

## Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends that franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit D.

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(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation or litigation only in Delaware. Out-of-state mediation or litigation may force you accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Delaware than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Turnover Rate.** During the last 3 years, a high percentage of franchised outlets (more than 47%) ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
- ~~2.4.~~ **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
- ~~3.5.~~ **Mandatory Minimum Payments.** You must make minimum royalty, administrative, or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.

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.

<u>Total</u>	<u>1</u>
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~~None.~~

**ITEM 21**  
**FINANCIAL STATEMENTS**

~~Exhibit G to this Disclosure Document contains our audited financial statements for the fiscal year ending December 31, 2024, as well as unaudited financials from December 31, 2024 through April 30, 2025, as we have not been in business for three years and cannot produce audited financial statements for the preceding three years. Our fiscal year end is December 31 of each year.~~

~~Exhibit G to this Disclosure Document contains our unaudited financial statements for the fiscal year ending December 31, 2024. Our fiscal year end is December 31 of each year.~~

**ITEM 22**  
**CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following:

The following exhibits to this disclosure document are the contracts used by us in offering franchises:

- EXHIBIT A FRANCHISE AGREEMENT
- EXHIBIT B FRANCHISEE DISCLOSURE QUESTIONNAIRE
- EXHIBIT C RELEASE OF CLAIMS
- EXHIBIT D STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS
- EXHIBIT E LIST OF FRANCHISEES
- EXHIBIT F LIST OF FRANCHISEES THAT LEFT THE SYSTEM
- EXHIBIT G FINANCIAL STATEMENTS
- EXHIBIT H TABLE OF CONTENTS OF OPERATING MANUAL
- EXHIBIT I STATE SPECIFIC ADDENDA

**ITEM 23**  
**RECEIPTS**

This Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipts. You should retain one signed copy for your records and return the other signed copy to: Steel Coated Floors International, LLC, 19500 Victor Parkway, Suite 400, Livonia, Michigan 48152, Attn: Michael Shinabarger.

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

# **Steel Coated Floors Internal Financial Statements**

**For the period January 1, 2025 – March 31, 2025**

**STEEL COATED FLOORS, LLC**  
**BALANCE SHEET**

March 31, 2025

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**ASSETS**

Current Assets:

Cash	\$	50,898
Total Current Assets		<u>50,898</u>

Other Assets:

Related party receivables		39,149
Trademarks, net		<u>74,777</u>
Total Other Assets		<u>113,926</u>

**Total Assets** \$ 164,824

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities:

Accounts payable	\$	53,715
Total Current Liabilities		<u>53,715</u>

Other Liabilities:

Related party payables		51,024
Deferred franchise fees		<u>73,227</u>
Total Other Liabilities		<u>124,251</u>
Total Liabilities		<u>177,966</u>

Stockholders' Equity:

Retained earnings		8,068
Net Income		<u>(21,210)</u>
Total Stockholders' Equity		<u>(13,142)</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b><u>164,824</u></b>

**STEEL COATED FLOORS, LLC**  
**INCOME STATEMENT**

*FISCAL PERIOD JANUARY 1, 2025 - MARCH 31, 2025*

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**Income (Loss) From Franchise Operation:**

Franchising Revenue	
Franchise fee recognition	\$ 6,166
<b>Net Income (Loss) from Operations</b>	<u>6,166</u>
Administrative Expenses	<u>57,876</u>
<b>Net Ordinary Income (Loss)</b>	<u>(51,710)</u>

**Other Income (Expense):**

Other income	30,500
<b>Total Other Income (Expense)</b>	<u>30,500</u>
<b>Net Income (Loss)</b>	<u><u>\$ (21,210)</u></u>

## **MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Minnesota Franchise Law:

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

The Minnesota Department of Commerce requires that the franchisor indemnifies Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. The franchisor does not indemnify against the consequences of the franchisee's use of the franchisor's trademark except in accordance with the requirements of the franchise.

Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a franchisor from requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Section 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes.

Minn. Rule 2860.4400J states that it is unfair and inequitable for a franchisor to require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. Any language found in the disclosure document or Franchise Agreement contrary to this rule is amended so that it does not apply to Minnesota franchisees.

THE STATE OF MINNESOTA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF MINNESOTA ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR MUST COMPLY WITH MINNESOTA STATUTE 80C.14, SUBDIVISIONS 3, 4 AND 5, WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIC CASES, THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NONRENEWAL OF THE FRANCHISE AGREEMENT. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF MINNESOTA HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED. LIQUIDATED DAMAGE PROVISIONS ARE VOID UNDER MINNESOTA LAW.

Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the requirement that all litigation must take place in California shall not in any way abrogate or reduce any rights of the franchise as provided for in Minnesota Statutes, Chapter 80C.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90

days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.

Franchisor has agreed to defer payment of initial franchise fees until the franchisor has completed its pre-opening obligations and the franchisee is open for business.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Minnesota Franchise Law:

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

~~1.2.~~ A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Minnesota Franchise Law.

~~2.3.~~ Franchisor shall protect the right of Franchisee to use the Marks in accordance with the requirements of the Franchise Agreement.

~~3.4.~~ The final two paragraphs of provision XXI(B) are hereby deleted.

~~4.5.~~ Section XXIII(D) does not apply to any action to enforce any liability created by the Minnesota Franchise Law. Any claim arising under the Minnesota Franchise Law may be brought in the state of Minnesota.

~~5.6.~~ The representations contained in section XXIII(A) of the Franchise Agreement do not act as a release, estoppel, or waiver of any liability arising under the Minnesota Franchise Law.

~~6.7.~~ Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchise Agreement does not in any way abrogate or reduce any rights of Franchisee as provided for in Minnesota Statutes, Chapter 80C. These statutes prohibit Franchisor from requiring litigation to be conducted outside Minnesota or abrogating or reducing any of Franchisee's rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

~~7.8.~~ With respect to franchises governed by Minnesota law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.

~~8.9.~~ Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

10. Franchisor has agreed to defer payment of initial franchise fees until the franchisor has completed its pre-opening obligations and the franchisee is open for business.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**STEEL COATED FLOORS  
INTERNATIONAL, LLC**

FRANCHISEE:

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

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