

FRANCHISE DISCLOSURE DOCUMENT

GROUTSMITH™ FRANCHISING, INC.

A Nevada Corporation

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

www.Groutsmith.com

www.Groutsmith.com

sales@groutsmith.com



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

The total investment necessary to begin operation of a Groutsmith™ franchise is between ~~\$27,300~~\$42,500 and ~~\$344~~\$9,400. This includes the ~~\$193~~\$4,900 that must be paid to the franchisor and its affiliates.

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

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

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

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

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

ISSUANCE DATE: January 24, ~~2023~~2024.

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:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Groutsmith business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Groutsmith franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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.

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 franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the 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 B.

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, arbitration or litigation, only in Florida. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with the franchisor in Florida, 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.

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EXHIBITS

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

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

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

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

Predecessors, Parents and Affiliates

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

The Franchise

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

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

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

We are not aware of any specific regulations relating to the operation of a Groutsmith™ franchise business. Some localities may have licensing requirements. You must check the city, county, and state in which you intend to operate for these requirements and must meet any of these requirements and obtain any required license(s) before opening your Groutsmith™ business.

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

ITEM 2

BUSINESS EXPERIENCE

JONATHAN SMITH, President, Shareholder, and Director

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

MATTHEW SMITH, Treasurer and Director

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

MARYANNE SMITH, Secretary, Shareholder and Director

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

JON SMITH, Director

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

SAMANTHA SMITH, Director

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

ITEM 3

LITIGATION

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

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Franchise Fee

Your initial franchise fee is ~~\$1934~~,900. The franchise fee is payable in a lump sum by cashier’s check at the time of execution of the franchise agreement. The franchise fee includes compensation for pre-opening obligations: 1) pre-opening consultations and support 2) initial franchise training 3) franchisor supplied start-up package and outside sales commissions, if applicable. The costs and fees are uniform

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

Reductions in Franchise Fee

Once you own a franchise, and you are in full compliance with all of the terms and conditions of your Franchise Agreement, you may purchase additional or multiple franchises at a 50% discount. Additional start-up packages and training are not included with the purchase of additional franchises.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty	\$0 for months 1-3; \$400/month for mos. 4-12; <u>\$6;</u> \$600/month for months 7-12; <u>\$800/month</u> for year 2; \$800/month for year 3; \$1,1,000/month for year 3; <u>\$1,250/month</u> <u>for years 4-15</u>	5th day of each month for current month	\$0 royalty applies to the first 36 full or partial months starting the date you sign the Franchise Agreement. Royalty <u>Your royalty</u> fees for a standard Groutsmith territory can never will not exceed \$1, 000 <u>250</u> per month, ; regardless of <u>your gross</u> sales.
Call Center	\$15 per set appointment plus \$2.00 each for all other calls	5 th day of month following month of usage	The call center is currently not active, if <u>and when it is</u> activated, <u>if it is reactivated,</u> it will be an optional service.
Renewal Fee	\$500	Upon signing renewal Franchise Agreement	This is due if you choose to renew your franchise for another term
Additional Trainees	\$1,000 for 40 hours of one training <u>week.</u>	2 weeks prior to training	We provide initial training of 80 hours (<u>2 weeks</u>) for 2 people, included in the initial franchise fee. This fee is for each additional person trained, for each <u>each</u> additional 40 week of training hours of training. (see note 1)
Advertising fee	N/A	N/A	Advertising is done on local level.
Cloud Based Software	\$52 per month for two users	Monthly	This is optional for you. It is a cloud based Jobber Business Management and Scheduling Software program, customized for the Groutsmith business.

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

Note 1: Training fee for each additional attendee, after the first two people, is currently \$1,000 per week with a one week minimum fee charge.

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

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	When Due	To Whom Payment is to be Made
Franchise Fee	\$193 4,900 (Note 1)	When you sign the Franchise Agreement unless your state requires otherwise (see State Specific Addenda)	Groutsmith™ Franchising, Inc.
Start-up Package	\$0 (Note 2)	This is covered within your initial franchise fee No additional payment due	Not applicable
Expenses during Training	\$200 to \$1,500 000 (Note 3)	As incurred	Travel vendors
Advertising (3 Months months)	\$6,000 (Note 4)	As incurred	Advertisers
Vehicle (3 months)	\$0 to \$2,000 1,500 (Note 5)	Before opening	Vehicle dealer

Type of Expenditure	Amount	When Due	To Whom Payment is to be Made
Vehicle Insurance <u>(3 months)</u>	\$300 to \$1,000 <u>600</u> (Note 6)	Before Opening <u>opening</u>	Insurance company
Telephone/Internet <u>(3 months)</u>	<u>\$0 to \$150</u> (Note 7)	<u>Before opening</u>	<u>Phone/Internet provider</u>
<u>Computer</u>	<u>\$0 to \$500</u> (Note 8)	<u>Before opening</u>	<u>Electronics vendor</u>
Liability Insurance	\$300 to \$1,000 <u>600</u> (Note 9)	Before opening	Insurance company
<u>Office Furniture</u>	<u>\$0 to \$500</u> (Note 10)	<u>Before opening</u>	<u>Furniture vendor</u>
<u>Forms/Office Supplies</u> <u>(3 months)</u>	<u>\$0 to \$100</u> (Note 11)	<u>As Incurred</u>	<u>Printing supplier</u>
<u>Licenses</u>	<u>\$0 to \$250</u> (Note 12)	<u>Before opening</u>	<u>Local Government Authorities</u>
<u>Call Center</u> <u>(3 months)</u>	<u>\$0</u> (Note 13)	<u>Not applicable</u>	<u>Not applicable</u>
<u>Initial Inventory</u> <u>(3 months)</u>	<u>\$0 to \$300</u> (Note 14)	<u>As incurred</u>	<u>Groutsmith™ Franchising, Inc.</u>
Additional Funds (3 months)	\$600 <u>800</u> to \$3,000 (Note 15)	As incurred	Vendors, <u>employees</u> <u>Various vendors and employee</u>
Total	\$27,300 <u>42,500</u> to \$3449,400 (Note 16)		

Note 1 Franchise Fee: Your initial franchise fee of ~~\$1934,900~~. The franchise fee is not refundable under any circumstances. We do not finance any portion of this fee. After opening your franchise you may purchase additional or multiple franchises at a reduced rate if you are in full compliance under your Franchise Agreement as described in Item 5.

Note 2 Start-up Package: The start-up package includes products, tools, equipment, supplies, forms, business cards and Groutsmith logoed clothing. The start-up package and shipping is included in the Franchise Fee.

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

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

business. You may decide to spend more to meet your specific goals. You must spend at least a minimum of \$12,000 in your first 6 months in business.

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

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

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

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

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

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

Note 11 Forms and Office Supplies: We provide you with an ample initial supply of business cards, estimate forms, and referral cards, which are included in the start-up package. Additional forms and supplies can be purchased from our approved provider or other suppliers approved or designated by us. The low estimate assumes you do not need to buy anything other than what we initially furnish to you. The high estimate assumes you need to purchase office supplies during the initial three (3) months of business. Additional supplies purchased are non-refundable.

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

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

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

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

Note 16 Total: These figures do not include any amount for your personal living expenses; you should have additional sources for payment of personal living expenses. These figures are estimates. We have compiled these estimates based on our experience operating a Groutsmith business since 1992 and acting as franchisor since 2010. These amounts are non-refundable, unless otherwise indicated.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require you to use approved Groutsmith™ products in your franchise business. These are our proprietary Groutsmith cleaning and sealing products, and they must be purchased from us or our affiliate. These are purchased from our affiliate, Smitty's tile and grout Solutions, which is the only approved supplier of these cleaning and sealing products. Our affiliate gets distributor pricing from its suppliers, but there are no payments or other consideration given to our affiliate or to us by these suppliers. The distributor pricing given to our affiliate allows the affiliate to sell to our franchisees below normal retail pricing levels. To the extent that we sell materials and items to you, we will derive income from the sale and purchase of such items. We estimate that the purchase of products will represent approximately 5% to 15% of your overall purchases in establishing and operating your business. The initial franchise fee covers the cost of your new franchisee start up package, which includes all materials and supplies you will normally need to start your Groutsmith™ business. A list of the supplies in the start-up package is on Exhibit FA IV of the Franchise Agreement. We will make arrangements to deliver the items in the new franchisee start up package immediately after you purchase your franchise and prior to opening. The cost of required equipment, materials and supplies you must purchase in accordance with specifications is an insignificant percent of the total purchases in connection with the establishment of your franchise. There are no required purchases of computer hardware or software. We do not negotiate purchase arrangements with any suppliers who sell directly to our franchisees. There are no other suppliers in which any of our officers owns an interest. We do not provide any material benefits (including, for example, renewal or granting additional franchises) to a franchisee based on the franchisee's ~~purchase~~purchase of particular products or services or use of designated or approved suppliers. There are no purchasing or distribution cooperatives.

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

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

The insurance policies you must purchase and maintain throughout the term of the franchise must be issued by an insurance carrier approved by us. You must maintain Comprehensive General Liability Insurance with a General Aggregate of no less than \$500,000; Workers' Compensation including Employer's Liability insurance as provided for you and your employees in accordance with the laws of the State in which you are conducting business; Auto Liability insurance with business coverage with deductibles not to exceed \$1,000.00, but in no instance less than \$100,000/\$300,000/\$50,000 or combined single limits of \$250,000 for bodily injury and property damage, which amounts may be changed upon receipt of written demand from us. We can require you to obtain different or additional kinds of insurance and may increase the amount of coverage required. You must name Groutsmith™ Franchising, Inc. 6341 Porter Road, Suite 11, Sarasota Florida, 34240 as an additional named insured on your Comprehensive General Liability Insurance and Business Automotive Liability Insurance and any other required insurance policies. You must provide us with proof of the required insurance for your Auto Insurance Policy with business coverage. All the policies must be written for a minimum of 6 months and provide for thirty (30) days prior written notice to us, of any material modification, cancellation or expiration of the policy. You must provide us with proof of all required policies on an Accord certificate of insurance prior to any business operation.

After operating your franchise for at least six (6) months, you may elect to be trained to offer supplemental services to the public. We are the only source for training in these supplemental services and you must pay a training fee to us (see Item 6). The supplemental services we offer may change periodically in accordance with our operations manual.

