7 Product Recalls. If Surface Experts Franchising or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from Surface Experts Franchising or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

ARTICLE 9. MARKETING

9.1 Approval and Implementation. Franchisee shall not conduct any marketing, advertising or public relations activities (including websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by Surface Experts Franchising. Surface Experts Franchising may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, ~~include~~including any social media policy that Surface Experts Franchising may prescribe. Franchisee shall implement any marketing plans or campaigns determined by Surface Experts Franchising.

9.2 Use by Surface Experts Franchising. Surface Experts Franchising may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to Surface Experts Franchising for such purpose.

9.3 Marketing Fund. Surface Experts Franchising may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. If Surface Experts Franchising has established a Marketing Fund:

(a) Separate Account. Surface Experts Franchising shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Surface Experts Franchising's other accounts.

(b) Use. Surface Experts Franchising shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as Surface Experts Franchising reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of Surface Experts Franchising's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Marketing Fund will be spent at Surface Experts Franchising's sole discretion, and Surface Experts Franchising has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. Surface Experts Franchising is not obligated to (i) have all other Surface Experts businesses (whether owned by other franchisees or by Surface Experts Franchising or its affiliates) contribute to the Marketing Fund, or (ii) have other Surface Experts businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(d) Surplus or Deficit. Surface Experts Franchising may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, Surface Experts Franchising may loan such funds to the Marketing Fund on reasonable terms.

(e) Financial Statement. Surface Experts Franchising will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of Surface Experts Franchising's fiscal year and will provide the financial statement to Franchisee upon request.

9.4 Market Cooperatives. Surface Experts Franchising may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Territory has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Territory is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. Surface Experts Franchising shall not require Franchisee to be a member of more than one Market Cooperative. If Surface Experts Franchising establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by Surface Experts Franchising. Surface Experts Franchising may require the Market Cooperative to adopt bylaws or regulations prepared by Surface Experts Franchising. Unless otherwise specified by Surface Experts Franchising, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Surface Experts Franchising will be entitled to attend and participate in any meeting of a Market Cooperative. Any Surface Experts business owned by Surface Experts Franchising in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, Surface Experts Franchising may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to Surface Experts Franchising's approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Surface Experts Franchising pursuant to Section 9.1. Surface Experts Franchising may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% of Gross Sales. However, maximum contribution to the Market Cooperative will not exceed 4% of Gross Sales unless all members of the Market Cooperative unanimously agree to a higher contribution

(e) Enforcement. Only Surface Experts Franchising will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. Surface Experts Franchising may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

9.5 Required Spending. ~~During the first two years of operations,~~ Franchisee shall spend at least ~~10% of Gross Sales or \$1,500 (whichever is greater)~~ **\$250** each month on marketing the Business. ~~Thereafter, Franchisee shall spend at least 5% of Gross Sales of \$500 (whichever is greater) each month on marketing the Business.~~ Upon request of Surface Experts Franchising, Franchisee shall furnish proof of its compliance with this Section. Surface Experts Franchising has the sole discretion to determine what activities constitute "marketing" under this Section. Surface Experts Franchising may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

~~9.6 — **Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain Surface Experts Franchising’s approval of the market introduction plan at least 30 days before the projected opening date of the Business.~~

ARTICLE 10. RECORDS AND REPORTS

10.1 Systems. Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Surface Experts Franchising may specify in the Manual or otherwise in writing.

10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as Surface Experts Franchising may require in the Manual or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of Surface Experts Franchising’s fiscal year; and
- (iii) any information Surface Experts Franchising requests in order to prepare a financial performance representation for Surface Experts Franchising’s franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify Surface Experts Franchising of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as Surface Experts Franchising may request.

(c) Government Inspections. Franchisee shall give Surface Experts Franchising copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee’s receipt thereof.

(d) Other Information. Franchisee shall submit to Surface Experts Franchising such other financial statements, budgets, forecasts, reports, key performance indicators, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that Surface Experts Franchising may reasonably request.

10.3 Initial Investment Report. Within 120 days after opening for business, Franchisee shall submit to Surface Experts Franchising a report detailing Franchisee’s investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of Surface Experts Franchising’s Franchise Disclosure Document and with such other information as Surface Experts Franchising may request.

10.4 Business Records. Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as Surface Experts Franchising may specify in the Manual or otherwise in writing.

10.5 Records Audit. Surface Experts Franchising may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. Surface Experts Franchising may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by Surface Experts Franchising. Franchisee shall also reimburse Surface Experts Franchising for all costs and expenses of the examination or audit if (i) Surface Experts Franchising conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any month.

ARTICLE 11. FRANCHISOR RIGHTS

11.1 Manual; Modification. The Manual, and any part of the Manual, may be in any form or media determined by Surface Experts Franchising. Surface Experts Franchising may supplement, revise, or modify the Manual, and Surface Experts Franchising may change, add or delete System Standards at any time in its discretion. Surface Experts Franchising may inform Franchisee thereof by any method that Surface Experts Franchising deems appropriate (which need not qualify as “notice” under Section 18.9). In the event of any dispute as to the contents of the Manual, Surface Experts Franchising’s master copy will control.

11.2 Business Evaluation. Surface Experts Franchising may accompany Franchisee or its personnel on any services performed for a customer to conduct an evaluation. If the Location will be open to the public or used for meeting customers or potential customers, Surface Experts Franchising may enter the premises of the Business from time to time during normal business hours and conduct an evaluation. Franchisee shall cooperate with Surface Experts Franchising’s evaluators. The evaluation may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. Surface Experts Franchising may videotape and/or take photographs of the evaluation. Surface Experts Franchising may set a minimum score requirement for evaluations, and Franchisee’s failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting Surface Experts Franchising’s other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an evaluation. If Surface Experts Franchising conducts an evaluation because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed evaluation), then Surface Experts Franchising may charge all out-of-pocket expenses plus its then-current evaluation fee to Franchisee.

11.3 Surface Experts Franchising’s Right to Cure. If Franchisee breaches or defaults under any provision of this Agreement, Surface Experts Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee.

Franchisee shall reimburse Surface Experts Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

11.4 Right to Discontinue Supplies Upon Default. While Franchisee is in default or breach of this Agreement, Surface Experts Franchising may (i) require that Franchisee pay cash on delivery for products or services supplied by Surface Experts Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by Surface Experts Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of Surface Experts Franchising are in addition to any other right or remedy available to Surface Experts Franchising.

11.5 Business Data. All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by Surface Experts Franchising. Surface Experts Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

11.6 Innovations. Franchisee shall disclose to Surface Experts Franchising all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. Surface Experts Franchising will automatically own all Innovations and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by Surface Experts Franchising to document Surface Experts Franchising's ownership of Innovations.

11.7 Communication Systems. If Surface Experts Franchising provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes Surface Experts Franchising to access such communications.——

11.8 Communication with Employees. Franchisee irrevocably authorizes Surface Experts Franchising to communicate with Franchisee's employees and contractors on any matter related to the System or the Business. Franchisee will not prohibit any employee or contractor from communicating with Surface Experts Franchising on any matter related to the System or the Business.

11.9 Communications with Landlord and Lenders. Franchisee irrevocably authorizes Surface Experts Franchising to communicate with Franchisee's landlord and lender(s), or prospective landlord and lender(s), about matters relating to the Business, and to provide information about the Business to them.

11.10 Delegation. Surface Experts Franchising may delegate any duty or obligation of Surface Experts Franchising under this Agreement to an affiliate or to a third party.

11.911 System Variations. Surface Experts Franchising may vary or waive any System Standard for any one or more Surface Experts franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business

practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

ARTICLE 12. MARKS

12.1 Authorized Marks. Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by Surface Experts Franchising, and only in the manner as Surface Experts Franchising may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of Surface Experts Franchising.

12.2 Change of Marks. Surface Experts Franchising may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after Surface Experts Franchising makes any such change, (not to exceed 90 days), Franchisee must comply with the change, at Franchisee's expense.

