

**JET-BLACK®
AND YELLOW DAWG STRIPING®
FRANCHISE DISCLOSURE DOCUMENT
JET-BLACK INTERNATIONAL, INC.**

12445 Boone Avenue South
Savage, MN 55378
(888) 538-2525

www.jet-black.com
www.blackdawgsealcoat.com
www.yellowdawgstriping.com

You will receive the right to operate a sealcoat business under the Jet-Black® brand (or in limited circumstances under the Black Dawg Sealcoat® brand) offering asphalt services (the “Sealcoat Business”), or a striping business under the Yellow Dawg Striping® brand offering pavement marking services and parking lot line striping (the “Striping Business”).

The total investment necessary to begin operation of a Sealcoat Business is from ~~\$84,250~~[\\$89,755](#) to ~~\$115,600~~[\\$118,605](#) for one to two Franchised Territories. This includes ~~\$68,700~~[\\$75,685](#) to ~~\$86,200~~[\\$89,205](#) that must be paid to us or our affiliate. The total investment necessary to begin operation of a Striping Business is from ~~\$66,550~~[\\$66,050](#) to ~~\$92,900~~[\\$89,900](#) for one to two Franchised Territories. This includes ~~\$56,500~~[\\$55,500](#) to ~~\$68,500~~[\\$65,500](#) that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Nick Kelso at Jet-Black International, Inc., 12445 Boone Avenue South, Savage, MN 55378, (888) 538-2525.

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

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

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

Issuance Date: ~~May 2~~[June 14, 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 B.
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 C 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 Jet-Black 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 Jet-Black franchisee?	Item 20 or Exhibit B 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 Franchise *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 delegates. These items may be more expensive than similar items you could buy or 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 the 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 F.

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 risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration, and/or litigation only in Minnesota. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Minnesota than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Mandatory Minimum Payments.** You must make minimum royalty, advertising and technology payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

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

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

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

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Law Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

JET-BLACK INTERNATIONAL, INC.
FRANCHISE DISCLOSURE DOCUMENT

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

Franchisor

Jet-Black means the Franchisor, Jet-Black International, Inc. “You” means the person or legal entity (including its individual owners) who purchases a franchise. Jet-Black was incorporated in Minnesota on June 16, 1992. Jet-Black does business under the name Jet-Black Franchise Group. Jet-Black currently maintains its offices at 12445 Boone Avenue South, Savage, MN 55378. Exhibit F to this disclosure document discloses Jet-Black’s agent for service of process. Jet-Black has no predecessors, parents or affiliates required to be disclosed in this Item 1.

Franchised Business

Jet-Black began franchising Jet-Black® Sealcoat Businesses in April 1993, and as of December 31, ~~2022~~2023, had ~~31~~35 franchise owners operating Jet-Black® Sealcoat Businesses in a total of ~~85~~94 Franchised Territories. Jet-Black currently operates ~~32~~ Jet-Black® Businesses in a total of ~~86~~ Territories, and other than as described below, has not offered franchises in any other lines of business.

In September 2012, Jet-Black acquired a franchise system operating under the marks “Black Dawg Sealcoat®,” “Yellow Dawg Striping®,” and “Blue Dawg Power Wash®”. Although not technically its predecessor, Jet-Black acquired the entire Black Dawg Sealcoat®, Yellow Dawg Striping® and Blue Dawg Power Wash® business systems from Black Dawg Franchise Group LLC, a New Hampshire limited liability company. At this time, we do not plan on offering Black Dawg Sealcoat® franchises to new franchisees, but we will allow current Black Dawg Sealcoat franchisees the option to renew or open a new location under their current marks or convert to a Jet-Black® franchisee. Under limited circumstances, we may also allow new franchisees to operate using the Black Dawg Sealcoat® mark if the new franchisee is located geographically close to other Black Dawg® franchisees. If you purchase a Black Dawg Sealcoat® franchise, you will sign the Franchise Agreement and Exhibit C to the Franchise Agreement. Other than the Marks, a Black Dawg Sealcoat® business is substantially the same as a Jet-Black® business, and are both referred to as a “Sealcoat Business” in this disclosure document. As of December 31, ~~2022~~2023, there were 3 Black Dawg Sealcoat® franchisees, operating in 8 territories.