No portion of our revenues in ~~2023~~2022 came as a result of purchases of goods or services by franchisees. We do not anticipate that in the future we will derive any revenue as a result of any purchases or leases by our franchisees. Our affiliate, Smitty's Tile and Grout Solutions, derived ~~\$237,784.01~~\$201,129.55 in revenues in ~~2023~~2022 from the sale of products and supplies to our franchisees, which constituted ~~75.73~~75.73% of its total ~~2023~~2022 revenues of ~~\$316,757.00~~\$272,452.52.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site Selection and acquisition/lease	None	None
b. Pre-opening purchase/lease	None	None
c. Site development and other pre-opening requirements	None	6, 7, 11
d. Initial and ongoing training	7, 13	6, 11, 15
e. Opening	2	11
f. Fees	9	5, 6, 7
g. Compliance with standards & policies/Operating Manual	4, 5, 6, 7	8, 11, 14, 16, 17
h. Trademarks and proprietary information	4	11, 13, 14
i. Restrictions on products and services	6	8, 16
j. Warranty and customer service requirements	-None	11
k. Territorial development and sales quota	None	12
l. Ongoing product/service purchases	6	8, 16
m. Maintenance, appearance and remodeling requirements	-None	11
n. Insurance	9	5, 6, 7
o. Advertising	8	6, 7, 11
p. Indemnification	9	13
q. Owner's participation/ management/staffing	2, 7	15
r. Records/reports	9	None
s. Inspections/audits	None	None
t. Transfer	12	6, 17
u. Renewal	3	6, 17
v. Post-termination obligations	11	17
w. Non-competition covenants	2, 11	17
x. Dispute resolution	10, 14	17

ITEM 10

FINANCING

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

ITEM 11

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

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

We provide the following services to you before the opening of the franchised business (references are to the Franchise Agreement unless otherwise noted). Financial compensation to us, for these services is included in the franchise fee:

- 1) We will configure your territory (Section 13.1.2) before you purchase your franchise.
- 2) We will furnish you with initial training, which is described in more detail later in this Item 11 (Section 13.1.1). At training we will supply you with a list of our designated or approved suppliers and our specifications. No initial training will be provided when additional units are purchased.
- 3) We will furnish you with a complete start up package that includes an initial supply of estimate sheets, business cards, shirts, and other supplies and materials in quantities that will last approximately 30 ~~—~~90 days (Section 13.1.3). No start-up package will be provided when additional units are purchased.
- 4) We will provide electronic access to our 94 page confidential operations manual. We have the right to add to and otherwise modify the confidential operations manual to reflect changes in products, services, specifications, standards and operating procedures, including sales and marketing techniques relating to the franchise business. The master copy of the confidential operations manual maintained by us, at our principal office will be controlling in the event of a dispute relative to the contents of the confidential operations manual (Section 13.1.4). The table of contents of the operations manual is set forth on Exhibit E.
- 5) We will provide you with an advertising and marketing program which may include direct mail advertising, online advertising and a media package that includes ads approved for immediate use (Section 13.1.5).

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

- 1) We may at some future date provide a Call Center for message retrieval and distribution. The Call Center will be an opt-in/opt-out service for your convenience. The Call Center will receive, ~~retrieve~~ and distribute all calls to your Groutsmith™ telephone number. You will pay for this service; the charge is a minimum of \$15 per set appointment and \$2.00 for all other calls (Exhibit FA V).
- 2) We will, upon request, make our training program available to your employees, partners and associates, at reasonable times and at our then-current fees (Section 13). The training and operating assistance, in whole or in part may be provided by qualified, existing franchisees, who are not our employees. You will be responsible to pay for the cost of travel, food and lodging for your employees or for our representative if a representative travels to you.
- 3) We may conduct telephone conferences as needed to provide an advisory service which may include consultation on promotional efforts, business or operational problems with analysis of your sales,

marketing and financial data. Such services may be provided by us by mail, e-mail, telephone, teleconference, or other means at our discretion (Section 13.2.2).

- 4) We provide you with access to an optional Jobber cloud-based Business Management and Scheduling Software program, customized for the Groutsmith business. It is optional for you to use the program, and if you do there is a monthly fee of \$52 for two users.
- 5) We have Groutsmith™ maintenance products which are marketed and sold to the public through our website. Every time When a customer from your territory purchases products from The Groutsmith, your franchise will receive 100% of the profit as a credit in your account, -toward your future product purchases. You may not sell the products from a website created by you or over the Internet except through our Groutsmith™ website. You may purchase these items at a discount and offer them for sale to the public. You will be responsible for any sales or use tax that may become due when purchasing these products for your use or selling these products directly to the public.

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

- 1) Establish additional policies, procedures, standards and specifications for the operation of your franchise business. We may change, modify or update these procedures, standards and specifications at our discretion. All modifications may be posted online. You must strictly follow these policies, procedures, standards and specifications. Failure to do so is grounds for termination of your franchise. We advise you regarding your menu of services offered and pricing level, but we do not set or mandate the prices you charge your customers (Section 13).
- 2) Develop promotional programs and campaigns which shall be mailed to clients and prospective clients or which shall be placed in state, regional or national publications. (Section 13).

Marketing and Advertising Program

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

You must spend a minimum sum of \$2,000 per month on local advertising, enhancing the reputation of your services on a local level during the first six months of the operation of the Franchise Business. Upon completion of the first six months, your advertising allotment shall be at your sole discretion, although we highly recommend that you continue advertising at a rate of 10% of your gross sales volume, which is covered in training. You may be required to substantiate advertising outlays by supplying information to us including paid advertising invoices. You may only use advertising materials approved by us. (Sec 8.1)

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

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

~~Section~~ Advertising and promotional materials developed by us are available to all franchisees. An individual franchise is not limited in the amount or type of advertising that it may conduct in its territory.

Consequently, your gross sales ~~may~~will be directly affected by the amount, type and effectiveness of advertising conducted by you.

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

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

Computer Requirements

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

Site Selection and Business Opening

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

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

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

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

Training

You must successfully complete our initial training program to our satisfaction. Initial training can be divided between office/manager and estimating/grout technician, depending on your choice of business structure. There is no additional fee for the training of the initial two people (husband/wife, father/son, partners), etc. The total initial training program is a total of 80 Hours. In the event you wish to bring more than two people to initial training, you must pay us a training fee for each additional attendee, currently \$1,000 per week (40 hours of training), with a one week minimum fee, for each additional person. You must provide travel, lodging and meals for all training attendees for the duration of the training program. Each manager or technician hired after the initial training may be trained by us for the same fees and expenses as described above. The training will cover the same material as the initial training. Trainees will be “on the job” doing work at actual customers’ locations. Trainees will not be compensated for such work. Training sessions will be scheduled by appointment.

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

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

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

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

~~THE GROUTSMITH~~ TRAINING PROGRAM

Activity/Discipline	Hours of In the Office Training	Hours of On the Job Training	Location
Introduction to The Groutsmith™	1.0		Groutsmith™ Headquarters, Sarasota FL
Marketing and Advertising Review media Media Review Ad and other print materials Review Competition Review Marketing Plan	5.0		Groutsmith™ Headquarters Sarasota FL
Customer Service Overview Answering and Returning Calls – Scheduling and Preparing for the Estimate Job Site Regulations Customer Service Policy Customer Follow up and Satisfaction Surveys Protecting Customers Property Job Preparation Handling Customer Complaints	2.0	2.0	Groutsmith™ Headquarters Sarasota FL or customer location
Estimating	2.0	16.0	Groutsmith™ Headquarters

Activity/Discipline	Hours of In the Office Training	Hours of On the Job Training	Location
Diagnosing Work Needed Sample Estimates Estimate Writing			Sarasota FL or customer location
Record Keeping Overview Types of Records Business Management Software	3.0		Groutsmith™ Headquarters Sarasota FL
Insurances Overview/Recommended Coverage	1.0		Groutsmith™ Headquarters Sarasota FL
Franchisee Support System Overview Your Support Team Review of Intranet Site	1.0		Groutsmith™ Headquarters Sarasota FL
Expanding Your Business Overview Employees	1.0		Groutsmith™ Headquarters Sarasota FL
Tools and Supplies Overview Groutsmith™ Customer Products Groutsmith™ Professional Products Purchasing/Storage	1.0		Groutsmith™ Headquarters Sarasota FL
Safety Safety Issues Review SDS and -MSDS Sheets	0.5		Groutsmith™ Headquarters Sarasota FL or customer location
Products, Material and Tools Purchasing Customer and Professional Products	1.5		Groutsmith™ Headquarters Sarasota FL or customer location
Identifying Types of Tile Ceramic, Porcelain -and Natural Stones		1.0	Groutsmith™ Headquarters Sarasota FL or customer location
Floor Repairs Grout Removal Grout Repairs Sanded, Non-Sanded, Epoxy and Acrylic Grouts Floor Tile Replacement/-Tile Cutting Floor Tile Re-bonding Grout Color Matching Grout Installation		8.0	Groutsmith™ Headquarters Sarasota FL or customer location
Caulking Tubs and Showers Counter Tops Sinks		2.0	Groutsmith™ Headquarters Sarasota FL or customer location
Shower Repairs/Tub Wall Repairs and Restoration		6.0	Groutsmith™ Headquarters Sarasota FL

Activity/Discipline	Hours of In the Office Training	Hours of On the Job Training	Location
Shower Cleaning Grout Removal Grout Replacement Caulking Removal Caulking Replacement and Color Matching Grout Restoration and Sealing			or customer location
Basic Natural Stone Cleaning and Sealing		1.0	Groutsmith™ Headquarters Sarasota FL or customer location
Tile Floor Cleaning Sealing and Restoration Surface Preparation and Cleaning process Solution Extraction and Drying Clear Sealing Post Job Cleanup	1.0	20.0	Groutsmith™ Headquarters Sarasota FL or customer location
Final Testing and Field Work Inspection	2.0		Groutsmith™ Headquarters Sarasota FL or customer location
Post Training Review and Groutsmith™ Certification	2.0		Groutsmith™ Headquarters Sarasota FL
Total Hours Classroom Training	24.0		Groutsmith™ Headquarters Sarasota FL
Total Hours On-The-Job Training		56.0	Customer location
Total Training Hours			80

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

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

ITEM 12

TERRITORY

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

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

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

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

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

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

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

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

ITEM 13

TRADEMARKS

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

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

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

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

You must use all trademarks in strict compliance with our policies and procedures manual and the Groutsmith™ system. You must modify or discontinue the use of a trademark at your cost, if we modify or discontinue it. You are prohibited from using any trademark as part of your corporate name or trade name. You cannot make application for registration or other protection of Groutsmith™ names or derivatives. You may only use the trademarks with the letters TM or SM or ® as appropriate. You are prohibited from using any trademark in the sale of any unauthorized product or service or in any manner not expressly authorized in writing by us. You are required to adhere fully and strictly to all security procedures required by us for maintaining the secrecy of proprietary information.

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

You must display the trademarks prominently and in the manner prescribed by us on signs, forms, and other materials and articles. Further, you must give such notices of trademark or service mark ownership or registration as we specify and to obtain fictitious or assumed name registrations as may

be required under applicable law. You may not use the name “Groutsmith” or a derivative in your corporate or other formal name.

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

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

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

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

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

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

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

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

ITEM 15

OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must personally participate in the operation of the franchise business, but need not manage the business full time. We require direct supervision by you or your designated manager. If you have hired a manager when you sign your Franchise Agreement, then the manager must attend and complete our training program. If you hire a manager after signing your Franchise Agreement, then we allow you to train your manager. You, your manager, and employees must keep free from competing enterprises.