12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) Surface Experts Franchising shall defend Franchisee (at Surface Experts Franchising's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) Surface Experts Franchising will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify Surface Experts Franchising if Franchisee becomes aware of any possible infringement of a Mark by a third party. Surface Experts Franchising may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. Surface Experts Franchising shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

12.4 Name. If Franchisee is an entity, it shall not use the words "Surface Experts" in its legal name.

ARTICLE 13. COVENANTS

13.1 Confidential Information. With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by Surface Experts Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by Surface Experts Franchising, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by Surface Experts Franchising (except

for Confidential Information which Surface Experts Franchising licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

13.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly operate, have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly operate, have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be ~~engaged or~~ employed by, any Competitor operating in any of Franchisee’s Territory or the territory of any other Surface Experts business operating on the date of expiration, termination or transfer, as applicable.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Surface Experts Franchising. Franchisee agrees that the existence of any claim it may have against Surface Experts Franchising shall not constitute a defense to the enforcement by Surface Experts Franchising of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

13.3 General Manager and Key Employees. If requested by Surface Experts Franchising, Franchisee will cause its general manager and other key employees that Surface Experts Franchising reasonably designates (including technicians and salespeople) to sign Surface Experts Franchising’s then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

ARTICLE 14. DEFAULT AND TERMINATION

14.1 Termination by Franchisee. Franchisee may terminate this Agreement only if Surface Experts Franchising violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after Surface Experts Franchising receives written notice of termination.

14.2 Termination by Surface Experts Franchising.

(a) Subject to 10-Day Cure Period. Surface Experts Franchising may terminate this Agreement if Franchisee does not make any payment to Surface Experts Franchising when due, or if Franchisee does not have sufficient funds in its account when Surface Experts Franchising

attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Surface Experts Franchising gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to Surface Experts Franchising's satisfaction within 30 days after Surface Experts Franchising gives notice to Franchisee of such breach, then Surface Experts Franchising may terminate this Agreement.

(c) Without Cure Period. Surface Experts Franchising may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to Surface Experts Franchising;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors ~~or Franchisee makes a written statement to the effect that,~~ or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vi) Franchisee abandons or ceases operation of the Business for more than 15 consecutive days;
- (vii) Franchisee or any Owner slanders or libels Surface Experts Franchising or any of its employees, directors, or officers;
- (viii) Franchisee refuses to cooperate with or permit any audit or evaluation by Surface Experts Franchising or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (ix) the Business is operated in a manner which, in Surface Experts Franchising's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from Surface Experts Franchising or otherwise);

- (x) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xi) Surface Experts Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate);~~or~~
- (xii) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or
- (xiii) Franchisee or any Owner is accused by any governmental authority or third party of any act, , or if Franchisee or any Owner commits any act or series of acts, that in Surface Experts Franchising's opinion is reasonably likely to materially and unfavorably affect the Surface Experts brand, or is charged with, pleads guilty to, or is convicted of a felony.

14.3 Effect of Termination. Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to Surface Experts Franchising based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to Surface Experts Franchising all copies of the Manual, Confidential Information and any and all other materials provided by Surface Experts Franchising to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to Surface Experts Franchising or any new franchisee as may be directed by Surface Experts Franchising, and Franchisee hereby irrevocably appoints Surface Experts Franchising, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

14.4 Remove Identification. If Franchisee operates from a Location other than Franchisee's home, then within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Surface Experts business, to the reasonable satisfaction of Surface Experts Franchising. Franchisee shall comply with any reasonable instructions and procedures of Surface Experts Franchising for

de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Surface Experts Franchising may enter the Location to remove the Marks and de-identify the Location. In this event, Surface Experts Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Surface Experts Franchising.

14.5 Other Claims. Termination of this Agreement by Surface Experts Franchising will not affect or discharge any claims, rights, causes of action or remedies (including claims for Surface Experts Franchising's lost future income after termination), which Surface Experts Franchising may have against Franchisee, whether arising before or after termination.

14.6 Purchase Option. When this Agreement expires or is terminated, Surface Experts Franchising will have the right (but not the obligation) to purchase any or all of the assets related to the Business. To exercise this option, Surface Experts Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that Surface Experts Franchising elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. Surface Experts Franchising's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. Surface Experts Franchising may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by Surface Experts Franchising. If Surface Experts Franchising exercises the purchase option, Surface Experts Franchising may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts which Surface Experts Franchising paid or will pay to third parties to satisfy indebtedness owed by Franchisee to third parties. If any of the assets are subject to a lien, Surface Experts Franchising may pay a portion of the purchase price directly to the lienholder to pay off such lien. Surface Experts Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. Surface Experts Franchising may assign this purchase option to another party.

ARTICLE 15. TRANSFERS

15.1 By Surface Experts Franchising. Surface Experts Franchising may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and Surface Experts Franchising may undergo a change in ownership and/or control, without the consent of Franchisee.

15.2 By Franchisee. Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Surface Experts Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer

without providing Surface Experts Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining Surface Experts Franchising's consent. In granting any such consent, Surface Experts Franchising may impose conditions, including, without limitation, the following:

- (i) Surface Experts Franchising receives a transfer fee equal to \$10,000 plus any broker fees and other out-of-pocket costs incurred by Surface Experts Franchising;
- (ii) the proposed assignee and its owners have completed Surface Experts Franchising's franchise application processes, meet Surface Experts Franchising's then-applicable standards for new franchisees, and have been approved by Surface Experts Franchising as franchisees;
- (iii) the proposed assignee is not a Competitor;
- (iv) the proposed assignee executes Surface Experts Franchising's then-current form of franchise agreement and any related documents, which form may contain materially different provisions than this Agreement; (provided, however, that the proposed assignee will not be required to pay an initial franchise fee);
- (v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to Surface Experts Franchising and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to Surface Experts Franchising or its affiliates;
- (vii) the proposed assignee and its owners and employees undergo such training as Surface Experts Franchising may require;
- (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of Surface Experts Franchising in a form satisfactory to Surface Experts Franchising; and
- (ix) the Business fully complies with all of Surface Experts Franchising's most recent System Standards.

15.3 Transfer for Convenience of Ownership. If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to Surface Experts Franchising, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by Surface Experts Franchising, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

15.4 Transfer upon Death or Incapacity. Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Surface Experts Franchising (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

15.5 Surface Experts Franchising’s Right of First Refusal. Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, or to a co-Owner, or to a spouse, sibling, or child of an Owner), Surface Experts Franchising will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to Surface Experts Franchising a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of Surface Experts Franchising’s receipt of such copy, Surface Experts Franchising will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that Surface Experts Franchising may substitute cash for any other form of payment). If Surface Experts Franchising does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

15.6 No Sublicense. Franchisee has no right to sublicense the Marks or any of Franchisee’s rights under this Agreement.

15.7 No Lien on Agreement. Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an “all assets” security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

ARTICLE 16. INDEMNITY

16.1 Indemnity. Franchisee shall indemnify and defend (with counsel reasonably acceptable to Surface Experts Franchising) Surface Experts Franchising, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, “Indemnitees”) against all Losses in any Action by or against Surface Experts Franchising and/or any Indemnatee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnatee from Actions arising as a result of any Indemnatee’s intentional misconduct or negligence. Any delay or failure by an Indemnatee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnatee. This indemnity will continue in effect after this Agreement ends.

16.2 Assumption. An Indemnatee may elect to assume the defense and/or settlement of any Action subject to this indemnification, at Franchisee’s expense. Such an undertaking shall not diminish Franchisee’s obligation to indemnify the Indemnitees.

ARTICLE 17. DISPUTE RESOLUTION

17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c) ~~and (d)~~, any controversy or claim arising out of or relating to this Agreement (including its formation ~~and any question of arbitrability~~) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where Surface Experts Franchising's headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

~~(d)~~ Intellectual Property Claims. ~~Either party may bring a claim involving an alleged infringement of any of Surface Experts Franchising's intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.~~

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Surface Experts Franchising to comply with laws and regulations applicable to the sale of franchises.

~~(e)~~ Performance During Arbitration or Litigation. Unless this Agreement has been terminated, Surface Experts Franchising and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

17.2 Damages. In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement. In the event of termination of this Agreement prior to the expiration of the term due to Franchisee's default, Surface Experts Franchising's actual damages will include its lost future income from Royalty Fees and other amounts that Franchisee would have owed to Surface Experts Franchising but for the termination.