A Sealcoat Business is an asphalt services business operating under the Jet-Black® Mark (or, in limited circumstances, the Black Dawg Sealcoat® Mark). In particular, a Sealcoat Business provides products and services for the installation and maintenance of asphalt surfaces, including, without limitation, the repair and sealcoating of driveways, parking lots and other asphalt, concrete, and brick paver surfaces, crackfilling, patchwork, oil spot treatment, power washing, grass edging, commercial sweeping, and any other related products and services (the “Sealcoat Products and Services”). If you purchase a Sealcoat Business franchise, you will sign the Sealcoat Business franchise agreement attached as Exhibit D to this disclosure document (the “Franchise Agreement”).

A Yellow Dawg Striping® business offers pavement marking services and parking lot line striping under the Yellow Dawg Striping® Mark (a “Striping Business”). In particular, a Striping Business provides pavement marking services, including line striping, lot signage installation, parking lot pumper installation, thermo plastic pavement marking, floor resurfacing, decorative asphalt services, tennis court surfacing, track surfacing, and any other related products and services (the “Striping Products and Services”). Jet-Black began offering franchises for Striping Businesses in December 2012. If you purchase a franchise for a Striping Business, you will sign the Franchise Agreement and Exhibit D to the Franchise Agreement. As of December 31, ~~2022~~2023, there were 12 Striping Businesses operating in 17 territories. ~~Seven~~Nine of the Striping Businesses also own a Sealcoat Business.

In 2012 and 2013, we offered franchises operating under the marks “Blue Dawg Power Wash®,” which we acquired from Black Dawg Franchise Group LLC. We no longer offer Blue Dawg Power Wash® franchises, but franchisees operating under the Blue Dawg Power Wash® mark offer residential and commercial pressure washing of homes, commercial facilities, vehicles, exterior window washing and, in some circumstances, concrete sealing. As of December 31, ~~2022~~2023, there was 1 Blue Dawg Power Wash® franchisee. Other than as described above, Jet-Black has not offered franchises in any other lines of business.

Unless otherwise noted, all references to “Business” include a Sealcoat Business and a Striping Business; and all references to “Products and Services” include Sealcoat Products and Services and Striping Products and Services.

You will operate your Sealcoat Business in one or more “Franchised Territories,” each consisting of a contiguous geographic area containing a minimum of ~~30,000~~20,000 single family residences having household incomes of at least ~~\$75,000~~100,000 per year (“Qualified Residences”). You will operate your Striping Business in one or more “Franchised Territories,” each consisting of a contiguous geographic area containing a minimum of 60,000 Qualified Residences. Jet-Black determines the number of Qualified Residences based on various commercially available software packages which provide demographic data and information.

The Initial Fee and other fees you will pay Jet-Black will vary depending on whether you purchase one or more Franchised Territories, and the size of those Franchised Territories. To operate another Business in your Franchised Territory, i.e., if you want to add a Striping Business to your Sealcoat Business, you must enter into a new franchise agreement and pay a separate Initial Fee. You must operate your Business with one customized or approved trailer system and crew of employees for up to two Franchised Territories you purchase.

Market and Competition

The Products and Services will be provided at homes, town homes, commercial properties and government properties using approved products. You will operate in a developed market and compete with other asphalt maintenance or pavement marking businesses. Sales of Sealcoat Products and Services are typically seasonal in areas which receive heavy snow and rainfall or where temperatures consistently fall below 50°F, since effective application of Products requires mild temperatures and clean, dry surfaces.

Laws and Regulations

You must comply with all federal, state and local environmental laws, OSHA laws, licensing laws and other laws relating to the application, storage and disposal of products used in your Business.

2. BUSINESS EXPERIENCE

~~President, Chief Executive Officer and Director: Andrew J. Hoiland~~Chief Financial Officer: Nicholas P. Kelso

~~Mr. Andrew Hoiland is a co-founder of Jet-Black and has been President, Chief Executive Officer and a Director of Jet-Black since its inception in June 1992. He has been the President, Chief Executive Officer and a Director of Jet-Black Seal Coating and Repair, Inc. since May 1988.~~

Mr. Nicholas Kelso is the Chief Executive Office and Chief Financial Officer of Jet-Black, positions he has held since June 2024. From August 2008 to June 2024, Mr. Kelso was the Vice President, Treasurer, Chief Financial Officer, Secretary and ~~Director: Nicholas P. Kelso~~

~~Mr. Nicholas Kelso has been Vice President, Treasurer, Chief Financial Officer, Secretary and~~ a Director of Jet-Black ~~since August 2008~~. Mr. Kelso also was a Jet-Black franchisee in Shakopee, Minnesota, from November 2005 until December 2009.