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

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

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	3	15 years. Not affected by any other agreements.
b. Renewal or extension of the term	3.1	If you are in good standing, you can renew on the then current terms.
c. Requirements for franchisee to renew or extend	3.2, 3.2	Not be in default, pay renewal fee of \$500 and sign a new franchise agreement which may have materially different terms and conditions than your previous agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of the Territory will remain

PROVISION	SECTION IN FRANCHISE GREEMENT AGREEMENT	SUMMARY
		the same, and the Continuing Royalty on renewal will not be greater than the Continuing Royalty that we then impose on similarly situated renewing franchisees. SEE STATE LAW ADDENDA/EXHIBIT G
d. Termination by franchisee	10.7	You may terminate for good cause. (Subject to state law)
e. Termination by franchisor without cause	Not Applicable	We must have cause to terminate the franchise agreement.
f. Termination by franchisor with cause	10.1, 10.2	We can terminate only if you are in default of your agreement.
g. "Cause" defined curable defaults	10.2	You have 15 days to cure monetary defaults, and <u>510</u> to 30 days to cure all other defaults listed in the franchise agreement. SEE STATE LAW ADDENDA/EXHIBIT G
h. "Cause" defined non-curable defaults	10.1	Failure to open franchised business within 90 days of signing franchise agreement, failure to complete initial training, abandonment, conviction of felony, creation of a threat to public health or safety, insolvency or bankruptcy, trademark misuse and repeated defaults. (even if cured)
i. Franchisee's obligations on termination/ non renewal	11	Pay outstanding amounts, complete de-identification, return confidential information, turn over telephone number and customer list, covenant not to compete, continuing obligations.
j. Assignment of contract by franchisor	12.1	No restrictions on our right to assign including merging with, acquisition by, or sale to a competing business.
k. "Transfer" by franchisee defined	12-2	Includes transfer of any interest in franchise agreement, assets or ownership change in Franchisee.
l. Franchisor approval of transfer by franchisee	12.2	Franchise agreement: we have the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	12.2, 12.3	You are not in default, transferee qualifies, all obligations assumed by transferee, all amounts due us are paid, transferee completes training, transfer fee paid, transferee signs, at our sole discretion, either: (a) our assignment and assumption agreement or (b) our then-current franchise agreement, which may contain materially different terms than your franchise agreement, and a release is signed by you.
n. Franchisor's right of first refusal to	12.9	We can match any offer for your franchise business within (60) days of written notice to us.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
acquire franchisee's business		
o. Franchisor's option to purchase Franchisee's business	No Provision	No Provision
p. Death or disability of franchisee	12.10	Franchise or ownership interest in franchise must be assigned to approved buyer (Subject to state law)
q. Non-competition covenants during the term of the franchise	2.7	No involvement in competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	11.8	No competing business for 2 years within your former territory or within 50 miles of your territory or within 50 miles of any other The Groutsmith™ Territory. (Including after assignment) (Subject to state law)
s. Modification of the agreement	14.3	All modifications to the franchise agreement must be in writing, but operations manual, and standards and specifications subject to change by us.
t. Integration/ merger clause	14.3	Only the terms of the franchise agreement and other related written agreements are binding (Subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	14.9	All disputes between franchisees and franchisor must first go before Mediation. (Subject to state law)
v. Choice of forum	14.9	Mediation and -Litigation must be in Sarasota County, Florida. (Subject to state law)
w. Choice of law	14.7	Governed by state of Florida law except when US Trademark Act or other federal law governs . (Subject to state law)

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

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

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

ITEM 20 LIST OF OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System Wide Outlet Summary

For years ~~2020, 2021, 2022, 2023~~

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 ¹	2021 <u>2020</u>	49 <u>50</u>	50	+0 <u>+1</u>
	2022 <u>2024</u>	50	50 <u>49</u>	+0 <u>-1</u>
	2022 <u>2023</u>	50 <u>49</u>	49	-1 <u>+0</u>
Company Owned	2021 <u>2020</u>	1	1	+0
	2022 <u>2024</u>	1	1	+0

1- Pinellas County, Florida location is owned by Matthew Smith, our Treasurer and member of the Board of Directors

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
	2023 2022	1	1	+0
Total Outlets	2021 2020	50 51	51	+40
	2022 2021	51	51 50	+0-1
	2022 2023	51 50	50	-1+0

Table No. 2

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

For Years ~~2020~~, 2021, 2022, 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Florida	2021 2020	0 1
	2022 2021	1 0
	2022 2023	0 2
North Carolina	2021 2020	0
	2022 2021	0 1
	2022 2023	1 0
Wisconsin	2021 2020	0
	2022 2021	0 1
	2022 2023	1 0
Total	2021 2020	0 1
	2022 2021	1 2
	2022 2023	2

Table No. 3

Status of Franchised Outlets

For Years ~~2020/2021/2022/2023~~

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations -and Other Reasons	Column 9 Outlets at End of Year
California <u>Arizona</u>	2021 <u>2020</u>	30 <u>40</u>	40 <u>0</u>	0	0	0	0	40 <u>40</u>
	2022 <u>2024</u>	40 <u>0</u>	0	0	0	0	0	40 <u>40</u>
	2022 <u>2023</u>	40 <u>01</u>	0	0	40 <u>0</u>	0	0	31 <u>31</u>
<u>California</u>	<u>2021</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<u>2022</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>
District of Columbia	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2024</u>	1	0	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Florida ²	2021 <u>2020</u>	16	0	01 <u>0</u>	0	0	0	16 <u>15</u>
	2022 <u>2024</u>	16 <u>15</u>	0	40 <u>0</u>	0	0	0	15
	2022 <u>2023</u>	15	0	0	0	0	0	15
<u>Georgia</u>	2021 <u>2020</u>	1	0	0	0	0	0	1
	2021	4 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	4 <u>0</u>
	2022	1	0	1	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Idaho	2021 <u>2020</u>	21 <u>0</u>	0	40 <u>0</u>	0	0	0	1
	2022 <u>2024</u>	1	0	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Kansas	2021 <u>2020</u>	0	0	0	0	0	0	0
	2021	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>
	2022	0	1	0	0	0	0	1

2- _____ Pinellas County, Florida location is owned by Matthew Smith, our Treasurer and member of the Board of Directors

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations -and Other Reasons	Column 9 Outlets at End of Year
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Minnesota	<u>2021</u> 2020	1	0	0	0	0	0	1
	2021	4	0	0	0	0	0	4
	2022	1	0	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Missouri	<u>2021</u> 2020	1	0	0	0	0	0	1
	2021	4	0	0	0	0	0	4
	2022	1	0	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Nebraska	<u>2021</u> 2020	1	0	0	0	0	0	1
	2021	4	0	0	0	0	0	4
	2022	1	0	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
New Jersey	<u>2021</u> 2020	<u>4</u> <u>2</u>	<u>4</u> <u>0</u>	0	0	0	0	2
	<u>2022</u> 2021	2	0	0	0	0	0	2
	<u>2022</u> 2023	2	0	0	0	0	0	2
North Carolina	<u>2021</u> 2020	4	<u>0</u> <u>2</u>	<u>0</u> <u>2</u>	0	0	0	4
	<u>2022</u> 2021	4	<u>2</u> <u>0</u>	<u>2</u> <u>0</u>	0	0	0	4
	<u>2022</u> 2023	4	0	0	0	0	0	4
Oklahoma	<u>2021</u> 2020	2	0	0	0	0	0	2
	<u>2022</u> 2021	2	0	0	0	0	0	2
	<u>2022</u> 2023	2	0	0	0	0	0	2
Pennsylvania	<u>2021</u> 2020	<u>4</u> <u>5</u>	<u>4</u> <u>0</u>	0	0	0	0	5
	<u>2022</u> 2021	5	0	0	0	0	0	5
	<u>2022</u> 2023	5	0	0	0	0	0	5
South Carolina	<u>2021</u> 2020	<u>0</u> <u>2</u>	<u>2</u> <u>0</u>	0	0	0	0	2

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations -and Other Reasons	Column 9 Outlets at End of Year
	2021	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	2022	2	0	0	0	0	0	2
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Tennessee	2021 2020	2	0	0	0	0	0	2
	2021	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	2022	2	0	0	0	0	0	2
Texas	2020 <u>2023</u>	5 <u>2</u>	0	<u>2</u> <u>0</u>	0	0	0	3 <u>2</u>
<u>Texas</u>	2021	3	2	1	0	0	0	4
	2022	4	1	1	0	0	0	4
Utah	2020 <u>2023</u>	4 <u>4</u>	0 <u>1</u>	0	0	0	0	4 <u>5</u>
<u>Utah</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Virginia	2021 2020	1	0	0	0	0	0	1
	2021	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2022	1	0	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Washington	2021 2020	1	0	0	0	0	0	1
	2022 2024	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2021 2020	1	0	0	0	0	0	1
	2022 2024	1	0	0	0	0	0	1
	<u>2023</u> 2022	1	0	0	0	0	0	1
Total	2021 2020	48 <u>50</u>	54 <u>54</u>	34 <u>34</u>	0	0	0	50
	2022 2024	50	<u>42</u>	<u>42</u>	<u>0</u> <u>1</u>	0	0	50 <u>49</u>
	<u>2022</u> <u>2023</u>	<u>50</u> <u>49</u>	<u>21</u>	<u>21</u>	<u>1</u> <u>0</u>	0	0	49

Table No. 4

Status of Company-Owned Outlets

For Years ~~2020~~/2021/2022/~~2023~~

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold <u>Sold</u> to Franchisees	Column 8 Outlets at End of Year
Florida	2021 2020	1	0	0	0	0	1
	2022 2021	1	0	0	0	0	1
	2023 2022	1	0	0	0	0	1
Total	2020 2021	1	0	0	0	0	1
	2022 2021	1	0	0	0	0	1
	2023 2022	1	0	0	0	0	1

Table 5

Projected Openings as of December 31, ~~2023~~2024

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 Current Fiscal Year
California	0	4 0	0
Georgia	0	1	0
Nevada Massachusetts	0	1	0
Pennsylvania	0	4 0	0
Texas	0	1	0
Virginia	0	4 0	0
Total	0	6 3	0

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

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former franchisees, which would in any way restrict their ability to speak with you openly about their experience with Groutsmith. There are no trademark-specific franchisee organizations associated with this franchise system, nor are there any independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A to this Disclosure Document are our audited financial statements for the years ending December 31, 2023, ~~2022~~, ~~2021~~ and ~~2020~~2021. Also included in Exhibit A are our interim, unaudited ~~financial statements~~financials as of ~~March~~May 31, 2023. ~~With respect to the March 31, 2023 financial statements, THESE FINANCIAL STATEMENTS 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.~~

2024. Note that we have no fixed assets with which to support the franchise system.

ITEM 22

CONTRACTS

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

ITEM 23

RECEIPT

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

**EXHIBIT A
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS**

. With respect to the ~~With respect to the March 31, May 31, 2024~~ 2023 financial statements, THESE FINANCIAL STATEMENTS 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.