17.3 Waiver of Class Actions. The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

17.4 Time Limitation. Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party,

(ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

17.5 Venue Other Than Arbitration. For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where Surface Experts Franchising's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where Surface Experts Franchising's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

17.6 Legal Costs. In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

ARTICLE 18. MISCELLANEOUS

18.1 Relationship of the Parties. The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. Surface Experts Franchising is not a fiduciary of Franchisee. Surface Experts Franchising does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect Surface Experts Franchising's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. Surface Experts Franchising has no liability for Franchisee's obligations to any third party whatsoever.

18.2 No Third-Party Beneficiaries. This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Surface Experts Franchising, and Surface Experts Franchising's affiliates.

18.3 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by Surface Experts Franchising in its franchise disclosure document.

18.4 Modification. No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit Surface Experts Franchising's rights to modify the Manual or System Standards.

18.5 Consent; Waiver. No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

18.6 Cumulative Remedies. Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

18.7 Severability. The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

18.8 Governing Law. The laws of the state of Washington (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Washington law for the protection of franchisees or business opportunity purchasers (including Washington's Franchise Investment Protection Act, RCW 19.100) will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

18.9 Notices. Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to Surface Experts Franchising, addressed to 159 South Lincoln St., Suite 321, Spokane, WA 99201. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, Surface Experts Franchising may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

18.10 Holdover. If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time thereafter (regardless of any course of dealing by the parties), Surface Experts Franchising may by giving written notice to Franchisee (the "Holdover Notice") either (i) require Franchisee to cease operating the Business and comply with all post-closing obligations effective immediately upon giving notice or effective on such other date as Surface Experts Franchising specifies, or (ii) bind Franchisee to a renewal term of 5 years, collect the renewal fee this Agreement specified in Section 3.2(v), and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).

18.11 Joint and Several Liability. If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.

18.12 No Offer and Acceptance. Delivery of a draft of this Agreement to Franchisee by Surface Experts Franchising does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and Surface Experts Franchising.

ARTICLE 19. CERTIFICATION OF FRANCHISOR'S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in Surface Experts Franchising's Disclosure Document.
- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, and the marketplace.
- (3) That no person acting on Surface Experts Franchising's behalf made any statement or promise regarding the costs involved in operating a Surface Experts franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (4) That no person acting on Surface Experts Franchising's behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in the Disclosure Document.
- (5) That no person acting on Surface Experts Franchising's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue a Surface Experts franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (6) That the financial performance information contained in Item 19 was for a business that operated under a different brand name than "Surface Experts".
- (7) That no person acting on Surface Experts Franchising's behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document.
- (7) Franchisee understands that this Agreement contains the entire agreement between Surface Experts Franchising and Franchisee concerning the Surface Experts franchise, which means that any oral or written statements not set out in this Agreement will not be binding. In deciding to enter into this Agreement, Franchisee is not relying on any statement, promise, claim, or representation not expressly set forth in this Agreement or in the Disclosure Document.

[Signatures on next page]

Agreed to by:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

[if an individual:]

Name: _____

Date: _____

[if an entity:]

By: _____

Name: _____

Title: _____

Date: _____

(Check if applicable) At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

- _____ Illinois
- _____ Indiana
- _____ Maryland
- _____ Minnesota
- _____ New York
- _____ North Dakota
- _____ Rhode Island
- _____ Washington
- _____ Other

Attachment 1 to Franchise Agreement

OWNERSHIP INFORMATION

1. Form of Ownership. Franchisee is a (check one):

- _____ *Sole Proprietorship*
- _____ *Partnership*
- _____ *Limited Liability Company*
- _____ *Corporation*

State: _____

2. Owners. If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. Officers. If Franchisee is a limited liability company or corporation:

Name	Title

Attachment 2 to Franchise Agreement

GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”).

Background Statement: _____ (“Franchisee”) desires to enter into a Franchise Agreement with Surface Experts Franchising for the franchise of a Surface Experts business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce Surface Experts Franchising to enter into the Franchise Agreement.

Guarantor agrees as follows:

1. Guaranty. Guarantor hereby unconditionally guarantees to Surface Experts Franchising and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to Surface Experts Franchising, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and Surface Experts Franchising upon demand from Surface Experts Franchising. Guarantor waives (a) acceptance and notice of acceptance by Surface Experts Franchising of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that Surface Experts Franchising make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

2. Confidential Information. With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by Surface Experts Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Surface Experts Franchising, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or

use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by Surface Experts Franchising or its affiliates (except for Confidential Information which Surface Experts Franchising licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to Surface Experts Franchising. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

3. Covenants Not to Compete.

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly operate, have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be ~~engaged or~~ employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly operate, have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be ~~engaged or~~ employed by, any Competitor operating in any of Franchisee’s Territory or the territory of any other Surface Experts business operating on the date of expiration, termination or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Surface Experts Franchising. Guarantor agrees that the existence of any claim it or Franchisee may have against Surface Experts Franchising shall not constitute a defense to the enforcement by Surface Experts Franchising of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

4. **Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which Surface Experts Franchising may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

5. **Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Washington (without giving effect to its principles of conflicts of law). The parties agree that any Washington law for the protection of franchisees or business opportunity purchasers (including Washington’s Franchise Investment Protection Act, RCW 19.100) will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to Surface Experts Franchising all costs incurred by Surface Experts Franchising (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

Name: _____
Address: _____

Date: _____

Name: _____
Address: _____

Date: _____

Name: _____
Address: _____

Date: _____

EXHIBIT C

FORM OF GENERAL RELEASE

[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”).

Background Statement: *[describe circumstances of Release]*

Releasor agrees as follows:

- 1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases Surface Experts Franchising, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
- 2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.
- 3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.
- 4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that Surface Experts Franchising reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

5. State Addenda.

[Maryland Residents]: This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Washington Residents]: 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 franchise agreement is in effect and where the parties are represented by independent counsel.

Agreed to by:

Name: _____
Date: _____

EXHIBIT D
FINANCIAL STATEMENTS

~~SURFACE EXPERTS FRANCHISING LLC~~
~~UNAUDITED INTERIM FINANCIAL STATEMENTS~~
~~FOR THE PERIOD FROM JANUARY 1, 2019 THROUGH APRIL 30,~~

SURFACE EXPERTS FRANCHISING, LLC
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
with
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
BALANCE SHEET	5
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-14

SMITH & HOWARD

Certified Public Accountants and Advisers

INDEPENDENT AUDITORS' REPORT

To the Members

Surface Experts Franchising, LLC

We have audited the accompanying financial statements of Surface Experts Franchising, LLC, which comprise the balance sheet as of December 31, 2019 and the related statements of operations and members' equity (deficit) and cash flows for the year 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Suite 1600, 271 17th Street, N.W., Atlanta, GA 30363
Tel 404.874.6244 Fax 404.874.1658 www.smith-howard.com*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Surface Experts Franchising, LLC as of December 31, 2019, and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Smith & Howard

March 13, 2020

**SURFACE EXPERTS FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2019**

ASSETS

Current Assets	
Cash	\$ 360,793
Accounts receivable	5,929
Franchise agreement assets, current portion	<u>600,342</u>
Total Current Assets	967,064
Property and Equipment, net	9,581
Franchise Agreement Assets, Net of Current Portion	<u>1,331,167</u>
	<u>\$ 2,307,812</u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

Current Liabilities	
Accounts payable and accrued expenses	\$ 360,530
Franchise agreement liability, current portion	<u>209,055</u>
Total Current Liabilities	569,585
Franchise Agreement Liability, Net of Current Portion	1,781,414
Members' Equity (Deficit)	<u>(43,187)</u>
	<u>\$ 2,307,812</u>

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

SURFACE EXPERTS FRANCHISING, LLC
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)
YEAR ENDED DECEMBER 31, 2019

Revenue	
Franchise fees	\$ 375,963
Royalties and call center fees	17,724
Other	<u>185,568</u>
	579,255
Operating Expenses	<u>647,903</u>
Loss from Operations	(68,648)
Other Expense	
Depreciation and amortization	737
Interest expense, net	<u>40</u>
	<u>777</u>
Net Loss	(69,425)
Members' Equity, Beginning of Year	16,238
Contributions from Members	10,000
Distributions to Members	<u>-</u>
Members' Equity (Deficit), End of Year	<u>\$ (43,187)</u>