Vice President and Director of Franchise Development: Luke Urbaniak

Mr. Luke Urbaniak has been Vice President and Director of Franchise Development of Jet-Black since June 2024. From April 2018 to June 2024, Mr. Urbaniak was the General Manager of Jet-Black.

3. LITIGATION

No litigation is required to be disclosed in this Item.

4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

5. INITIAL FEES

Fees for a Sealcoat Business

Initial Fee

Jet-Black's Initial Fee for a Business varies depending on the number of "Franchised Territories," as defined in Item 12 of this disclosure document, you purchase. The Initial Fee is \$~~25,000~~30,000 for the first Franchised Territory and \$~~12,500~~10,000 for each additional Franchised Territory. In all cases, you must pay the Initial Fee in full when you sign the Franchise Agreement for all Franchise Territories you initially purchase.

Jet-Black may reject you and terminate your Franchise Agreement within 60 days after you sign it if you provide Jet-Black with any inaccurate financial, personal or other information, or if you or your "General Manager" (the person responsible for the overall management of your Business) is not qualified to open and manage your Business because you or your General Manager fail to successfully complete Jet-Black's training program.

If Jet-Black terminates your Franchise Agreement because Jet-Black rejects you, Jet-Black will refund your Initial Fee after deducting Jet-Black's reasonable administrative and out-of-pocket expenses. These expenses will include the executives' and employees' salaries, training costs, salespersons' commissions, attorneys' fees, accountants' fees, and travel expenses ~~and long distance telephone call costs~~ that Jet-Black incurs in connection with your franchise. The amount of expenses deducted by Jet-Black will not exceed your Initial Fee. Except as provided in this paragraph, the Initial Fee is nonrefundable.

Customized Trailer System and Optional Equipment

For the operation of a Sealcoat Business, you must purchase a specially-designed custom sealcoating trailer from Jet-Black for every two Franchised Territories that you purchase. You must purchase from

us a 425 gallon sealcoating rig which is capable of doing all sized jobs for a cost of ~~\$20,200~~20,705. A second 220 gallon residential trailer may be required for franchises with 3 or more territories at a cost of ~~\$12,000~~11,920. The payment for these trailers must be made to Jet-Black or an approved supplier prior to opening a Business.

Initial Inventory of Equipment, Products, Office and Marketing Materials

If you purchase a Sealcoat Business, you must pay Jet-Black or an approved supplier for the “Initial Inventory Package” of equipment, products, office and marketing materials and miscellaneous credit as described below every three Franchised Territories that you purchase:

Fee paid to Jet-Black	Description
\$4,500	Equipment including a powered blower for cleaning, powered grass edger, sealcoating brooms, propane tanks, backer rod and other necessary sealcoating tools
\$2,000	Initial credit for purchase of inventory including asphalt sealant, crack filler, sand, additives and other products from Jet-Black’s approved vendors.
\$1,000	Office and sales materials including STARS software, clothing, personalized banner tape, measuring and estimating tools and business and quote cards.
\$14,000 <u>15,480</u>	Marketing and promotional materials for start-up and grand opening campaigns, including a one-time purchase of qualifying residential and commercial addresses for direct mail campaigns.
\$2,000	Miscellaneous credit to be used toward shipping, price fluctuations and other miscellaneous costs.
TOTAL: <u>24,980</u>	\$23,500

Except as specified by Jet-Black, the cost of your Initial Inventory Package purchased from Jet-Black must be paid to Jet-Black in full upon signing of your Franchise Agreement and is nonrefundable.

Additional Territory Fees

If you want to purchase an additional Franchised Territory after you have signed your Franchise Agreement and opened your Sealcoat Business and Jet-Black agrees to sell to you an additional Franchised Territory, you must pay an Additional Territory Fee of ~~\$12,500~~10,000. In addition, you will pay ~~\$5,000~~10,000 per additional Franchised Territory for additional marketing and promotional materials. If you operate three or more total Franchised Territories, you may also be required to purchase additional trailers and/or equipment.