Groutsmith Franchising, Inc.
Profit & Loss
 January through May 2024

	Jan - May 24
Ordinary Income/Expense	
Income	
4011 · Franchise Transfer Fee's	2,500.00
4013 · Interest Income Only	3,448.90
4020 · Franchise Fees	49,800.00
4030 · Royalty Income	
4031 · Royalty Income-002-Chapman	5,000.00
4032 · Royalty Income-004-Ketzner	5,000.00
4034 · Royalty Income-007-Ker	1,999.99
4036 · Royalty Income-009-Goka, Jan	5,000.00
4038 · Royalty Income-011-Dobi	5,000.00
4039 · Royalty Income-012-Helf	6,000.00
4040 · Royalty Income-013-Paganus	5,000.00
4042 · Royalty Income-015-Goka G.	5,000.00
4043 · Royalty Income-016-Monismith	5,000.00
4044 · Royalty Income-017-Thrasher	5,000.00
4048 · Royalty Income-021-Ker	1,700.00
4049 · Royalty Income-022-Walker	5,000.00
4053 · Royalty Income-023-Ketzner	5,000.00
4054 · Royalty Income-024-Rowe	2,000.00
4056 · Royal. Income-#026-Channaj	5,000.00
4059 · Royalty Income-029-Stone	5,000.00
4060 · Royalty Income-030-Smith, Todd	4,999.99
4062 · Royalty Income-032-Conti	5,000.00
4063 · Royalty Income-033-Phillips	6,000.00
4064 · Royalty Income-034-Sedelmyer	6,250.00
4066 · Royalty Income-036-Sidenstricker	5,000.00
4067 · Royalty Income-037-Smith, T.	7,499.98
4068 · Royalty Income-038-Smith, Nick	6,000.00
4071 · Royalty Income -041-Young	4,000.00
4072 · Royalty Income -042-Coffey	5,000.00
4073 · Royalty Income -043-Citren.Mike	6,000.00
4074 · Royalty Income -044-Channaj	5,000.00
4076 · Royalty Income -046-Citren.Dan	6,000.00
4078 · Royalty Income - 048-Coffey	5,000.00
4079 · Royalty Income - 049-Heuer	5,000.00
4080 · Royalty Income - 050 Conti	2,500.00
4081 · Royalty Income - 051Yagoda	4,000.00
4082 · Royalty Income - 052 Lawther	500.00
4083 · Royalty Income - 053 Young	4,000.00
4084 · Royalty Income - 054-Citren.Dan	6,000.00
4085 · Royalty Income - 055 Ohara	8,000.00
4086 · Royalty Income - 056 Volz	5,000.00
4087 · Royalty Income - 057 Stevens	4,999.98
4088 · Royalty Income - 058 Mobio	5,000.00
4089 · Royalty Income-059 - Watts	5,000.00
4090 · Royalty Income-060 Citrenbaum,D	6,000.00
4091 · Royalty Income - 061 Stevens	4,599.97
4093 · Royalty Income - 063 Thrasher	4,000.00
4094 · Royalty Income - 064 Parks	1,399.99
4095 · Royalty Income - 065 Rivera	3,000.00
Total 4030 · Royalty Income	212,449.90
Total Income	268,198.80
Cost of Goods Sold	
5020 · Broker Commission	10,000.00
5050 · Product Fee	7,942.62
5055 · Product Shipping and Handling	585.82
5058 · Printing	511.46
Total COGS	19,039.90
Gross Profit	249,158.90

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06/07/24

Accrual Basis

Groutsmith Franchising, Inc.

Profit & Loss

January through May 2024

	Jan - May 24
Expense	
6000 · Advertising and Promotion	7,350.00
6010 · Accounting	7,800.00
6040 · Bank Service Charges	26.40
6050 · Clearent LLC	336.60
6180 · Consulting Fee	22,594.03
6400 · Legal Fees	2,562.50
6410 · Licenses & Taxes	2,272.00
6490 · Office Supplies	156.17
6600 · Payroll Salary Expense	55,000.00
6650 · Payroll Tax Expense	4,256.50
6700 · Rent/Overhead	10,775.25
6810 · Telephone Expense	50.00
Total Expense	<u>113,179.45</u>
Net Ordinary Income	<u>135,979.45</u>
Net Income	<u><u>135,979.45</u></u>

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06/07/24

Accrual Basis

Groutsmith Franchising, Inc.
Balance Sheet
As of May 31, 2024

	May 31, 24
ASSETS	
Current Assets	
Checking/Savings	
1020 · BMO Harris Bank	22,522.89
1030 · BMO Money Market	368,445.96
Total Checking/Savings	390,968.85
Accounts Receivable	
1120 · Royalty Receivable	49,400.00
Total Accounts Receivable	49,400.00
Other Current Assets	
1500HA · Right of use asset	75,896.00
Total Other Current Assets	75,896.00
Total Current Assets	516,264.85
Other Assets	
1600 · Organizational Costs	440.00
1650 · Accumulated Amortization	-440.00
Total Other Assets	0.00
TOTAL ASSETS	516,264.85
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
1700 · Accounts Payable	1,236.00
Total Accounts Payable	1,236.00
Other Current Liabilities	
2400 · Payroll Liabilities	42.00
2500HA · Operating lease obligation	76,324.00
Total Other Current Liabilities	76,366.00
Total Current Liabilities	77,602.00
Total Liabilities	77,602.00
Equity	
3010 · Capital Stock	1,000.00
3020 · Paid in Capital	3,065.00
3140 · Shareholder Distributions-John	-357,000.00
3150 · Directors Distributions	-52,000.00
3200 · Retained Earnings	707,618.40
Net Income	135,979.45
Total Equity	438,662.85
TOTAL LIABILITIES & EQUITY	516,264.85

GROUTSMITH FRANCHISING, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

**GROUTSMITH FRANCHISING, INC.
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DECEMBER 31, 2022, 2021, AND 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Groutsmith Franchising, Inc.
Sarasota, Florida

Opinion

We have audited the accompanying financial statements of Groutsmith Franchising, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements. The financial statements of the Company as of December 31, 2020, were audited by other auditors whose report dated January 21, 2021, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groutsmith Franchising, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hamilton & Associates CPA, LLC

Brandon, Florida
January 24, 2023

GROUTSMITH FRANCHISING, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Cash	\$ 299,868	\$ 271,487	\$ 243,186
Royalties and territory receivables	37,200	32,900	28,400
Prepaid expense	1,854	1,812	-
Right-of-use asset	89,949	-	-
Organizational costs	440	440	440
Less accumulated amortization	<u>(440)</u>	<u>(440)</u>	<u>(440)</u>
TOTAL ASSETS	<u><u>\$ 428,871</u></u>	<u><u>\$ 306,199</u></u>	<u><u>\$ 271,586</u></u>
LIABILITIES AND STOCKHOLDER'S EQUITY			
Accounts payable	\$ -	\$ -	\$ 42
Operating lease liability	92,056	-	-
Deferred territory fees	-	-	14,000
SBA- PPP Loan	<u>-</u>	<u>-</u>	<u>20,750</u>
TOTAL LIABILITIES	92,056	-	34,792
STOCKHOLDER'S EQUITY			
Common stock	1,000	1,000	1,000
Additional paid-in capital	3,065	3,065	3,065
Retained earnings	<u>332,750</u>	<u>302,134</u>	<u>232,729</u>
Total stockholder's equity	<u>336,815</u>	<u>306,199</u>	<u>236,794</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$ 428,871</u></u>	<u><u>\$ 306,199</u></u>	<u><u>\$ 271,586</u></u>

See accompanying notes and independent auditors' report

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GROUTSMITH FRANCHISING, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	2022	2021	2020
SALES INCOME			
Franchise Fees	\$ 30,900	\$ 81,500	\$ 63,700
Royalties	511,600	498,924	449,925
TOTAL SALES INCOME	542,500	580,424	513,625
COST OF SALES			
Franchise sales commissions	9,000	10,000	30,000
Product fee, shipping, handling, and printing	4,503	12,846	12,829
TOTAL COST OF SALES	13,503	22,846	42,829
GROSS PROFIT FROM SALES	528,997	557,578	470,796
GENERAL AND ADMINISTRATIVE EXPENSES			
Advertising, promotions	9,935	4,565	4,709
Accounting	7,650	5,650	7,500
Bank charges	81	24	36
Convention expense	-	1,973	-
Legal	6,072	7,911	7,749
Licenses and taxes	784	3,882	3,527
Office supplies	-	225	-
Telephone	300	180	100
Operating lease expense	23,846	21,683	19,600
State registrations	1,750	1,550	1,200
Officer compensation	130,000	135,000	130,000
Payroll taxes	9,994	10,335	9,994
Total general and administrative expenses	190,412	192,978	184,415
OTHER INCOME (EXPENSE)			
SBA- PPP loan forgiveness	-	20,750	-
Interest income	31	55	124
Total other income	31	20,805	124
NET INCOME	338,616	385,405	286,505
Retained earnings, beginning of year	302,134	232,729	253,224
Distributions to shareholder	(308,000)	(330,000)	(307,000)
Impact of FASB ASU 2021-02 cumulative adjustment	-	14,000	-
Retained earnings, end of year	\$ 332,750	\$ 302,134	\$ 232,729

See accompanying notes and independent auditors' report

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GROUTSMITH FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 338,616	\$ 385,405	\$ 286,505
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Amortization of operating lease liability	2,107	-	-
SBA-PPP loan forgiveness	-	(20,750)	-
Change in assets and liabilities			
Increase in royalties and territory receivables	(4,300)	(4,500)	(3,267)
Increase in prepaid expense	(42)	(1,812)	-
Decrease in accounts payable	-	(42)	-
Increase in deferred territory fees	-	-	14,000
	<u>336,381</u>	<u>358,301</u>	<u>297,238</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from SBA - PPP loan	<u>-</u>	<u>-</u>	<u>20,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Shareholder distributions	<u>(308,000)</u>	<u>(330,000)</u>	<u>(307,000)</u>
NET INCREASE IN CASH	<u>28,381</u>	<u>28,301</u>	<u>10,988</u>
CASH AT BEGINNING OF YEAR	<u>271,487</u>	<u>243,186</u>	<u>232,198</u>
CASH AT END OF YEAR	<u>\$ 299,868</u>	<u>\$ 271,487</u>	<u>\$ 243,186</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for operating lease	<u>\$ 21,739</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report

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GROUTSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

NOTE 1 – NATURE OF OPERATIONS

Operations

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its financial statements using the accrual basis of accounting.

Estimates

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

Cash

Cash is defined as cash on deposit at financial institutions available upon demand. At times, the Company ~~may maintain cash balances in excess of FDIC insurable limits (\$250,000). At December 31, 2022, the~~ balance exceeded the limit by \$49,868. The Company has not experienced any losses on such amounts.

Receivables and Credit Policies

Royalty and territory receivables consist primarily of royalty fees due from franchisees. Management’s policy is to write off receivables as bad debt expense once they are deemed uncollectible. Management expects to collect all receivables outstanding at December 31, 2022.

Revenue Recognition

The Company recognizes revenue under ASU 2021-02 *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. This update provided a practical expedient to Topic 606 to permit franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU. The Company elected to adopt the practical expedient, as the pre-opening services provided to new franchisees are consistent with those listed in ASU 2021-02.

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreement requires each franchisee to pay an initial non-refundable fee and continuing royalties based on a pre-determined schedule. Subject to the Company’s approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration.

GROUTSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including territory selection, training, systems implementation, and an initial start-up package. The Company recognizes franchise fees as revenue when the services required by the franchise agreement are performed. The Company recognizes renewal fees in income when a renewal agreement becomes effective. Effective beginning in the year ending December 31, 2021, franchise revenues are recognized in accordance with ASU 2021-02. Management has elected the practical expedient to account for pre-opening services as distinct from the franchise license.

Royalty revenues are recognized when receivable, based on an established schedule outlined in the Franchise Disclosure Document.

Intangible Assets

Intangible assets subject to amortization include organizational costs amortized on a straight-line basis over 60 months.

Date of Management's Review

Management has evaluated subsequent events through January 24, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – INCOME TAXES

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

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company leases its office and warehouse space from J&M Smith Properties, Inc., a company under common ownership. The lease commenced October 1, 2017 and continues for a ten-year term. The base annual rent is \$19,800 plus sales tax and is subject to annual increases for cost-of-living adjustments. Total lease expense for 2021, 2020, and 2019 amounted to \$23,846, \$21,683, and \$19,601. Administrative support services are provided by J. Arthur Smith, Inc., which provides training to franchisees of the company through its Groutsmith division and provides grout and tile products to franchisees through its Smitty's Tile and Grout Solutions division. The company incurred product costs to Smitty's Tile and Grout Solutions in 2022, 2021, and 2020 in the amount of \$4,250, \$12,102, and \$12,146, respectively.

NOTE 5 – ADOPTION OF FASB ASC 842 - LEASES

Effective January 1, 2022, the Company adopted *FASB 842, Leases*. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of *FASB 842* under the modified retrospective approach, resulting in the recognition of right-of-use-assets, net of prepaid lease payments and lease incentives, of \$108,886 and operating lease liabilities

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GROUTSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

NOTE 5 – ADOPTION OF FASB ASC 842 – LEASES - Continued

of \$108,886 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the historical accounting treatment. The adoption of *FASB 842* did not have a material impact on the Company's income statement or cash flows.