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

SURFACE EXPERTS FRANCHISING, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Net Loss	\$ (69,425)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	737
Amortization of franchise agreement assets - deferred costs	70,230
Recognition of franchise agreement liability - deferred revenues	(100,082)
Changes in:	
Accounts receivable	(5,929)
Prepaid expenses	1,900
Franchise agreement assets	(2,001,739)
Franchise agreement liability	2,090,551
Accounts payable and accrued expenses	<u>357,098</u>
Net Cash Provided by Operating Activities	<u>343,341</u>
Cash Flows from Investing Activities:	
Purchase of property and equipment	<u>(146)</u>
Net Cash Required by Investing Activities	<u>(146)</u>
Cash Flows from Financing Activities:	
Members' contributions	<u>10,000</u>
Net Cash Provided by Financing Activities	<u>10,000</u>
Net Increase in Cash	353,195
Cash at Beginning of Year	<u>7,598</u>
Cash at End of Year	<u>\$ 360,793</u>

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

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – DESCRIPTION OF BUSINESS

Surface Experts Franchising, LLC (the “Company”), was formed on September 1, 2018 and is engaged in the business of selling and supporting surface repair franchises within the United States of America. These franchisees provide surface repair services within their territories and pay royalties to the Company on their operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Adoption of New Accounting Policy

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Accounting Standards Codification (“ASC”) Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. ASU No. 2014-09, supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition (“Topic 605”). On January 1, 2019, the Company adopted the requirements of Topic 606. The Company began sales of its franchises during 2019, accordingly, there is no impact to previously presented financial statements from the adoption of this accounting policy. See Note 5 for further discussion of the impact of adoption of this accounting policy.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable include royalty and call center fees charged by the Company. The Company uses the specific write-off method of accounting for doubtful accounts.

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues for the Company are disaggregated into the following revenues streams: Franchise Fees, Royalties and Call Center Fees and Other.

The Company sells franchises which grant franchisees a right to operate within a designated territory. These franchises are conveyed through a Franchise Agreement. The sale of the franchises is reflected within Franchise Fees in the accompanying statement of operations and retained earnings.

Following execution of the Franchise Agreement, the franchisee purchases equipment and completes a training program. The training program is completed typically 90-120 days following execution of the Franchise Agreement. Upon completion of the training program, the franchisee begins operations in their designated territory. The right to operate within the territory represents the Company fulfilling its performance obligation over the Franchise Agreement. Revenues associated with the training program are recognized upon completion of the training program. Remaining revenues from the sale of the franchise agreement are recognized on a straight-line basis, beginning upon completion of the training program, over the term of the Franchise Agreement, which is 10 years.

Collection of Franchise Fees typically occurs within a year of execution of the Franchise Agreement. Amounts receivable associated with Franchise Agreements are included in Franchise Agreement Assets, as discussed further in Note 3.

The Company collects Royalty and Call Center Fees that range from 4% to 8% of a franchisee's monthly sales. These fees are considered variable consideration. GAAP requires variable consideration that is to be recognized over the term of the franchise agreement to be estimated at the inception of the Franchise Agreement. Deferred revenue and a note receivable would be recognized at inception of the Franchise Agreement based on this estimate. GAAP specifically excludes these fees from this treatment. Given the nature of the business, the constraints associated with estimating these fees cannot be overcome in order to determine an estimate of the variable consideration that would not be likely to result in a significant reversal. Accordingly, the fees are recognized in the month in which services are performed for customers. Amounts receivable associated with Royalty, Call Center and Technology Fees are included within Accounts receivable on the accompanying balance sheet.

Other revenues include sales of supplies, tools and uniforms to franchisees as well as rental income from vehicles that are leased to franchisees.

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash in bank deposits which, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

The Company grants credit to its master franchisees in the form of accounts receivable secured by personal guarantees of the owners of the master franchise. The Company routinely assesses the financial strength of its franchisees, and as a consequence, believes its receivable credit risk exposure is limited. Therefore, the Company has not deemed allowance for collection of accounts receivables necessary at December 31, 2019.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost and accumulated depreciation for property and equipment sold, retired, or otherwise disposed of are relieved from the accounts, and resulting gains and losses are recognized currently. Minor maintenance, repairs, and renewals are expensed as incurred.

Property and equipment, net is summarized as follows at December 31, 2019:

	<u>Estimated Useful Life</u>		
Furniture and fixtures	7 years	\$	10,318
Less accumulated depreciation			<u>(737)</u>
		\$	<u>9,581</u>

Depreciation expense was \$737 for the year ended December 31, 2019.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes with the earnings and losses of the entity being included in the members' income tax returns. Consequently, the Company's income or loss is presented without a provision or credit for federal and state income taxes.

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Company annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Company takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In general, the Company is no longer subject to tax examinations for the years ending before December 31, 2018.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3 – FRANCHISE AGREEMENT ASSETS AND LIABILITIES

The following table provides details of Franchise Agreement related balances including accounts receivable, deferred costs and deferred revenues:

	Opening	Closing
	<u>1/1/2019</u>	<u>12/31/2019</u>
Franchise Agreement Assets:		
Franchise agreement receivables	\$ -	\$ 444,631
Deferred costs	-	<u>1,486,878</u>
	<u>\$ -</u>	<u>\$ 1,931,509</u>
Franchise Agreement Liabilities:		
Deferred revenues	<u>\$ -</u>	<u>\$ 1,990,469</u>

Deferred Revenues

Deferred revenues within the accompanying balance sheet represent Franchise Fees for franchisees who have not yet completed their training program as well as revenues that are being deferred over the term of the Franchise Agreement of 10 years. Revenues expected to be recognized in the next 12 months are presented as current liabilities. During 2019, the Company recorded deferred revenues associated with franchise agreements of \$2,090,551.

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 – FRANCHISE AGREEMENT ASSETS AND LIABILITIES (Continued)

Deferred Costs

GAAP requires the Company to evaluate incremental costs required to obtain a contract as well as costs associated with fulfilling a contract. These costs include commissions paid to brokers, salaries and travel costs associated with training of franchisees. These costs are amortized on a straight-line basis over the term of the Franchise Agreement of 10 years. During 2019, the Company capitalized costs associated with obtaining and fulfilling contracts of \$1,557,110 and recorded amortization expense of \$70,230.

Deferred revenues and costs are expected to be recognized as follows for the year ending December 31:

	<u>Deferred Costs</u>	<u>Deferred Revenues</u>
2020	\$ 155,711	\$ 209,055
2021	155,711	209,055
2022	155,711	209,055
2023	155,711	209,055
2024	155,711	209,055
Thereafter	<u>708,323</u>	<u>945,194</u>
	<u>\$ 1,486,878</u>	<u>\$ 1,990,469</u>

NOTE 4 – COMMITMENTS

The Company has two non-cancelable operating leases covering its office spaces, which both expire in 2021. The Company also has entered into a master lease agreement which allows for its franchisees to lease vehicles to be used in connection with the franchisee's business. The Company bears risk of loss in these lease agreements and charges rent monthly to the franchisees for these vehicles and remits payments to the lessor. This rental income is reflected in Other Income within the accompanying statement of operations and members' equity (deficit). These leases expire at various dates in 2023. Future minimum lease payments for the leases are as follows for the years ending December 31:

2020	\$ 82,381
2021	71,869
2022	49,693
2023	<u>32,594</u>
	<u>\$ 236,537</u>

Rental expense in 2019 approximated \$122,000.