Fees for Striping Business

Initial Fee

Jet-Black's Initial Fee for a Striping Business varies depending on the number of "Franchised Territories," as defined in Item 12 of this disclosure document, you purchase. The Initial Fee is ~~\$25,000~~30,000 for the first Franchised Territory and ~~\$12,500~~10,000 for each additional Franchised Territory. In all cases, you must pay the Initial Fee in full when you sign the Franchise Agreement for all Franchise Territories you initially purchase.

Jet-Black may reject you and terminate your Franchise Agreement within 60 days after you sign it if you provide Jet-Black with any inaccurate financial, personal or other information, or if you or your "General Manager" (the person responsible for the overall management of your Business) is not qualified to open and manage your Business because you or your General Manager fail to successfully complete Jet-Black's training program.

If Jet-Black terminates your Franchise Agreement because Jet-Black rejects you, Jet-Black will refund your Initial Fee after deducting Jet-Black's reasonable administrative and out-of-pocket expenses. These expenses will include the executives' and employees' salaries, training costs, salespersons' commissions, attorneys' fees, accountants' fees, and travel expenses ~~and long distance telephone call costs~~ that Jet-Black incurs in connection with your franchise. The amount of expenses deducted by Jet-Black will not exceed your Initial Fee. Except as provided in this paragraph, the Initial Fee is nonrefundable.

Customized Trailer System

For the operation of a Striping Business, you must purchase one enclosed trailer and a set of decals from Jet-Black for ~~\$8,000~~10,000 for every three Franchised Territories that you purchase.

Initial Inventory of Equipment, Products, Office and Marketing Materials

If you purchase a Striping Business, you must pay Jet-Black for the "Initial Inventory Package" of equipment, products, office and marketing materials and miscellaneous credit as described below for every three Franchised Territories that you purchase:

Fee paid to Jet-Black	Description
\$9,500	Equipment and products including striping machine, stencils, paint and additional tools necessary for your Striping Business.
\$1,500	Office and sales materials including STARS software, clothing, measuring and estimating tools and business cards.
\$2,500	Marketing and promotional materials for start-up and grand opening campaigns, including a one-time purchase of qualifying commercial addresses for direct mail campaigns.

Fee paid to Jet-Black	Description
\$2,000	Miscellaneous credit to be used toward shipping, price
TOTAL: \$15,500	

Except as specified by Jet-Black, the cost of your Initial Inventory Package purchased from Jet-Black must be paid to Jet-Black in full upon signing of your Franchise Agreement and is nonrefundable.

Additional Territory Fees

If you want to purchase an additional Franchised Territory after you have signed your Franchise Agreement and opened your Striping Business and Jet-Black agrees to sell to you an additional Franchised Territory, you must pay an Additional Territory Fee of \$12,500. You will also pay \$2,000 per additional Franchised Territory for additional marketing and promotional materials. If you operate three or more total Franchised Territories, you may also be required to purchase additional trailers and/or equipment.

6. OTHER FEES

Type of Fee ⁽¹⁾	Amount	Date Due	Remarks
Continuing Fees ⁽²⁾⁽³⁾	1-8% of Gross Revenues	Monday of each week for the preceding week	Gross Revenues are defined in Note 2 below.
Minimum Annual Continuing Fees ⁽³⁾	\$2,500 to \$6,000 <u>\$8,000</u> per calendar year depending on the Business and the number of years in operation ⁽³⁾	January 31	Beginning with the first full calendar year after you sign your Franchise Agreement, your aggregate Continuing Fees paid to Jet-Black for each full calendar year must be at least the stated minimum amount for each Franchised Territory you operate.
Local Advertising Expenditures ⁽⁴⁾⁽⁵⁾	Greater than \$5,000 to \$10,000 per Franchised Territory per calendar year <u>depending on the Business</u>	January 31 (totaled annually)	You must provide Jet-Black with reports of your Local Advertising Expenditures upon request. Your Local Advertising Expenditures must exceed <u>\$5,000 (for striping businesses) or \$10,000 (for sealcoat businesses)</u> , and can include marketing provided through Jet-Black or approved third party suppliers.
Additional Franchised	\$12,500 <u>\$10,000</u> for each additional Franchised Territory	When you purchase an additional Franchised	If you purchase an additional Franchised