The base annual rent is \$19,800 plus sales tax and is subject to annual increases for cost-of-living adjustments. The lease liability at the time of adoption was measured as the present value of the minimum lease payments remaining at January 1, 2022, discounted at the incremental borrowing rate of 4.85%. The right-to-use asset is amortized on a straight-line basis over the remaining life of the lease agreement, and the lease liability is amortized at the discount rate over the remaining life of the lease. Total operating lease expense amounted to \$23,846, consisting of \$18,936 in amortization of the right-to-use asset and \$4,910 in interest on repayment of the lease liability. Total lease payments were \$21,739.

Future repayment of the operating lease liability is as follows:

2023	\$	21,744
2024		21,744
2025		21,744
2026		21,744
2027		16,308
Total minimum lease payments		103,284
Less: Interest		(11,228)
Present value of operating lease liability	\$	92,056

CONSENT

Hamilton & Associates, LLC, consents to the use in the Franchise Disclosure Document issued by Groutsmith Franchising, Inc. ("Franchisor") on January 24, 2023, (issuance date) as it may be amended, of our report dated January 24, 2023, relating to the financial statements of Franchisor for the periods ending December 31, 2022, and 2021.

Hamilton & Associates CPA, LLC

Hamilton & Associates, LLC
January 24, 2023

financial statements. THESE FINANCIAL STATEMENTS 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.

GROUTSMITH FRANCHISING, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

GROUTSMITH FRANCHISING, INC.
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DECEMBER 31, 2023, 2022, AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Groutsmith Franchising, Inc.
Sarasota, Florida

Opinion

We have audited the accompanying financial statements of Groutsmith Franchising, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2023, 2022, and 2021 the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groutsmith Franchising, Inc. as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hamilton & Associates CPA, LLC

Brandon, Florida
January 24, 2024

GROUTSMITH FRANCHISING, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Cash	\$ 334,947	\$ 299,868	\$ 271,487
Royalties and territory receivables	49,400	37,200	32,900
Prepaid expense	-	1,854	1,812
Right-of-use asset	<u>75,896</u>	<u>89,949</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 460,243</u>	<u>\$ 428,871</u>	<u>\$ 306,199</u>
LIABILITIES AND STOCKHOLDER'S EQUITY			
Accounts payable	\$ 1,236	\$ -	\$ -
Operating lease liability	<u>76,324</u>	<u>92,056</u>	<u>-</u>
TOTAL LIABILITIES	77,560	92,056	-
STOCKHOLDER'S EQUITY			
Common stock	1,000	1,000	1,000
Additional paid-in capital	3,065	3,065	3,065
Retained earnings	<u>378,618</u>	<u>332,750</u>	<u>302,134</u>
Total stockholder's equity	<u>382,683</u>	<u>336,815</u>	<u>306,199</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 460,243</u>	<u>\$ 428,871</u>	<u>\$ 306,199</u>

See accompanying notes and independent auditors' report

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GROUTSMITH FRANCHISING, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
SALES INCOME			
Franchise Fees	\$ 51,000	\$ 30,900	\$ 81,500
Royalties	537,623	511,600	498,924
TOTAL SALES INCOME	<u>588,623</u>	<u>542,500</u>	<u>580,424</u>
COST OF SALES			
Franchise sales commissions	10,000	9,000	10,000
Product fee, shipping, handling, and printing	4,227	4,503	12,846
TOTAL COST OF SALES	<u>14,227</u>	<u>13,503</u>	<u>22,846</u>
GROSS PROFIT FROM SALES	<u>574,396</u>	<u>528,997</u>	<u>557,578</u>
GENERAL AND ADMINISTRATIVE EXPENSES			
Advertising, promotions	15,379	9,935	4,565
Accounting	7,950	7,650	5,650
Bank charges	741	81	24
Convention expense	-	-	1,973
Legal	8,385	6,072	7,911
Licenses and taxes	4,621	784	3,882
Office supplies	174	-	225
Operating lease expense	20,571	23,846	21,683
State registrations	1,750	1,750	1,550
Officer compensation	130,000	130,000	135,000
Payroll taxes	9,994	9,994	10,335
Telephone	-	300	180
Total general and administrative expenses	<u>199,565</u>	<u>190,412</u>	<u>192,978</u>
OTHER INCOME (EXPENSE)			
SBA- PPP loan forgiveness	-	-	20,750
Interest income	37	31	55
Total other income	<u>37</u>	<u>31</u>	<u>20,805</u>
NET INCOME	<u>374,868</u>	<u>338,616</u>	<u>385,405</u>
Retained earnings, beginning of year	332,750	302,134	232,729
Distributions to shareholders	(329,000)	(308,000)	(330,000)
Impact of FASB ASU 2021-02 cumulative adjustment	-	-	14,000
Retained earnings, end of year	<u>\$ 378,618</u>	<u>\$ 332,750</u>	<u>\$ 302,134</u>

See accompanying notes and independent auditors' report

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GROUTSMITH FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 374,868	\$ 338,616	\$ 385,405
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Net amortization of operating lease liability	(1,679)	2,107	-
SBA-PPP loan forgiveness	-	-	(20,750)
Change in assets and liabilities			
Increase in royalties and territory receivables	(12,200)	(4,300)	(4,500)
Increase in prepaid expense	1,854	(42)	(1,812)
Decrease in accounts payable	1,236	-	(42)
	<u>364,079</u>	<u>336,381</u>	<u>358,301</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Shareholder distributions	<u>(329,000)</u>	<u>(308,000)</u>	<u>(330,000)</u>
NET INCREASE IN CASH	35,079	28,381	28,301
CASH AT BEGINNING OF YEAR	<u>299,868</u>	<u>271,487</u>	<u>243,186</u>
CASH AT END OF YEAR	<u>\$ 334,947</u>	<u>\$ 299,868</u>	<u>\$ 271,487</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for operating lease	<u>\$ 20,396</u>	<u>\$ 21,739</u>	<u>\$ 23,495</u>

See accompanying notes and independent auditors' report

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GROUTSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

NOTE 1 – NATURE OF OPERATIONS

Operations

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its financial statements using the accrual basis of accounting.

Estimates

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

Cash

Cash is defined as cash on deposit at financial institutions available upon demand. At times, the Company may maintain cash balances in excess of FDIC insurable limits (\$250,000). At December 31, 2023, 2022, and 2021, the balance exceeded the limit by \$84,947, \$49,868, and \$21,487, respectively. The Company has not experienced any losses on such amounts.

Receivables and Credit Policies

Royalty and territory receivables consist primarily of royalty fees due from franchisees. Management’s policy is to write off receivables as bad debt expense once they are deemed uncollectible. Management expects to collect all outstanding receivables; therefore, no allowance for bad debt has been recorded at December 31, 2023.

Revenue Recognition

The Company recognizes revenue under ASU 2021-02 *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. This update provided a practical expedient to Topic 606 to permit franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU. The Company elected to adopt the practical expedient, as the pre-opening services provided to new franchisees are consistent with those listed in ASU 2021-02.

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreement requires each franchisee to pay an initial non-refundable fee and continuing royalties based on a pre-determined schedule. Subject to the Company’s approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration.

GROUTSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including territory selection, training, systems implementation, and an initial start-up package. Effective beginning in the year ending December 31, 2021, franchise revenues are recognized in accordance with ASU 2021-02. Management has elected the practical expedient to account for pre-opening services as distinct from the franchise license. The Company recognizes franchise fees as revenue when the services required by the franchise agreement are performed. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

Royalty revenues are recognized when receivable, based on an established schedule outlined in the Franchise Disclosure Document.

Date of Management's Review

Management has evaluated subsequent events through January 24, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – INCOME TAXES

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

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company leases its office and warehouse space from J&M Smith Properties, Inc., a company under common ownership. The lease commenced October 1, 2017 and continues for a ten-year term. The base annual rent is \$19,800 plus sales tax and is subject to annual increases for cost-of-living adjustments. Total lease expense for 2023, 2022, and 2021 amounted to \$20,571, \$23,846, and \$21,683. Administrative support services are provided by J. Arthur Smith, Inc., which provides training to franchisees of the company through its Groutsmith division and provides grout and tile products to franchisees through its Smitty's Tile and Grout Solutions division. The company incurred product costs to Smitty's Tile and Grout Solutions in 2023, 2022, and 2021 in the amount of \$3,971, \$4,250, and \$12,102, respectively.

NOTE 5 – OPERATING LEASE LIABILITY

Effective January 1, 2022, the Company adopted *FASB 842, Leases*. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of *FASB 842* under the modified retrospective approach, resulting in the recognition of right-of-use-assets, net of prepaid lease payments and lease incentives, of \$108,886 and operating lease liabilities of \$108,886 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the historical accounting treatment. The adoption of *FASB 842* did not have a material impact on the Company's income statement or cash flows.

GROUTSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

NOTE 5 – OPERATING LEASE LIABILITY – Continued

The base annual rent is \$19,800 plus sales tax and is subject to annual increases for cost-of-living adjustments. The lease liability at the time of adoption was measured as the present value of the minimum lease payments remaining at January 1, 2022, discounted at the incremental borrowing rate of 4.85%. The right-to-use asset is amortized on a straight-line basis over the remaining life of the lease agreement, and the lease liability is amortized at the discount rate over the remaining life of the lease. Total operating lease expense for 2023 and 2022 amounted to \$20,571 and \$23,846, respectively. These amounts consisted of \$14,053 and \$18,936 in amortization of the right-of-use asset and \$6,518 and \$4,910 in interest on repayment of the lease liability, respectively. Total lease payments for 2023 and 2022 were \$20,396 and \$21,739, respectively.

Future repayment of the operating lease liability is as follows for the years ending December 31:

2024	\$	22,301
2025		22,301
2026		22,301
2027		16,726
Total minimum lease payments		83,629
Less: Interest		(7,305)
Present value of operating lease liability	\$	76,324

CONSENT

Hamilton & Associates, LLC, consents to the use in the Franchise Disclosure Document issued by Groutsmith Franchising, Inc. ("Franchisor") January 24, 2024, (issuance date) as it may be amended, of our report dated January 24, 2024, relating to the financial statements of Franchisor for the periods ending December 31, 2023, 2022, and 2021.

Hamilton & Associates CPA, LLC

Hamilton & Associates, LLC
January 24, 2024

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

California

Agent for Service of Process and Agency for Franchise Inquiries

Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(866) 275-2677

Hawaii

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

Illinois

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

Indiana

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

Maryland

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

Michigan

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

Minnesota

Administrator - Minnesota Dept. of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600
Agent for Service of Process- Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

New York

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

North Dakota

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

Rhode Island

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

South Dakota

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

Virginia

Agent For Service of Process

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

Inquiries About Franchise Matters

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

Washington

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

Wisconsin

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

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

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

A. Franchisee is the holder of a Groutsmith™ Franchising, Inc. franchise and as such is the beneficiary of certain confidential and proprietary information of Groutsmith™ Franchising, Inc.

B. Employee may in the course of his or her employment by Franchisee have access to this proprietary information.

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

1. Employee acknowledges that during the course of employment by Franchisee he or she has obtained or may obtain knowledge of confidential matters and procedures developed and owned by Groutsmith™ Franchising, Inc., and made available to the Franchisee which are necessary and essential to the operation of the business of the Franchisee, without which information the Franchisee could not efficiently, effectively and profitably operate its franchise. Employee further acknowledges that this confidential information was not known to him or her before employment.