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 – PRESENTATION PRIOR TO ADOPTION OF NEW ACCOUNTING STANDARD

The Company commenced operations in 2018, therefore the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers* ASC Topic 606 had a significant impact on both the balance sheet and the statement of operations of the Company. When compared to prior accounting standards, as a result of the adoption, member's equity decreased by approximately \$504,000 causing ending equity to be in a deficit position. The below information depicts the results of operations and financial position of the Company under previous accounting standards and under the adoption of this new accounting standard:

	<u>Under Prior</u> <u>Standards</u>	<u>Adoption</u> <u>of ASC 606</u>	<u>Under</u> <u>ASC 606</u>
<i>Balance Sheet:</i>			
Cash	\$ 360,793	\$ -	\$ 360,793
Accounts receivable	5,929	-	5,929
Franchise agreement assets	444,631	1,486,878	1,931,509
Property and Equipment, net	9,581	-	9,581
Total Assets	<u>\$ 820,934</u>	<u>\$ 1,486,878</u>	<u>\$ 2,307,812</u>
Accounts payable and accrued expenses	\$ 360,530	\$ -	\$ 360,530
Franchise agreement liability	-	1,990,469	1,990,469
Members' Equity (Deficit)	460,404	(503,591)	(43,187)
Total Liabilities and Member's Equity (Deficit)	<u>\$ 820,934</u>	<u>\$ 1,486,878</u>	<u>\$ 2,307,812</u>
<i>Statement of Operations:</i>			
Revenue	\$ 2,563,795	\$ (1,990,469)	\$ 579,255
Operating expenses	2,134,781	(1,486,878)	647,903
Other expense	777	-	777
Net Income (Loss)	<u>\$ 428,237</u>	<u>\$ (503,591)</u>	<u>\$ (69,425)</u>

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 – SUBSEQUENT EVENTS

The Company has experienced a disruption of normal business operations caused from COVID-19 since December 31, 2019. The overall financial impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.

|

|

SURFACE EXPERTS FRANCHISING, LLC

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

December 31, 2018

MARK W KLAMMER CPA PS

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITOR	1, 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3, 4
Statement of Activities	5
Statement of Changes in Member Equity	6
Statement of Cash Flows	7, 8
Notes to the Financial Statements	9 - 12

MARK W. KLAMMER, CPA PS
CERTIFIED PUBLIC ACCOUNTANT
TELEPHONE: 509-325-8849

377 ROCK POINT TOWER
316 WEST BOONE AVE
SPOKANE, WA 99201

REPORT OF INDEPENDENT AUDITOR

To the Members
Surface Experts Franchising, LLC
Spokane, Washington

Report on the Financial Statements

I have audited the accompanying financial statements of Surface Experts Franchising, LLC, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in Members' Equity and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Member
American Institute of Certified Public Accountants
Washington Society of Certified Public Accountants

MARK W. KLAMMER, CPA PS
CERTIFIED PUBLIC ACCOUNTANT
TELEPHONE: 509-325-8849

377 ROCK POINT TOWER
316 WEST BOONE AVE
SPOKANE, WA 99201

REPORT OF INDEPENDENT AUDITOR - CONTINUED

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Surface Experts Franchising, LLC as of December 31, 2018, and the results of its changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

 CPA PS

Spokane, Washington
March 9, 2019

Member
American Institute of Certified Public Accountants
Washington Society of Certified Public Accountants

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2018

ASSETS

	<u>2018</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,598
Prepaid Expenses	<u>1,900</u>
Total Current Assets	<u>9,498</u>
PROPERTY AND EQUIPMENT, at cost	
Office Equipment	4,817
Office Furniture & Fixtures	<u>4,929</u>
	9,746
Less Accumulated depreciation	<u>(1,918)</u>
Property and Equipment net of Accumulated Depreciation	<u>7,828</u>
INTANGIBLE ASSETS, at cost	
Trademark	2,467
Less accumulated amortization	<u>(123)</u>
Trademark net of Accumulated Amortization	<u>2,344</u>
Total Assets	<u><u>\$ 19,670</u></u>

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

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2018

LIABILITES AND MEMBERS' EQUITY

	<u>2018</u>
CURRENT LIABILITIES	
Federal and State payroll taxes withheld and payable	\$ 3,432
Total Current Liabilities	<u>3,432</u>
LONG TERM LIABLILITES	<u>-</u>
Total Liabilities	<u>3,432</u>
MEMBERS' EQUITY	
Total Members' Equity	<u>16,238</u>
Total Liabilities and Members' Equity	<u><u>\$ 19,670</u></u>

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

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF ACTIVITIES

As of December 31, 2018, and the period from September 30, 2018 (date of Inception)
to December 31, 2018

	<u>2018</u>
Operating Revenues	<u>\$ -</u>
Operating Expenses	
Advertising & Promotion	25,016
Amortization	123
Automobile and Truck Expense	1,257
Communications, phone & Internet	822
Depreciation	1,918
Enterprize Fleet Vehicle cost	4,182
Franchise Development	17,254
Hazmat Training	489
Insurance	8,671
Legal & Accounting	27,559
Licenses & permits	401
Shipping & Postage	253
Meals & Entertainment	2,070
Office Equipment	1,935
Maintenance	1,574
Office Supplies	3,461
Salaries & Wages	17,288
Payroll Taxes	93
Product & Supplies	3,500
Rent	8,600
Software	1,212
Tools	1,728
Travel	3,839
Uniforms	517
	<u>133,762</u>
Total Expense	
	<u>133,762</u>
Net Income (Loss) from Operating Activities	<u>\$ (133,762)</u>

The accompanying notes are an integral part of these financial statements

SURFACE EXPERTS FRANCHISING, LLC
(A Development Stage Company)

STATEMENT OF CHANGES IN MEMBER EQUITY

As of December 31, 2018, and the period from September 30, 2018 (date of Inception)

	<u>2018</u>
Initial Member Contributions:	
Member 1	\$ 300,000
Member 2	<u>50,000</u>
Total Contributions	350,000
Member Distributions	<u>(200,000)</u>
Member Equity - prior to year end Income (Loss)	150,000
Net Income (Loss) for the Year Ended, December 31, 2018	<u>(133,762)</u>
Member Equity, December 31, 2018	<u><u>\$ 16,238</u></u>

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

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF CASH FLOWS

As of December 31, 2018, and the period from September 30, 2018 (date of Inception)
to December 31, 2018

	<u>2018</u>
Cash Flows From Operations	
Cash disbursed for general business activities	\$ <u>(130,189)</u>
Net Cash (used) provided by Operating Activities	<u>(130,189)</u>
Cash Flows From Investing Activities	
Cash used to acquire office fixtures & equipment	(9,746)
Cash used to acquire trademark	<u>(2,467)</u>
Net Cash (used) provided by Investing Activities	<u>(12,213)</u>
Cash Flows Provided by Financing Activities	
Capital Contributions - Members	<u>150,000</u>
Net Cash provided by Operating Activities	<u>150,000</u>
Net Increase (Decrease) in cash and Cash Equivalents	7,598
Cash and Cash Equivalents - Beginning of period	<u>-</u>
Cash and Cash Equivalents - End of period	<u>\$ 7,598</u>

The accompanying notes are an integral part of these financial statements

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF CASH FLOWS

As of December 31, 2018, and the period from September 30, 2018 (date of Inception
to December 31, 2018

	<u>2018</u>
Reconciliation of Changes in Net Assets To Net Cash Provided (Used) by Operating Activities	
Increase (Decrease) in Net Assets	(133,762)
Adjustments to reconcile increase (decrease) in net assets to net cash utilized in operating activities	
Depreciation	1,918
Amortization	123
(Increase) Decrease in prepaid expenses	(1,900)
Increase (Decrease) in accrued expenses	3,432
	<u> </u>
Net Cash provided (used) by Operatng Activities	<u><u>(130,189)</u></u>

The accompanying notes are an integral part of these financial statements

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

1 – Organization

The Company was formed as a Limited Liability Company (LLC) according to the laws of the State of Washington on September 1, 2018. The Company is located in Spokane, Washington.

2 – Summary of Significant Accounting Policies

Nature of Business Operations:

The Company sells franchise rights, and “know-how”, in connection with the repair of minor cosmetic surface damage to commercial and residential property. Prospective franchisees may be located throughout the United States.

Basis of Accounting:

The Company’ accounting records are maintained using the accrual method of accounting.

Financial Statement Presentation:

The Financial Statements of Surface Experts Franchising, LLC, have been presented using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect certain reported amounts and disclosures of assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Currently, estimates consist relating to the lives of fixed assets for depreciation, and the collectability of accounts receivable.

Accounts Receivable:

The Company uses the specific write-off method of accounting for receivables which are considered uncollectible. The Company evaluates the collectability of receivables on an on-going basis. Amounts deemed uncollectible are expensed only after all efforts to collect have been exhausted. Management believes that all amounts will be collected in full and no allowance for doubtful accounts has been established.

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

2 – Summary of Significant Accounting Policies – Continued

Equipment and Depreciation:

Equipment is stated at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives. The Company may use other depreciation methods (generally accelerated) for tax purposes when appropriate. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expenses as incurred. When a property and equipment asset is sold, retired or otherwise disposed of, the asset's cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Amortization of Intangible Assets:

Intangible assets consisting of trademark development costs are amortized over 15 years using the straight-line method.