Type of Fee ⁽¹⁾	Amount	Date Due	Remarks
Territory Fees ⁽⁶⁾		Territory	Territory after the date you signed your Franchise Agreement, you must pay an Additional Territory Fee plus the additional costs described in Item 5 for each additional Franchised Territory.
Additional Franchised Territory Inventory Packages ⁽⁷⁾	\$2,000 to \$5,000 for each additional Franchised Territory	When you purchase an additional Franchised Territory	If you purchase an additional Franchised Territory after the date you signed your Franchise Agreement, you must pay additional costs for promotional and marketing materials.
Product Purchases ⁽⁸⁾	Amount of your purchases from Jet-Black. Franchisees pay wholesale prices and additional fees are not charged.	When Jet-Black ships the products you order	Based on the location of your Franchised Territory, you may be required to purchase certain products from Jet-Black. See Item 8.
Audit Fees	Amount Jet-Black incurs to audit your Business	Within 10 days of receipt of an invoice	Payable only if an audit by Jet-Black reveals that your understatement of Gross Revenues is intentional or is greater than 2% or you underpaid your Continuing Fees by more than \$1,000 during any 12 months.
Transfer Fee	Non-negotiable \$3,000 <u>\$5,000</u> for each Franchised Territory being transferred plus \$5,000 for re-grand opening marketing campaign for the new ownership	Before the date you transfer the Franchise Agreement or a controlling interest in a corporation, limited liability company or partnership which holds the franchise	Jet-Black must approve the transfer; the transfer fee includes Jet-Black's Training Fee for the buyer or General Manager. The transfer fee is non-negotiable.
Renewal Fee	\$3,000 for each Franchised Territory being renewed	When you sign the new Franchise Agreement	
Franchise Resale Fee for Jet-Black Services	8% of the sale price for your Business only if you formally request Jet-Black actively assists with the resale of your Business	At the closing of the sale	You must pay a franchise resale fee if only if you formally request Jet-Black actively assists in locating a buyer for your existing Business.
Service Charge	<u>\$25 to</u> 50 per week	Within 10 days after you fail to	You must pay a Service

Type of Fee ⁽¹⁾	Amount	Date Due	Remarks
		pay a Continuing Fee	Charge for each late payment of a Continuing Fee, outstanding invoice , or late STARS report.
Collection Costs for Unpaid Fees	Amount Jet-Black incurs to collect unpaid Continuing Fees	On demand	Includes the amount of actual attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses.
Interest Charges for Unpaid Fees	The lesser of 18% per annum or the maximum legal rate allowable in the state your Business is located in	On demand	Applies to past due payments of Continuing Fees due to Jet-Black.
Non-Compliance Fee	Currently ranges from \$20 to \$150 per violation	Within 10 days of being assessed	Assessed for a violation of the Franchise Agreement or the Standard Operations Manual in consideration of expenses and time we incur in addressing your failure to comply.
Damages	The amount of damages sustained by Jet-Black as a result of the termination of the Franchise Agreement	On demand following termination of the Franchise Agreement	If you wrongfully terminate the Franchise Agreement, or if Jet-Black terminates the Franchise Agreement because of your breach, you must pay Jet-Black the damages it sustains as a result, taking into account the Continuing Fees (including Minimum Continuing Fees) and other amounts you would have paid Jet-Black over the remaining term of the Franchise Agreement.
Training Fees for New General Manager ⁽⁹⁾	\$500 per person	If training is requested at your location.	Any new General Manager you hire must attend training within 60 days after beginning to manage your Business or must be trained by you in accordance with Jet-Black's requirements. There is currently no cost for training for your General Manager at our

Type of Fee ⁽¹⁾	Amount	Date Due	Remarks
<u>Consulting Fee</u>	<u>We do not currently charge for optional consulting services, but reserve the right to charge for such services in the future.</u>	<u>As incurred</u>	corporate office.
Credit Card Processing Fees ⁽¹⁰⁾	Currently 2.9%. These fees are subject to change.	As payments are processed	Jet-Black offers a centralized credit card processing service on-line.
Technology Fee ⁽¹¹⁾	Currently, \$550 per year, plus \$100 per each additional Franchised Territory. May increase to up to 25% per year.	As Incurred	
Daily Equipment Rental ⁽¹²⁾	As determined by the parties	As determined by the parties	
Attorneys' Fees	The amount of all attorneys' fees, costs, expenses and interest incurred by Jet-Black in enforcing the terms of the Franchise Agreement or in seeking to enjoin any violation of the Franchise Agreement by you.	As Incurred	