2. Except as may be required in the performance of duties for Franchisee, Employee will not, during the course of his or her employment and thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use, any information under the business or interest of Franchisee or Groutsmith™ Franchising, Inc., which he or she knows or reasonably should know is regarded as confidential and valuable to Franchisee or Groutsmith™ Franchising, Inc., including, without limitation, techniques, pricing, accounting systems and procedures, specifications, products, manuals, business plans, customer lists, technical designs or drawings that relate to Franchisee’s business, the Groutsmith™ systems, franchise products, customers, suppliers and marketing plans.

3. Employee will not, during the course of his or her employment by Franchisee, and for one year thereafter, directly or indirectly in any capacity, without Franchisee’s prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in a business, which is competitive with or substantially similar to the business of a The Groutsmith™ franchise or any other Grout Repair Franchisee by becoming an owner, officer, director, shareholder, partner, associate, employee, agent, representative or consultant or serve in any other capacity in any such business. The ownership of not more than 1% of the voting stock of a publicly held corporation shall not be considered a violation of the foregoing provision. Without limiting the generality of the foregoing, the minimum area of competitive nature hereinbefore referred to shall be that area within a 50 mile radius of the Franchisee’s place of business or any place of business conducted by a Franchisee of the Groutsmith™ Franchising, Inc. at the time of Employee’s termination of employment.

4. Employee will not, during the course of his or her employment and for one year thereafter, directly or indirectly, employ or attempt to employ or solicit for any employment any of Franchisee’s employees.

5. Employee will not, during the course of his or her employment and for one year thereafter, directly or indirectly, contact any customer of Franchisee for the purpose of soliciting from any such customer

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

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

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

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

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

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

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

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

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

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

FRANCHISEE: By: _____

EMPLOYEE: By: _____

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

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

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

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

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

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

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

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

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

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

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

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

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

FRANCHISEE / PRINCIPAL

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**EXHIBIT F
TO DISCLOSURE DOCUMENT
SCHEDULE OF FRANCHISEES AS OF 12/31/~~2022~~2023**

ARIZONA

Owo Mobio

18521 East Queen Creek Road

Suite 122

Queen Creek, Arizona 85142

(480) 977-7311

CALIFORNIA

David, Grant & Janice Goka- San Diego Location

663 Chateau Place

Escondido, CA 92029

(858) 779-1446

David, Grant & Janice Goka- Riverside Location

663 Chateau Place

Escondido, CA 92029

(858) 779-1446

~~Owo Mobio~~

~~2401 Waterman Boulevard~~

~~Suite A4-134~~

~~Fairfield, CA 94534~~

~~(707) 439-3928~~

DISTRICT of COLUMBIA

Mary Ann OHara

5614 Connecticut Avenue NW

#255

Washington, DC 20015

(202) 925-8986

FLORIDA

Nicholas Smith

21301 South Tamiami Trail

Suite 320

Estero, FL 33928

(239) 322-2320

Tom and Steve Coffey

16400 US Hwy 331 South

Unit B-2, Box 27E

Freeport, FL 32439

(850) 367-3100

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

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

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

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

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

~~Neill Roberts~~
~~568 Heath Point Court~~
~~Orange Park, FL 32065~~
~~(904) 572-3215~~
Todd Smith
9838 Old Baymeadows Road
Suite 151
Jacksonville, Florida 32256
(352) 396-7813

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

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

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

Matthew Smith ³
7780 49th Street North
Pinellas Park, FL 33781
(727) 322-4033

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

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

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

IDAHO

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

KANSAS

Brian and Anatheia Rivera
620 North Rock Road, Suite #230
Derby, Kansas 67037
(316) 393-8744

MINNESOTA

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

MISSOURI

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

3-_____ Location is owned by our Treasurer and member of the Board of Directors
~~GroutsmithFDD2023~~GroutsmithFDD2024

NEBRASKA

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

NEW JERSEY

Dan Citrenbaum
1 Eves Drive
Marlton, NJ 08053
(609) 380-3216

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

NORTH CAROLINA

Randy and Betty Ann Thrasher - Greensboro Location
5448 Apex Peakway Drive, Suite 185
Apex, NC 27502
(919) 632-3900

Randy and Betty Ann Thrasher – Raleigh/Durham Location
5448 Apex Peakway Drive, Suite 185
Apex, NC 27502
(919) 632-3900

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

Benjamin Stevens – Wilmington Location
314 26th Avenue North
North Myrtle Beach, SC 29582
(803) 281-1916

OKLAHOMA

Joel (Dillon) and Breanna Ker
Oklahoma City Franchise
13045 East 133rd Place North
Collinsville, Oklahoma 74021
(918) 938-1975

Joel (Dillon) and Breanna Ker
Tulsa Franchise
13045 East 133rd Place North
Collinsville, Oklahoma 74021

(918) 938-1975

PENNSYLVANIA

Eric Watts (Pittsburgh South)
1597 Washington Pike,
Suite A38-107
Bridgeville, Pennsylvania 15017
(412) 557-1111

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

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

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

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

SOUTH CAROLINA

Fawn Volz (Columbia)
1750 Highway 160 West, #101
Fort Mills, SC 29708
(803) 281-1916

Benjamin Stevens (Myrtle Beach)
314 26th Avenue North
North Myrtle Beach, SC 29582
(803) 281-1916

TENNESSEE

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

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

TEXAS

Tim and Charles Penning
7655 Ranch Road
620N
Austin, TX 78726
(973) 270-5668

Mark Parks
16817 Coit Road, #1024
Dallas, TX 75248
(945) 201-0562

Jacob Taylor
5309 McPherson Boulevard
Suite 105 #319
Fort Worth, Texas 76123
(682) 364-9000

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

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

UTAH

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

VIRGINIA

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

WASHINGTON

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

WISCONSIN

Chris and Kelsey Helf

1477 Hastings Street
Green Bay, WI 54301
(608) 850-9729

FRANCHISEES WHO LEFT THE SYSTEM IN ~~2022~~2023

~~Mike Murphy~~ ~~Mark White (Franchise Agreement Expiration — Non-Renewal)~~
~~239 Oakwood Street~~
~~Ventura, CA 93001~~
~~(805) 469-8453~~

~~Rachel Tilow (Mutual Termination)~~
~~63 East, 11,400 South #125~~
~~Sandy, Utah 84070~~
~~(801) 599-2965~~

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

~~Warren Stone — (Sold Greensboro, NC Location, still owns Charlotte, NC Location)~~
~~11524-C Providence Road, #228~~
~~Charlotte, NC 28277~~
~~449 Overbeck Lane~~
~~(704) 412-3399~~

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

~~Trish Vesper and Robert Noeske~~ ~~Neill Roberts (Sold Franchise)~~
~~822 N. A1A Highway~~
~~Suite 310~~
~~Ponte Vedra, Florida 32082~~
~~(904) 572-3214~~

~~Josh Stanley (Sold Franchise)~~
~~5892 Woodland Drive~~
~~Waunakee, WI 53597~~
~~(608) 335-6165~~

8144 Sabal Oak Lane
Jacksonville, Florida 32256
(904) 485-3760

EXHIBIT G

TO DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT STATE ADDENDA

California State Addendum disclosures:

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

12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov

13. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

~~No statement, questionnaire, or acknowledgment signed or agreed~~ **Section 31512.1 Franchise Agreement Provisions Void as Contrary 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~~ **Public Policy:**

Any provision of a franchise agreement, franchise law disclosure document, acknowledgement, questionnaire, or other writing, including fraud in the inducement, or (ii) any exhibit thereto, disclaiming reliance on any statement or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by any the franchisor, franchise seller, or its personnel or other person acting on behalf of agents to a prospective franchisee;
- (b) Reliance by a franchisee on any representations made by the franchisor. This provision supersedes or its personnel or agents;
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto;
- (d) Violations of any other term provision of any document executed in connection with the franchise this division.

Maryland State Law Appendix

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

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

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

No release, or waiver of liability by a franchisee as a requirement to purchase a franchise shall constitute a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. Any acknowledgments or representations of the franchisee which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended no shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment 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 in connection with the franchise.

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

Franchisee

Date

Groutsmith Franchising, Inc. Date

For residents of Minnesota

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

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

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

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

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

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

No statement, questionnaire, or acknowledgment 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 in connection with the franchise.

For residents of Virginia

No statement, questionnaire, or acknowledgment 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 in connection with the franchise.

For residents of Washington

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

RCW 19.100.180 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 will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration 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.

A release or waiver of rights executed by a franchisee 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 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.

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.

No statement, questionnaire, or acknowledgment 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 in connection with the franchise.

Dated this ___ day of _____ 20__

FRANCHISOR

FRANCHISEE

~~EXHIBIT H~~

EXHIBIT H

THE GROUTSMITH™
UNIT FRANCHISE AGREEMENT



Franchisee: _____

Date of Franchise Agreement: _____

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

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~~Exhibit~~ **EXHIBITS**

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THE GROUTSMITH™

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into and made effective as of _____, by and between GROUTSMITH™ FRANCHISING, INC., a Nevada Corporation, of 6341 Porter Road, Suite 11, Sarasota, Florida 34240 (hereinafter referred to as “Franchisor” and at times as “We”, “Us” or “Our” and _____ (hereinafter referred to as “Franchisee” and at times “You” or “Your”), whose address is _____, City of _____, County of _____, State of _____.

WHEREAS, you are desirous of entering into an agreement with us to obtain the rights to operate a The Groutsmith™ Business using the System developed by us; and

~~WHEREAS, you declare that you have fully investigated and familiarized yourself with the essential aspects and purposes of The Groutsmith™ Business and System and have been advised by counsel chosen by you of the terms and conditions of the Franchise Agreement and agree that your consistent and uniform presentation of the Groutsmith™ System and Business are essential.~~

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual promises and covenants herein contained, the grant by us of this Franchise and the payment by you of the various fees provided in Section 9, the parties hereby agree as follows:

SECTION 1: GRANT OF FRANCHISE

We hereby grant to you, subject to all the terms, conditions and provisions hereof, the rights set forth in this Franchise Agreement.

1.1 We hereby grant you the right to use the service mark “Groutsmith™” and “The Groutsmith™” pursuant to a uniform system owned by us, all of which may be improved, further developed, or otherwise modified by us. You are licensed to operate a business (the “franchise business”) under the names, trademarks, service marks, logos, and trade dress as we may designate.

1.1.1 You shall conduct your franchise business from your van, truck or SUV which will feature the “Groutsmith™” service marks within the territory designated on Exhibit FA I.

1.1.2 The specific location address (your “office location”) out of which you will work is:

1.1.3 Your territory, consisting of approximately _____ households, is more particularly described and outlined in the attachment to this Franchise Agreement as Exhibit FA I. Your advertising, marketing, and service activities are restricted to your Territory, as listed in Section 1.3. You agree not to open or change your office location without our prior written approval.

1.2 Subject to the limitations described below, you are granted the exclusive right to use in your territory, the trademarks on and in association with the sale of all approved products and services as we may authorize, and with approved sales promotion programs. You are granted the right to use in your territory, The Groutsmith™ trademarks on and in association with the equipment, invoices, forms, stationery, and supplies for the services and products authorized by us.