Revenue Recognition:

Funds received from the sale of franchises are available upon receipt, in accordance with the terms of the franchise agreement and individual state laws. Royalties due from franchises are recognized as revenue as they are earned.

Income Taxes:

A provision for federal and state income taxes has not been made, due to an election by the Limited Liability Company to be taxed as a Partnership, and the consent of its Members, to include the taxable income or loss and other taxable transactions of the Company in their individual tax returns. As a result, no income taxes are imposed on the Company, either federal or state.

Development Stage Company:

Surface Experts, LLC operated as a Development Stage Company during the year ended December 31, 2018.

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

2 – Summary of Significant Accounting Policies (Continued)

Advertising Costs:

Advertising costs are recognized as expense in the year incurred.

Concentration of Risk:

Cash and Financial instruments which potentially subject the Company to concentrations of risk consist primarily of cash and cash equivalents. At December 31, 2018, the Company had its cash and cash equivalents on deposit with a local Bank. The total balance on deposit with this bank does not exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Concentrations of credit risk with respect to royalty payments are limited to the reliability of payment from franchisees, which will normally be affected by economic factors in the region where the franchisee is located.

Cash Equivalents:

For purposes of balance sheet classification and the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be treated as cash equivalents.

3 - Operating Lease and Commitments

The Company leases commercial office space for their headquarters, located at 159 South Lincoln Street, in Spokane, Washington. The Lease is for three years, commencing on September 1, 2018, and running through August 1, 2020. Total lease expense for the year ended December 31, 2018, was \$7,600.

Monthly rental expense for the life of the lease is \$1,900 in year one, \$2,400 in year two, and \$2,472 in year three.

Future minimum lease payments required by the lease in place at December 31, 2018 are as follows:

Year ended, December 31, 2019	\$ 24,800
Year ended, December 31, 2020	\$ 29,088
Year ended, December 31, 2021	<u>\$ 19,776</u>
Total future minimum lease payments	<u>\$ 73,664</u>

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

4 – Subsequent Events

Subsequent events are events or transactions that occur after the date of the statement of financial position but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before the financial statements were issued. The Organization has evaluated subsequent events through March 8, 2019, which is the date the financial statements were available to be issued.

~~2019~~

~~THESE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2019 THROUGH APRIL 30, 2019, ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

2:19 PM
05/31/19
Accrual Basis

Surface Experts Franchising
Profit & Loss
January through April 2019

	Jan - Apr 19
Travel	
Car Rental	325.91
Flights (airline ticket)	281.99
Travel - Other	71.12
Total Travel	679.02
Uniforms	1,953.53
Total Expense	348,234.95
Net Ordinary Income	253,556.45
Other Income/Expense	
Other Income	
Pass Through Income	
Parking Reimbursment	225.00
Spokane	
Downpayment	500.00
Monthly Lease	1,111.04
WWS Software	504.00
Spokane - Other	160.94
Total Spokane	2,275.98
Pass Through Income - Other	1,813.80
Total Pass Through Income	4,314.78
Total Other Income	4,314.78
Other Expense	
Pass Through Expense	
Enterprise Fleet Vehicles	
Spokane	
Downpayment	-1,000.00
Monthly lease	832.48
WWS Software	335.00
Total Spokane	167.48
Total Enterprise Fleet Vehicles	167.48
Pass Through Expense - Other	1,074.25
Total Pass Through Expense	1,241.73
Total Other Expense	1,241.73
Net Other Income	3,073.05
Net Income	256,629.50

4:07 PM
06/05/19
Accrual Basis

Surface Experts Franchising
Balance Sheet
As of April 30, 2019

	Apr 30, 19
ASSETS	
Current Assets	
Checking/Savings	
Surface Experts Checking	201,694.06
Total Checking/Savings	201,694.06
Accounts Receivable	
Accounts Receivable	67,500.00
Total Accounts Receivable	67,500.00
Other Current Assets	
Undeposited Funds	10,000.00
Total Other Current Assets	10,000.00
Total Current Assets	279,194.06
Fixed Assets	
Furniture and Equipment	60.07
Total Fixed Assets	60.07
TOTAL ASSETS	279,254.13
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Credit	370.12
Total Credit Cards	370.12
Other Current Liabilities	
Payroll Liabilities	8,089.10
Total Other Current Liabilities	8,089.10
Total Current Liabilities	8,459.22
Total Liabilities	8,459.22
Equity	
Member 1 Equity	110,000.00
Member 2 Equity	50,000.00
Retained Earnings	-145,834.59
Net Income	256,629.50
Total Equity	270,794.91
TOTAL LIABILITIES & EQUITY	279,254.13

SURFACE EXPERTS FRANCHISING, LLC

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

December 31, 2018

————— **MARK W KLAMMER CPA PS** —————

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITOR	1, 2
FINANCIAL STATEMENTS	
<hr/>	
Statement of Financial Position	3, 4
Statement of Activities	5
Statement of Changes in Member Equity	6
Statement of Cash Flows	7, 8
Notes to the Financial Statements	9 - 12

MARK W. KLAMMER, CPA PS
CERTIFIED PUBLIC ACCOUNTANT
TELEPHONE: 509-325-8849

377 ROCK POINT TOWER
316 WEST BOONE AVE
SPOKANE, WA 99201

REPORT OF INDEPENDENT AUDITOR

To the Members
Surface Experts Franchising, LLC
Spokane, Washington

Report on the Financial Statements

I have audited the accompanying financial statements of Surface Experts Franchising, LLC, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in Members' Equity and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Member
American Institute of Certified Public Accountants
Washington Society of Certified Public Accountants

MARK W. KLAMMER, CPA PS
CERTIFIED PUBLIC ACCOUNTANT
TELEPHONE: 509-325-8849

377 ROCK POINT TOWER
316 WEST BOONE AVE
SPOKANE, WA 99201

REPORT OF INDEPENDENT AUDITOR - CONTINUED

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Surface Experts Franchising, LLC as of December 31, 2018, and the results of its changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

 CPA PS

Spokane, Washington
March 9, 2019

Member
American Institute of Certified Public Accountants
Washington Society of Certified Public Accountants

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2018

ASSETS

	<u>2018</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,598
Prepaid Expenses	<u>1,900</u>
Total Current Assets	<u>9,498</u>
PROPERTY AND EQUIPMENT, at cost	
Office Equipment	4,817
Office Furniture & Fixtures	<u>4,929</u>
	<hr/>
	9,746
Less Accumulated depreciation	<u>(1,918)</u>
Property and Equipment net of Accumulated Depreciation	<u>7,828</u>
INTANGIBLE ASSETS, at cost	
Trademark	2,467
Less accumulated amortization	<u>(123)</u>
Trademark net of Accumulated Amortization	<u>2,344</u>
Total Assets	<u><u>\$ 19,670</u></u>

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

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2018

LIABILITES AND MEMBERS' EQUITY

	<u>2018</u>
CURRENT LIABILITIES	
Federal and State payroll taxes withheld and payable	\$ 3,432
Total Current Liabilities	<u>3,432</u>
LONG TERM LIABLILITES	<u>-</u>
Total Liabilities	<u>3,432</u>
<hr/>	
MEMBERS' EQUITY	
Total Members' Equity	<u>16,238</u>
Total Liabilities and Members' Equity	<u>\$ 19,670</u>

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

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF ACTIVITIES

As of December 31, 2018, and the period from September 30, 2018 (date of Inception)
to December 31, 2018

	<u>2018</u>
Operating Revenues	<u>\$ -</u>
Operating Expenses	
Advertising & Promotion	25,016
Amortization	123
Automobile and Truck Expense	1,257
Communications, phone & Internet	822
Depreciation	1,918
Enterprize Fleet Vehicle cost	4,182
Franchise Development	17,254
Hazmat Training	489
Insurance	8,671
Legal & Accounting	<u>27,559</u>
Licenses & permits	401
Shipping & Postage	253
Meals & Entertainment	2,070
Office Equipment	1,935
Maintenance	1,574
Office Supplies	3,461
Salaries & Wages	17,288
Payroll Taxes	93
Product & Supplies	3,500
Rent	8,600
Software	1,212
Tools	1,728
Travel	3,839
Uniforms	<u>517</u>
Total Expense	<u>133,762</u>
Net Income (Loss) from Operating Activities	<u>\$ (133,762)</u>