Notes:

- (1) You must pay each fee to Jet-Black unless otherwise noted. All fees are nonrefundable and are uniformly imposed.
- (2) "Gross Revenues" will mean the total revenue you receive for all products and services in conjunction with the Business or Jet-Black's trademarks (including all Products and Services), regardless of whether such services or products are provided to customers or clients by you, your employees or independent contractors hired by you. "Gross Revenues" will not include any sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly upon sales, if: (a) the amount of the tax is added to the selling price and is expressly charged to the customer; (b) a specific record is made at the time of each sale of the amount of such tax; and (c) the amount of such tax is paid to the appropriate taxing authority by you. You must authorize your bank to directly deposit Continuing Fees into Jet-Black's bank account from your bank account on a weekly basis. You must provide Jet-Black with all documents necessary to direct your bank to honor these pre-authorized bank debits. If you acquire an existing Jet-Black business, your Minimum Annual Continuing Fee will be based on the number of years the business has been in operation. It is a requirement to use Jet-Black's on-line Sales Tracking and Reporting Software system ("STARS System") as your primary database. You must report sales and record customer data through the STARS System ~~by Sunday of each week for the previous week~~ within three days of receiving payment from customers. Failure to comply will result in a \$50 per week service charge listed in the table above.
- (3) You will pay a Continuing Fee of 1-8% of Gross Revenues for each Job. A "Job" means the sale of any of the Products and Services in conjunction with your Business to customers or clients by

you, your employees, or independent contractors hired by you. If a single individual or entity requests projects at multiple locations, each location where a project is completed will be considered a separate Job. If a project involve multiple phases at the same location, and the time between each respective phase is greater than 60 days, then each phase will be considered a distinct Job.

For each Job, the Continuing Fee will be based on the price for that Job as follows:

Job Price	Continuing Fee for Each Job
\$0 to \$2,000	8% of Gross Revenues for Job
\$2,001 to \$4,000	7% of Gross Revenues for Job
\$4,001 to \$6,000	6% of Gross Revenues for Job
\$6,001 to \$8,000	5% of Gross Revenues for Job
\$8,001 to \$10,000	4% of Gross Revenues for Job
\$10,001 to \$15,000	3% of Gross Revenues for Job
\$15,001 to \$50,000	2% of Gross Revenues for Job
\$50,001 to \$100,000	1.5% of Gross Revenues for Job
Greater than \$100,000	1% of Gross Revenues for Job

Each calendar year following the date of the Franchise Agreement, you must meet or exceed the following Continuing Fee minimums: if you operate a Sealcoat Business, the minimum Continuing Fee is \$4,000 for the first full calendar year, ~~\$5,000~~6,000 for the second full calendar year and ~~\$6,000~~8,000 for the third full calendar year through the end of the term; if you operate a Striping Business, the minimum Continuing Fee is \$2,500 for the first full calendar year, \$3,500 for the second full calendar year and \$5,000 for the third full calendar year through the end of the term. These amounts are collectively referred to as the “Minimum Annual Continuing Fees.” If you do not meet the Minimum Annual Continuing Fee amount described above for any year, you will pay Jet-Black the difference between the Minimum Annual Continuing Fee amount and the Continuing Fees actually paid to Jet-Black.

- (4) You must participate in the below required marketing programs. Exceptions apply for Franchised Territories with a lower percentage of asphalt driveways (compared to concrete or gravel), to be determined by Jet-Black. All Jet-Black provided marketing programs are done at cost (ValPak, Google Ads, Radio) or near cost (direct mail and follow-up letters) and do not require a time commitment from you. Your participation in these programs will count towards your required Local Advertising Expenditure. Currently, Jet-Black requires that you pay Jet-Black for management of a Google Ads campaign in your Franchised Territory. The minimum requirement is a maximum of \$20 per day for Google Ads in the season between May 1st and October 1st in most parts of the country. Your Franchised Territory may or may not hit this minimum. You also must mail at least 40,000 direct mail cards per year and purchase the postcards from us currently at ~~\$.36~~43 per piece, subject to change based on paper costs and postage rates. In addition, you must participate in Jet-Black’s nationwide ValPak (coupon packets) promotion if ValPak is active in your Franchised Territory. The discounted cost Jet-Black negotiated is currently \$230 - \$260 per ValPak zone, which is 10,000 coupons. In addition, you must participate in the follow-up letter. In addition, Jet-Black plans to run radio ads in the Twin Cities metro area in