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

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

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

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

SECTION 2: FRANCHISEE'S ACCEPTANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3: TERM AND RENEWAL

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

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

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

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

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

3.1.4 You comply with all requirements for renewal.

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

SECTION 4: TRADEMARK STANDARDS AND REQUIREMENTS

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

4.1 You shall confine your use of the trademarks to the sale of products and services as listed in Section 2.2 which shall, in quality, mode and conditions of manufacture and sale, comply with these reasonable standards and requirements as are established or approved by us, and to use approved advertising and sales promotion programs. In order to promote and protect the business interests of each of the parties, the value of the business and the business interests of other persons so engaged, you shall maintain uniformity with other franchise network members in accordance with our reasonable standards in the type, standard and quality of the Groutsmith™ business, office operations, equipment, fixtures, stationery, forms and supplies used, and the conditions and procedures employed in the sale of the Groutsmith™ products and services. You may only purchase cleaning and restoration materials approved by us, and only offer those services and sell those products as we may designate periodically in writing, to be consistent with Groutsmith™ quality and theme. You will be supplied with an Operations Manual that will contain specifications and instructions for the proper cleaning and restoration of grout according to specifications, parameters and cleaning, repairs and restoration systems and materials developed by us that are to be strictly followed. Failure to use the forms, systems and supplies designated by us shall be a default under Section 10 herein.

4.2 You agree that the provisions, restrictions and controls provided in this Franchise Agreement are all necessary, reasonable and desirable for the purposes of uniformity and consistent quality of the Groutsmith™ services and operations, which you desire to adopt to become a Groutsmith™

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

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

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

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

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

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

SECTION 5: FACILITY STANDARDS AND MAINTENANCE

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

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

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

SECTION 6: PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

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

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

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

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

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

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

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

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

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

6.9 We have a line of Groutsmith™ maintenance products which are marketed and sold to the public through our website. ~~Every time~~When a customer from your territory purchases products from Groutsmith, your franchise will receive 100% of the profit as a credit in your account toward your future product purchases. You may not sell the products from a website created by you or over the Internet except through our Groutsmith™ website. You may purchase these items at a discount and offer them

for sale to the public. You will be responsible for any sales or use tax that may become due when purchasing these products for your use or selling these products directly to the public.

SECTION 7: PERSONNEL AND SUPERVISION STANDARDS

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

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

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

SECTION 8: ADVERTISING

You agree to participate in the following advertising programs:

8.1 Local Advertising. You must spend a minimum sum of \$2,000 per month on local advertising enhancing the reputation of your services on a local level during the first six months of the operation of the Franchise Business. Upon completion of the first six months, your advertising allotment shall be at your sole discretion, although we highly recommend that you continue advertising at a ~~rate~~ minimum rate of 10% of your gross sales revenue, as covered in training. You may be required to substantiate advertising outlays by supplying information to us including ~~tear sheets~~ advertising agreements and paid advertising invoices. You may only use advertising materials approved by us.

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

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

SECTION 9: FEES, REPORTING AND FINANCIAL MANAGEMENT

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

9.1 Your initial Franchise Fee is ~~\$1934~~,900. The initial franchise fee is payable in a lump sum by cashier's check at the time of execution of the Franchise Agreement. The initial Franchise Fee is not refundable in whole or in part. Included in the initial franchise fee is compensation to us for the expenses we have incurred for certain pre-opening obligations: 1) pre-opening consultations and support 2) initial franchise training 3) franchisor supplied start-up package and 4) outside sales commissions, if applicable.

9.2 You will also pay a non-refundable ~~on-going~~ monthly royalty to us as follows: No royalty is due for the first ~~threesix~~ full or partial months starting with the date you sign the Franchise Agreement; for months ~~47-12~~, the monthly royalty is ~~\$400 per month; for year 2, the royalty is \$600 per month; for year 2, the royalty is \$800 per month; for year 3, the royalty is \$800~~1,000 per month; and for years 4-15, the royalty is ~~\$1,000~~250 per month. The maximum royalty fee that you are required to pay is \$1,250/month, regardless of your gross sales and revenue volume. Royalty fees are due and payable by the 5th day of each month for the current month's operation. Included in ongoing royalty fees are ongoing obligations: 1) continuing post opening support, 2) exclusive territory rights, 3) intellectual properties and 4) proprietary systems.

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

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

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

any lawsuits, actions or proceedings instituted either by private parties or governmental authorities against you or us including a complete description of the claim, action or proceeding involved.

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

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

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

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

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

9.11 In the event you fail to pay any of the above-referenced fees in a timely fashion, you shall pay a late payment fee of ~~five~~ten percent (~~5~~10%) of the delinquent payments on any and all amounts, which are late plus interest.

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

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

SECTION 10: TERMINATION

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

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

10.2 The conditions under which we may terminate subject to ~~five (5)~~ ten (10) day notice to cure are as follows:

- A. You fail to pay for any product, or any royalty fee, franchise fee, loan payment, advertising fee, transfer fee, renewal fee or other amounts due to us, or any of our affiliates or assigns, within the time period specified for these payments by this agreement, the Operations Manual or the agreement specifying the payment concerned; or
- B. Failure by you to secure and maintain the required insurance, including public liability and workers' compensation insurance.

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

- A. The attachment of any involuntary lien in the sum of \$1,000 or more upon any of the business assets or property of franchisee, which lien is not promptly removed;
- B. Conduct of the franchised business in a manner so as to affect materially and adversely our goodwill or reputation or our products and services;
- C. Failure or refusal to maintain and operate the franchise in a professional manner and in compliance with the Operations Manual or the standards of quality or uniformity otherwise prescribed by us;
- D. Selling products or goods or services other than those designated by us or which fail to conform to the Groutsmith™ System and specifications or which are not in accordance with the methods prescribed by us or fail to sell products designated by us;
- E. Any purported assignment, transfer, or sublicense of the franchise, or any right hereunder, without our prior written consent;
- F. Failure by you to use the Business Management Software, techniques, training, uniforms, and methods promulgated by any manuals and any periodic directives from us or failure by you to meet standards of quality or failure by you to use forms, invoices, receipts, stationery, ads and printed matter as directed by us or failure to attend mandatory training or seminar sessions required by us, as provided in Section 13.2.1;

- G. Failure by you to put your full efforts into the franchise business or in your excused absence, to have the franchise business managed by someone who has the proper training and aptitude in our procedures and systems;
- H. Failure to maintain confidential any information designated as confidential by us;
- I. Failure to comply with any other provision of this Agreement or the Manuals; or
- J. You or your employees are found to be using drugs or abusing other substances.

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

- A. We mutually agree in writing to terminate this agreement;
- B. You or the business to which this agreement relates is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or you admit your inability to pay your debts as they come due;
- C. You fail to comply with any material federal, state or local law or regulation applicable to the operating of the franchise; or fail to pay when due, obligations of taxing authorities and other obligations of the franchise business;
- D. You duplicate the Groutsmith™ system or use the system or any part thereof in connection with any other business;
- E. You use any name, trademark, mark, service mark or other property right, either tangible or intangible, granted by the franchise other than in connection with the operation of your franchise business;
- F. You make any material misrepresentation relating to the acquisition of the referenced business or you engage in conduct which reflects materially and unfavorably upon the operation and reputation of The Groutsmith™ business or franchise network;
- G. You abandon the business;
- H. You attempt to transfer, sell or assign all or any part of this agreement, the franchise business, or any material portion of the property associated with the business or attempt to purport to sublicense to another any of the rights, property licensed to You hereunder or otherwise fail, refuse or neglect to obtain any prior written consent or approval required hereunder;
- I. You repeatedly breach conditions of the franchise agreement;
- J. You, or any of your owners are, or have been convicted by a trial court, or plead or have pleaded no contest or guilty to a felony or other serious crime or offense;
- K. You make any change in your banking relationships, including any change in the account number of your general operating account, or any change in banks, without our prior written approval.

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

- A. If the default is curable as listed in 10.2, above, you must cure all defaults within ~~five (5)~~ten (10) days from the date of Notice of Default; or
- B. If the default is curable as listed in 10.3 above, you must cure all these defaults within thirty (30) days from the date of Notice of Default; or
- C. If the default is one which is incapable of cure as listed in 10.1 or 10.4 above, termination is effective as of the date of the Notice of Default. Notwithstanding anything to the contrary we have the right, in our sole discretion, to grant you an extended period of time to cure.

SEE APPLICABLE STATE LAW ADDENDA/EXHIBIT G.

10.6 Upon your failure to cure any default within the time period specified in above paragraphs 10.2 and 10.3 or if you commit a non-curable default as specified in 10.1 or 10.4 above, you will be required to pay all current monies owed to us plus twenty four (24) months of ~~royalties~~ the maximum monthly royalty fees contained in this agreement and as defined in Section 9.2. We may also proceed to enforce any or all of the following non-exclusive remedies and the pursuit of any one remedy shall not be deemed an election or waiver by us to pursue additional remedies:

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

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

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

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

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

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

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

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

SECTION 11: FRANCHISEES DUTIES UPON TERMINATION OR EXPIRATION

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

11.1 All of your rights to the use of the trademarks and the right and license to conduct said business at your office location shall revert to us without further act or deed of any party. All of your rights as a franchisee shall terminate and you shall immediately cease to use, by advertising or otherwise, The

Groutsmith™ program or any part thereof, or any device, marks, service marks, trademarks, trade names, systems, slogan or symbols used in connection with the Groutsmith™ program. You will promptly, and at your own expense, remove all Groutsmith™ signage and displays furnished to you by us and shall remove and discontinue all use of any signage or displays at the office location, on your vehicle, or in your possession bearing any of the trademarks or names, marks or material deceptively or confusingly similar to any of the trademarks. You will take those other steps reasonably required by notice from us, including repainting your office location premises a different color or altering the appearance of any other distinctive aspect or feature of these premises, that we deem necessary by notice to you to distinguish these premises from a Groutsmith™ franchise business and removal of any vehicle decals designating you as part of the Groutsmith™ system. You will promptly and at your sole expense release and terminate any and all use of any trade name or fictitious name, which incorporates the words “The Groutsmith”™, or any other trademark of ours.

11.2 You shall pay all monies due to us at said date. -In addition, if due to default by you, you shall pay to us, as liquidation charges and not as a penalty, ~~your regular;~~ 24 months of the maximum monthly royalty fee ~~for 24 months or as described in Section 9.2 or for~~ the number of months remaining on your franchise term, whichever is less.

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

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

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

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

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

11.8 Upon expiration or any termination of this Agreement for any reason, with the sole exception of your compliance with Paragraph 10.7, you agree that neither you, your family members, owners, principals, members or other agents shall directly or indirectly engage in any competitive business within fifty (50) miles of the boundaries of the territory of any Groutsmith for a period of two (2) years after said date of expiration or termination of this agreement, except as a Groutsmith™ franchise under another effective Franchise Agreement. You further agree not, at any time, to furnish any information designated as confidential by us including our methods of promoting, maintaining and operating the Franchise Business or any other information relative to our business. You shall: (1) strictly adhere to all security procedures prescribed by us at our sole discretion; (2) disclose this information to your employees only if necessary to market your products and services and for the orderly operation of your business and only after securing a valid enforceable confidential agreement from these employees at your cost; (3) be prohibited from using any of this information in any other business or in any manner not specifically authorized or approved in writing in advance by us; and (4) be required to exercise your

highest degree of diligence to maintain the confidentiality of all of this information during and after the term of this Franchise Agreement and to use your best efforts to secure confidentiality agreements enforceable under state law when required by us. You also stipulate that neither you nor your key employees will be employed or have a financial interest in a business similar to ours during the term of the franchise except for owning less than one percent (1%) of the stock of a competing company whose shares are traded on a National Securities Exchange. You agree that it is the parties' intent that this paragraph be enforced to the fullest extent permissible under the applicable law. You understand and acknowledge that we shall have the right, at our sole discretion, to reduce the scope of this paragraph or any portion thereof without your consent upon notice to you and you agree to comply with the paragraph as modified.