The accompanying notes are an integral part of these financial statements

SURFACE EXPERTS FRANCHISING, LLC
(A Development Stage Company)
STATEMENT OF CHANGES IN MEMBER EQUITY

As of December 31, 2018, and the period from September 30, 2018 (date of Inception)

	<u>2018</u>
Initial Member Contributions:	
Member 1	\$ 300,000
Member 2	<u>50,000</u>
Total Contributions	350,000
Member Distributions	<u>(200,000)</u>
Member Equity - prior to year end Income (Loss)	150,000
<hr/>	
Net Income (Loss) for the Year Ended, December 31, 2018	<u>(133,762)</u>
Member Equity, December 31, 2018	<u><u>\$ 16,238</u></u>

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

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF CASH FLOWS

As of December 31, 2018, and the period from September 30, 2018 (date of Inception)
to December 31, 2018

	<u>2018</u>
Cash Flows From Operations	
Cash disbursed for general business activities	\$ <u>(130,189)</u>
Net Cash (used) provided by Operating Activities	<u>(130,189)</u>
Cash Flows From Investing Activities	
Cash used to acquire office fixtures & equipment	(9,746)
Cash used to acquire trademark	<u>(2,467)</u>
Net Cash (used) provided by Investing Activities	<u>(12,213)</u>
Cash Flows Provided by Financing Activities	
Capital Contributions - Members	<u>150,000</u>
Net Cash provided by Operating Activities	<u>150,000</u>
Net Increase (Decrease) in cash and Cash Equivalents	7,598
Cash and Cash Equivalents - Beginning of period	<u>-</u>
Cash and Cash Equivalents - End of period	<u>\$ 7,598</u>

The accompanying notes are an integral part of these financial statements

SURFACE EXPERTS FRANCHISING, LLC

(A Development Stage Company)

STATEMENT OF CASH FLOWS

As of December 31, 2018, and the period from September 30, 2018 (date of Inception
to December 31, 2018

	<u>2018</u>
Reconciliation of Changes in Net Assets To Net Cash Provided (Used) by Operating Activities	
Increase (Decrease) in Net Assets	(133,762)
Adjustments to reconcile increase (decrease) in net assets to net cash utilized in operating activities	
Depreciation	1,918
Amortization	123
(Increase) Decrease in prepaid expenses	(1,900)
Increase (Decrease) in accrued expenses	3,432
	<hr/>
Net Cash provided (used) by Operatng Activities	<u><u>(130,189)</u></u>

The accompanying notes are an integral part of these financial statements

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

1 – Organization

The Company was formed as a Limited Liability Company (LLC) according to the laws of the State of Washington on September 1, 2018. The Company is located in Spokane, Washington.

2 – Summary of Significant Accounting Policies

Nature of Business Operations:

The Company sells franchise rights, and “know-how”, in connection with the repair of minor cosmetic surface damage to commercial and residential property. Prospective franchisees may be located throughout the United States.

Basis of Accounting:

The Company’ accounting records are maintained using the accrual method of accounting.

Financial Statement Presentation:

The Financial Statements of Surface Experts Franchising, LLC, have been presented using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect certain reported amounts and disclosures of assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Currently, estimates consist relating to the lives of fixed assets for depreciation, and the collectability of accounts receivable.

Accounts Receivable:

The Company uses the specific write-off method of accounting for receivables which are considered uncollectible. The Company evaluates the collectability of receivables on an on-going basis. Amounts deemed uncollectible are expensed only after all efforts to collect have been exhausted. Management believes that all amounts will be collected in full and no allowance for doubtful accounts has been established.

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

2 – Summary of Significant Accounting Policies – Continued

Equipment and Depreciation:

Equipment is stated at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives. The Company may use other depreciation methods (generally accelerated) for tax purposes when appropriate. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expenses as incurred. When a property and equipment asset is sold, retired or otherwise disposed of, the asset's cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Amortization of Intangible Assets:

Intangible assets consisting of trademark development costs are amortized over 15 years using the straight-line method.

Revenue Recognition:

Funds received from the sale of franchises are available upon receipt, in accordance with the terms of the franchise agreement and individual state laws. Royalties due from franchises are recognized as revenue as they are earned.

Income Taxes:

A provision for federal and state income taxes has not been made, due to an election by the Limited Liability Company to be taxed as a Partnership, and the consent of its Members, to include the taxable income or loss and other taxable transactions of the Company in their individual tax returns. As a result, no income taxes are imposed on the Company, either federal or state.

Development Stage Company:

Surface Experts, LLC operated as a Development Stage Company during the year ended December 31, 2018.

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

2 – Summary of Significant Accounting Policies (Continued)

Advertising Costs:

Advertising costs are recognized as expense in the year incurred.

Concentration of Risk:

Cash and Financial instruments which potentially subject the Company to concentrations of risk consist primarily of cash and cash equivalents. At December 31, 2018, the Company had its cash and cash equivalents on deposit with a local Bank. The total balance on deposit with this bank does not exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Concentrations of credit risk with respect to royalty payments are limited to the reliability of payment from franchisees, which will normally be affected by economic factors in the region where the franchisee is located.

Cash Equivalents:

For purposes of balance sheet classification and the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be treated as cash equivalents.

3 - Operating Lease and Commitments

The Company leases commercial office space for their headquarters, located at 159 South Lincoln Street, in Spokane, Washington. The Lease is for three years, commencing on September 1, 2018, and running through August 1, 2020. Total lease expense for the year ended December 31, 2018, was \$7,600.

Monthly rental expense for the life of the lease is \$1,900 in year one, \$2,400 in year two, and \$2,472 in year three.

Future minimum lease payments required by the lease in place at December 31, 2018 are as follows:

Year ended, December 31, 2019	\$ 24,800
Year ended, December 31, 2020	\$ 29,088
Year ended, December 31, 2021	<u>\$ 19,776</u>
Total future minimum lease payments	<u>\$ 73,664</u>

SURFACE EXPERTS FRANCHISING, LLC
Notes to Financial Statements
Year Ending December 31, 2018

4 – Subsequent Events

Subsequent events are events or transactions that occur after the date of the statement of financial position but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before the financial statements were issued. The Organization has evaluated subsequent events through March 8, 2019, which is the date the financial statements were available to be issued.

EXHIBIT E

OPERATING MANUAL TABLE OF CONTENTS

<u>Chapter</u>	<u>Pages</u>
Chapter 1 - Introduction & Instructions.....	11
Chapter 2 - Our Purpose, Principles & Promises.....	5
Chapter 3 - Franchise Support Resources.....	3
Chapter 4 - Territory.....	2
Chapter 5 - Pre-opening Timetable & Obligations.....	19
Chapter 6 - Franchisee Training Requirements.....	7
Chapter 7 - Trademarks and Trade Secrets Policies.....	2
Chapter 8 - Corporate Structure & Financing.....	7
Chapter 9 - Insurance Requirements & Risk Management.....	7
Chapter 10 - Financial Oversight & Administration.....	7
Chapter 11 - Reports, Audits & Inspections.....	4
Chapter 12 - Office Practices & Operations.....	14
Chapter 13 - Vehicle Administration.....	2
Chapter 14 - Staffing Your Franchise.....	4
Chapter 15 - Safety Practices.....	12
Chapter 16 - Renewal, Expansion, Relocation, Resale, Transfer, & Closing.....	6
Chapter 17 - Marketing.....	24
Chapter 18 - Sales.....	34
Chapter 19 - Pricing.....	3
Chapter 20 - Field Operations.....	5
Chapter 21 - Products & Equipment.....	7
Chapter 22 - Material, Texture, Color, Pattern, & Sheen.....	17
Chapter 23 - Touch-up Repair Process.....	5
Chapter 24 - Surface Specific Repair Procedures (SSRP).....	43