Minnesota and all franchisees with Franchised Territories in that area must participate and contribute to the cost of that program. In ~~2022~~2023, franchisees in the Twin Cities metro area in Minnesota contributed between \$~~941,048~~ to \$~~4,032,018~~ for the radio ads. These amounts are credited towards the ~~\$10,000~~ Local Advertising Expenditure.

- (5) All printed advertising and promotional materials Jet-Black offers to its franchisees must be purchased from Jet-Black. These printed pieces include clothing, ~~work cards~~, estimate cards, direct mail cards, pre-pay letters, yard signs, banner tape, truck and trailer decals, business cards, ~~newspaper inserts~~, letterhead, and more. You must obtain Jet-Black's prior written approval before using any advertising materials that Jet-Black does not offer and which Jet-Black has not already approved. These amounts are credited towards the \$10,000 Local Advertising Expenditure.
- (6) If you want to purchase an additional Franchised Territory after you have signed your Franchise Agreement and opened your Business and Jet-Black agrees to sell to you an additional Franchised Territory, you must pay an Additional Territory Fee. As of the issuance date of this disclosure document, the fee is \$~~12,500~~10,000 for a Sealcoat Business and \$~~12,500~~10,000 for a Striping Business. In addition, you must pay the costs for the initial inventory of marketing materials, and may be required to purchase additional trailers and/or equipment.
- (7) For each additional Franchised Territory, you will pay \$~~5,000~~10,000 for additional marketing and promotional materials. If you operate three or more total Franchised Territories, you may also be required to purchase additional trailers and/or equipment. For each additional Striping Business Franchised Territory, you will pay \$~~2,000~~2,500 for additional marketing and promotional materials.
- (8) Based on the location of your Business you may be required to purchase products directly from Jet-Black or an approved supplier, as described in Item 8. You must authorize your bank to directly deposit the amount of product purchases into Jet-Black's bank account from your bank account. You must pay for the products, and Jet-Black will debit your bank account for the amount of the product purchase order, when Jet-Black ships the products to you. You must provide Jet-Black with all documents necessary to direct your bank to honor these pre-authorized bank debits.
- (9) If you or an employee of your Business has been qualified by Jet-Black to provide the required General Manager training, Jet-Black will not require the new General Manager to attend Jet-Black's training program.
- (10) You must accept credit card payments from customers for jobs under \$2,000. You must use the Jet-Black credit card processing system, which includes an online payment center for customer use. As of the issuance date of this disclosure document, the related payment processing fee is currently 2.9%. These fees are subject to change.
- (11) Jet-Black charges a technology fee for access and for support, hosting, database and other services related to franchisee's use of existing or future communication or data storage systems, components thereof and associated hardware and services. This fee may be charged on a monthly or annual basis as the fees are assessed. Currently, Jet-Black charges \$550 per year, plus \$100 per each additional Franchised Territory. To cover significant improvements in technology that may be rolled out in any given year, Jet-Black reserves the right to increase this fee up to 25% per year per Franchised Territory, updated annually upon written notice to you.
- (12) Although Jet-Black has not developed a formal program and you are not required to rent any equipment from Jet-Black, in certain instances in particular markets Jet-Black or other Sealcoat

Business franchisees may rent equipment to you on a daily basis for particular Jobs for a fee as agreed upon by both parties.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A SEALCOAT BUSINESS FOR ONE TO TWO FRANCHISED TERRITORY