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

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

SECTION 12: TRANSFER OF FRANCHISE

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

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

12.3 In determining the acceptability of the proposed transferee, We will consider, among other things, our then-current standards for new franchisees, including the net worth, credit worthiness, background, training, personality, reputation, and business experience of the proposed transferee, the terms and conditions of the transfer and any circumstances that would make the transfer not in the best interests of us or the franchise System. We may meet and candidly discuss all matters relating to your franchise and the franchise business with the potential transferee. In no case will you or a proposed transferee rely on us to review or evaluate any proposed transfer. Neither we nor our affiliates will be liable to you or the transferee or any other person or entity relating to the transfer and you agree to indemnify and hold us harmless from any liability whatsoever relating thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.9 First Right of Refusal.

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

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

12.10 In the event of the death or incapacity of an individual franchisee or general partner or manager of a franchisee, the heirs or personal representative shall have the right to continue the business; provided that within a reasonable time (one hundred and twenty (120) days) after such death or incapacity (or such longer period required by the laws of the state where the franchise is located) the heirs appoint a representative to act in behalf of the heirs in all matters pertaining to the franchise as provided for new managers and franchisees including the requirements to have the representative trained and accepted by us in accordance with our standards. The heirs or personal representatives, instead of operating the franchise themselves under the foregoing procedures may choose to transfer the franchise. If a decision to transfer is made, the transfer procedures explained above will apply. If we are required to run the franchise business for a time, we will charge an operation fee of five hundred dollars (\$500) per day per representative plus our costs of travel, food and lodging.

12.11 The parties agree that in the event a court of competent jurisdiction orders you to transfer to your spouse all or any part of your interest in this Agreement, and/or in any property related thereto, such

an order will constitute a transfer of this Agreement and will cause the transferee to be subject to all of the terms and conditions concerning transfers set forth herein above.

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

SECTION 13: TRAINING AND ASSISTANCE

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

13.1.1 Training: We will provide an initial training period of approximately 80 hours over nine to ten days at a site we select. You must attend and successfully complete the training and testing before the opening of the franchise business. The initial training will cover all aspects of the franchise operation including sales and marketing, local advertising, customer relations, job estimating, performance of required, approved services, approved product information and service information, measuring, restoration, trouble shooting, purchasing, Business Management Software (banking, bookkeeping, profit calculations, financial planning), time management, competition, applicable lien and contractor's laws, and required permits and licenses. Your training also includes physically doing work on-site. There is no fee for the initial training program. You may also bring one partner, spouse or employee to the training program at no additional fee to you. You must successfully complete our initial training program. In the event you wish to bring more than one person, you must pay us a training fee for each additional attendee, currently \$1,000 per week, with a one week minimum- fee per additional attendee. You must provide your own travel, lodging and meals for the duration of the training program. Attendance at all sessions of the initial training is mandatory. Additional training may be required if we feel it is in your best interest. In the event that you do not satisfactorily pass training, we can terminate this Agreement, with no refund of your initial franchise fee. No initial training will be provided when additional units are purchased by you.

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

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

13.1.4 Operations Manuals: We will provide you the Operations Manual, consisting of operational techniques, financial and bookkeeping information, marketing plans, advertising techniques and other services and procedures relevant to the operation of the franchised business. All manuals are copyrighted and considered our trade secrets.

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

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

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

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

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

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

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

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

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

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

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

SECTION 14: GENERAL PROVISIONS

14.1 Except as provided in Section 14.7, in the event any one or more clauses of this Agreement shall be held to be void or unenforceable for any reason by any court of competent jurisdiction, this clause or these clauses shall be deemed to be severable and of no force or effect in the jurisdiction, and the remainder of this Agreement shall be deemed to be valid and in full force and effect, and the terms of this Franchise Agreement shall be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of the clause or clauses.

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

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

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

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

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

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

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

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

14.8 If any applicable law or rule of any jurisdiction requires a greater prior notice of termination of, or the election not to renew this Agreement, or the taking of some other action with respect to such termination or election not to renew than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

14.9 MEDIATION

A. Any controversy or claim (other than those arising from non-payment of monies due, falsification of reports, abandonment, and those regarding trademark infringement arising out of or relating to this contract, or the breach thereof, shall be subject to mandatory non-binding Mediation. The Mediator will be appointed in accordance with the Rules and Regulations of the American

Arbitration Association unless the parties agree on a Mediator in writing within ten (10) days after either party gives written notice of Mediation. If either party alleges a dispute or controversy against the other party for any reason (other than those cited above), then either party will have the right to demand non-binding Mediation within the ten (10) days after the complaining party provided the other party with written notice describing the dispute or controversy and the desired action. All Mediation hearings will take place exclusively in Sarasota, Florida, and will be held within twenty (20) days after the Mediator has been appointed. The Mediation hearing will be informal and the Mediator will have the right to hear and review all testimony and evidence presented by either party. The cost of the Mediator will be shared equally by the parties. The parties agree that they will act in good faith to settle any dispute or controversy between them either prior to or during Mediation. All matters, testimony, arguments, evidence, allegations, documents and memorandums will be confidential in all respects and will not be disclosed to any other person or entity by either party.

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

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

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

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

~~No statement, questionnaire, or acknowledgment 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 in connection with the franchise.~~

~~14.12~~ You make the following additional warranties and representations:

~~14.12~~10.1 You are a (check one):

Partnership____ Corporation____ Individual(s) ____

Sole Proprietorship____ Limited Liability Company____

~~14.12~~10.2 If you are a corporation, partnership, or limited liability company, there is set forth below the name and address of each shareholder, partner, or member holding an ownership interest in the corporation, partnership or Limited Liability Company.

Name	Address	Shares and % Interest*

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

14.4210.3 The address where your records are maintained is:

14.4210.4 The name of the person/s who has been approved by us and who shall be directly responsible for supervising your business operations is:

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

FRANCHISOR

GROUTSMITH™ FRANCHISING, INC.
A Nevada Corporation

FRANCHISEE(S)

(Name of Entity)

By: _____

(Signature of Sole Proprietor if a Sole Proprietorship)

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

By: _____
Title (if Franchisee is a corporation)

Secretary (if corporate entity is involved)

SHAREHOLDERS OF FRANCHISEE

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

By: _____
Title (if Franchisee is a limited liability company)

Secretary (if applicable)

MEMBERS OF FRANCHISEE

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

~~Exhibit~~EXHIBIT FA I
~~Territory~~
TERRITORY

TO BE ATTACHED HERE

_____ Franchisee's Initials

_____ Franchisee's Initials

_____ Franchisor's Initials

Exhibit EXHIBIT FA II

SAMPLE BANK DRAFT FORM

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

BANK ACCOUNT IN THE NAME OF	UNIT #	BANK ACCOUNT NUMBER
------------------------------------	---------------	----------------------------

To the Bank Designated:

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

Name of Franchisee (please print)

Date

Signature of Franchisee

FULL NAME OF BANK
STREET ADDRESS
CITY, STATE, ZIP CODE

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

Indemnification Agreement
To the Bank Designated

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

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

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

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

NOTICE TO OWNER

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

EXHIBIT FA III

Franchise Agreement
FRANCHISE AGREEMENT

APPROVED GROUTSMITH SERVICES

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

_____ Franchisee's Initials

_____ Franchisee's Initials

_____ Franchisor's Initials

EXHIBIT FA IV

~~Franchise Agreement~~

Start Up Package

FRANCHISE AGREEMENT

START UP PACKAGE

Equipment and Tools

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

Training Materials / Management System

Groutsmith Operations Manual (Electronic version)

Marketing Materials

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

Electronic Warranty forms

Printed Materials

500 Business Cards
100 Estimate Forms (3 part NCR) 100
~~50 Warranty forms~~

Groutsmith Products and Other Consumable Supplies

Groutsmith Green Alkaline Cleaner (~~12~~4 gallons)
Groutsmith Grout-~~max~~Max Acidic Cleaner (4 gallons)
Groutsmith Sparkle 24 Acidic Cleaner (4 gallons)
Groutsmith Gold Neutral Cleaner (12 quarts)
Groutsmith Green Cleaner (12 quarts)
Groutsmith Slip-Resist (~~1~~2 gallon)
Groutsmith Micron Coat (1 quart)
Groutsmith Restoration Sealer (~~36~~12 pints, most common colors)
Color Matched Silicone Caulk (~~15~~12 tubes, to match Restoration Sealer colors)

~~GroutsmithFDD2023~~GroutsmithFDD2024

| Color Matched Acrylic Caulk (~~36~~12 tubes, to match Restoration Sealer colors)
| Seven inch Detail Grout Brush (24)
| Groutsmith Polo Shirts or Tee Shirts (6)
| Groutsmith Hat

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

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

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

EXHIBIT FA VI

~~**Enrollment Agreement for Services**~~

~~**Groutsmith Call Center**~~

ENROLLMENT AGREEMENT FOR SERVICES

GROUTSMITH CALL CENTER

Fax 941-925-9411

Start Date

Groutsmith Name (local)

Home Phone Number

Cellular Phone Provider

Cell Phone Number

Cell Phone Email Address

Fax Number

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

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

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

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

Franchisee's Signature

Date

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

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

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

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

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

Franchisee, for himself/herself/themselves and each of his/her/their successors, representatives, assigns, affiliates, principals, officers, directors, shareholders, subsidiaries, parents, agents, servants, employees, executors, joint ventures, partners, employers, administrators, accountants and attorneys, and each of them, do hereby absolutely, fully, jointly, and severally, and forever release, acquit, relieve, waive, relinquish, and discharge Franchisor, and its respective successors, representatives, assigns, affiliates, principals, officers, directors, shareholders, subsidiaries, parents, agents, servants, employees, executors, joint ventures, partners, employers, administrators, accountants and attorneys from any and all claims, actual or alleged, and any and all claims, actual or potential, whether known or unknown, whether fixed or contingent, whether actual or alleged, and any and all causes of action arising from the beginning of time to the present, including all such claims arising out of or relating to the Franchise Agreement. This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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

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

WITNESS: _____ GROUTSMITH FRANCHISING, INC.

WITNESS: _____ FRANCHISEE:

STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	March 1, 2023 , <u>April 5, 2024</u>
Hawaii	
Illinois	
Indiana	
Maryland	December 22, 2022 , <u>November 27, 2023</u>
Michigan	
Minnesota	June 22, 2023
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	October 2, 2022 , <u>2023</u>
Washington	September 6, 2022 , <u>7, 2023</u>
Wisconsin	June 16, 2022 , <u>1, 2023</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 (Item 23)

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

If Groutsmith™ Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise.

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

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

The issuance of this disclosure is January 24, ~~2024~~2023.

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

The franchise sellers are Jonathan Smith and Matthew Smith, 6341 Porter Road, Suite 11, Sarasota, FL 34240 (941) 924-4433

I have received a disclosure document that included the following:

Exhibit A Financial Statements

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

Exhibit C Confidentiality and Non-Competition Agreement for Employee

Exhibit D Confidentiality and Non-Competition Agreement for Principal

Exhibit E Table of Contents of Operations Manual

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

Exhibit G State Addenda

Exhibit H Franchise Agreement

Exhibit I- General Release

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

Date: _____

Printed Name

By (Officer of Legal Entity)

Printed Name

Printed Legal Name of Entity

Retain this copy for your records.

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By (Officer of Legal Entity)

Printed Name

Printed Legal Name of Entity

Return this copy to the Groutsmith