EXHIBIT F

CURRENT AND FORMER FRANCHISEES

Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

— None

<u>State</u>	<u>Franchise Owner</u>	<u>Phone</u>	<u>Address</u>
CA	Jeff Weinstein	951.383.3883	27574 Commerce Center Dr, Suite 233, Temecula CA 92590
FL	Alaina Bonessi	941.444.6226	Box 51645, Sarasota, FL 34232
FL	Nathan Cook	407.956.4699	1064 Prato Place, Lake Mary, FL 32746
FL	Sy King	407.233.3595	1613 Trailview Way NE, Atlanta, GA 30329
GA	Eddie Curry	678.825.8240	44 Milton Avenue, Alpharetta, GA 30009
GA	Ben Wicker	707.450.1204	PO Box 3343, Alpharetta GA 30023
IN	Darci Fosnot	317.608.0880	5212 Madison Ave, Suite E, Indianapolis IN 46227
KS	Brian Blaize	913.653.0605	8101 College Boulevard, Suite 100, Overland Park, KS 66210
MO	McGraw Milhaven	314.499.9353	581 Purdue Ave, St Louis MO 63130
NC	Bill Hogan	980.201.5860	624 Matthews-Mint Hill Road, Suite 121, Matthews, NC 28105
OH	Jeff Wendel	937.276.7232	PO Box 511, Fort Recovery, OH 45846
OH	Steven Morgan	614.641.0641	1900 Polaris Parkway, Suite 450-SLM, Columbus OH 43230
SC	Nancy Williams	252.220.4104	265 Willis Road, Taylors, SC 29687
TX	Ron Willis	281.747.8040	2951 Marina Bay Drive, Suite 130-348, League City, TX 77573
WA	Harry Bednarczyk	509.492.4930	4903 Santa Fe Lane, Pasco, WA 99301

Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

None

EXHIBIT G
STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

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.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document 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 that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person

acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide 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.

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.).

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.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Spokane, Washington, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

4. The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claims figures do not reflect the costs 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 Surface Experts business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: _____
2. A proposed registration or filing is or will be shortly on file in the following states:

3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

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

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION

WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST. 21ST FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**": The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

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

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

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

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.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

(See Exhibit H for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)

EXHIBIT H
STATE ADDENDA TO FRANCHISE AGREEMENT

ILLINOIS RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”) and _____, a _____ (“Franchisee”).

~~1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in~~ **Governing Law. Illinois law governs** the Agreement. ~~The “Illinois Act” means~~

~~2. **Waivers Void.** In conformance with Section 41 of~~ the Illinois Franchise Disclosure Act ~~of 1987.~~

~~2. **Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.~~

~~3. **Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.~~

~~4. **Waivers Void.** Notwithstanding,~~ **notwithstanding** any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

53. Jurisdiction. **In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to occur outside of Illinois.**

4. Effective Date. This Rider is effective as of date of the Effective Date Agreement.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

By: _____

Name: _____
Title: _____
Date: _____

Name: _____
Title: _____
Date: _____

INDIANA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

2. Certain Provisions Modified. Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase

notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

MARYLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the "Agreement"), between Surface Experts Franchising LLC, a Washington limited liability company ("Surface Experts Franchising") and _____, a _____ ("Franchisee").

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "Maryland Franchise Registration and Disclosure Law" means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. **Releases, Estoppels and Waivers of Liability.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise ~~Law.~~Registration and Disclosure Law. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. **Statute of Limitations.** Any ~~provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action~~claims arising under the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must ~~bring an action under such law~~be brought within three years after the grant of the franchise.

4. **Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.

~~5. **Effective Date.** This Rider is effective as of the Effective Date.~~

Agreed to by:

FRANCHISEE:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

MINNESOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. Amendments. The Agreement is amended to comply with the following:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

NEW YORK RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Waivers Not Required. Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve Surface Experts Franchising or any other person from any duty or liability imposed by New York General Business Law, Article 33- (the “New York Franchise Law”).

3. Waivers of New York Law Deleted. Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by Surface Experts Franchising with any provision of the New York General Business Franchise Law, or any rule promulgated thereunder, is hereby deleted.

4. Governing Law. Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Franchise Law shall govern any claim arising under that law.

5. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Amendments. The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

RHODE ISLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Surface Experts Franchising LLC, a Washington limited liability company (“Surface Experts Franchising”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Jurisdiction and Venue. Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT
AND
RIDER TO FRANCHISE AGREEMENT**

~~The state~~In the event of a conflict of laws, the provisions of the Washington ~~has a statute,~~Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site ~~shall~~will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, ~~or as determined by the arbitrator or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~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~~may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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 ~~limitation~~limitations period for claims under the Act, or rights or 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.

~~Fee Deferral: Item 5 and Item 7 of the Disclosure Document and Section 4.1 of the Franchise Agreement are amended to add the following:~~

~~"The franchisor will defer collection of the initial franchise fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business."~~

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained

in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT I

INFORMATION ABOUT AREA REPRESENTATIVES

Florida

Russell Sidney (“Sy”) King III. Sy King has been our Area Representative in Orlando, Florida since May 2019. He has also been President of EGL Genetics in Atlanta, Florida since December 2017. He was Vice President and General Manager for LabCorp in San Diego, California, from January 2017 to December 2017. He was General Manager for Aurora Diagnostics in Greensboro, North Carolina from June 2015 to January 2017. -He was AVP and General Manager for Solstas in Charlotte, North Carolina from November 2011 to March 2015. His territories are:

Tampa–St. Petersburg–Clearwater, FL Metropolitan Statistical Area (“MSA”)
Orlando-Kissimmee-Sanford, FL MSA
Jacksonville, FL MSA

Georgia – Metro Atlanta

Eddie Curry. Eddie Curry has been our Area Representative for the metro Atlanta, Georgia area through his company WAAV Holdings, LLC (of which he is President and CEO) since March 2019. He was President and CEO of Premium Franchise Brands in Alpharetta, Georgia from October 2015 to May 2018, and previously was Vice President and Chief Financial Officer from August 2005.

North Carolina and South Carolina

William Hogan. Bill Hogan has been our Area Representative in Charlotte, NC, since February 2019. He was employed by Dean Foods from 2010 to September 2018, as General Manager in Springfield, Virginia and then Division Vice President in Charlotte, North Carolina. His territories are:

Charlotte-Concord-Gastonia NC MSA
Asheville NC MSA
Spartanburg SC MSA
Greenville – Anderson-Mauldin SC MSA
Columbia SC MSA

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<u>State</u>	<u>Effective Date</u>
<u>California</u>	<u>pending</u>
<u>Illinois</u>	<u>pending</u>
<u>Indiana</u>	<u>pending</u>
<u>Michigan</u>	<u>pending</u>
<u>Minnesota</u>	<u>pending</u>
<u>Rhode Island</u>	<u>pending</u>
<u>Virginia</u>	<u>pending</u>
<u>Wisconsin</u>	<u>pending</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Surface Experts Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Surface Experts Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

Surface Experts Franchising LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone No.
Jacob Grady	159 South Lincoln St., Suite 321, Spokane, WA 99201	509-381-5884
Dennis Mulgannon	347 Stagestop Court, El Dorado Hills, CA 95762	408-318-5606
Sean Hansen	2574 Stratford Cir, El Dorado Hills, CA 95762	916-757-3123
Geoff Batchelder	538 Summertree Drive, Livermore, CA 94551	877-222-3722

Issuance Date: ~~May 2, 2019~~ March 26, 2020

I received a disclosure document dated ~~May 2, 2019~~ March 26, 2020, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- D. Financial Statements
- E. Operating Manual Table of Contents
- F. Current and Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Franchise Agreement
- I. Information About Area Representatives

Signature: _____

Print Name: _____

Date Received: _____

Keep this copy for your records

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Surface Experts Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Surface Experts Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

Surface Experts Franchising LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone No.
Jacob Grady	159 South Lincoln St., Suite 321, Spokane, WA 99201	509-381-5884
Dennis Mulgannon	347 Stagestop Court, El Dorado Hills, CA 95762	408-318-5606
Sean Hansen	2574 Stratford Cir, El Dorado Hills, CA 95762	916-757-3123
Geoff Batchelder	538 Summertree Drive, Livermore, CA 94551	877-222-3722

Issuance Date: ~~May 2, 2019~~ March 26, 2020

I received a disclosure document dated ~~May 2, 2019~~ March 26, 2020, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- D. Financial Statements
- E. Operating Manual Table of Contents
- F. Current and Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Franchise Agreement
- I. Information About Area Representatives

Signature: _____

Print Name: _____

Date Received: _____

Return this copy to us