Type of Expenditure	Amount ⁽¹⁾		Method of Payment ⁽²⁾	When Due	To Whom Payment is to be Made
Initial Fee ⁽³⁾	\$25,000 <u>30,000</u>	\$37,500 <u>40,000</u>	Lump Sum	When you sign the Franchise Agreement	Jet-Black
Sealcoating Trailer ⁽⁴⁾	\$20,200 <u>20,705</u>	\$20,200 <u>20,705</u>	Lump Sum	When you sign the Franchise Agreement	Jet-Black or approved supplier
Initial Inventory Package ⁽⁶⁾	\$23,500 <u>24,980</u>	28,500	Lump Sum	When you sign the Franchise Agreement	Jet-Black or approved supplier
Training Expenses ⁽⁷⁾	\$500	\$500	As You Incur Expenses	During Training	General Manager, Airlines, Hotels and Restaurants
Business Office/Garage Lease – 3 Months ⁽⁸⁾	\$0	\$1,500	As Arranged	Before Opening	Building Owner
Computer Equipment ⁽⁹⁾	\$0	\$2,000	As Arranged	Before Opening	Supplier or Leasing Company
Phone and Internet Access ⁽¹⁰⁾	\$50	\$400	As Arranged	Before opening	Suppliers and Utilities
Truck ⁽¹¹⁾	\$10,000	\$20,000	As Arranged	Before Opening	Supplier or Leasing Company
Additional Funds – 3 Months ⁽¹²⁾	\$5,000	\$5,000	As you incur expenses	As you incur expenses	Employees, Suppliers and Utilities
TOTAL ⁽¹³⁾	\$84,250 <u>89,755</u>	\$115,600 <u>118,605</u>			

YOUR ESTIMATED INITIAL INVESTMENT FOR A STRIPING BUSINESS FOR ONE TO TWO FRANCHISED TERRITORIES

Type of Expenditure	Amount ⁽¹⁾		Method of Payment ⁽²⁾	When Due	To Whom Payment is to be Made
Initial Fee ⁽³⁾	\$25,000	\$37,500	Lump Sum	When you sign the	Jet-Black

Type of Expenditure	Amount ⁽¹⁾		Method of Payment ⁽²⁾	When Due	To Whom Payment is to be Made
	<u>30,000</u>	<u>40,000</u>		Franchise Agreement	
Trailer ⁽⁴⁾	\$8,000 <u>0,000</u>	\$8,000 <u>0,000</u>	Lump Sum	When you sign the Franchise Agreement	Jet-Black or approved supplier
Line Striping Machine⁽⁵⁾	\$7,500	\$7,500	Lump Sum	As agreed to	Jet-Black approved supplier
Initial Inventory Package ⁽⁶⁵⁾	\$15,500	\$15,500	Lump Sum	When you sign the Franchise Agreement	Jet-Black or approved supplier
Training Expenses ⁽⁷⁶⁾	\$500	\$500	As You Incur Expenses	During Training	General Manager, Airlines, Hotels and Restaurants
Business Office/Garage Lease – 3 Months ⁽⁸⁷⁾	\$0	\$1,500	As Arranged	Before Opening	Building Owner
Computer Equipment ⁽⁹⁸⁾	\$0	\$2,000	As Arranged	Before Opening	Supplier or Leasing Company
Phone and Internet Access ⁽¹⁰⁹⁾	\$50	\$400	As Arranged	Before opening	Suppliers and Utilities
Truck ⁽¹¹⁰⁾	\$5,000	\$15,000	As Arranged	Before Opening	Supplier or Leasing Company
Additional Funds – 3 Months ⁽¹¹¹⁾	\$5,000	\$5,000	As you incur expenses	As you incur expenses	Employees, Suppliers and Utilities
TOTAL⁽¹¹²⁾	\$66,550 <u>66,050</u>	\$92,900 <u>89,900</u>			

Notes:

- 1) For the estimated range of costs, Jet-Black relied on its management’s collective experience over 35 years in the business of asphalt maintenance. The low end of the estimate assumes that you will purchase only one Franchised Territory for your Business and will purchase the standard options for start-up. The high end of the estimate assumes that you will purchase two Franchised Territories for your Business, pay for an office and/or storage area and incur additional travel expenses for training. You should carefully review these figures with your business advisor before making any decision to purchase a franchise. For approved applicants, Jet-Black may finance up to \$20,000 of start-up expenses as described in Item 10.
- 2) Payments are not refundable unless otherwise noted.
- 3) **Franchise Fee.** If you operate a Sealcoat Business, your Initial Fee will be ~~\$25,000~~30,000 for the first Franchised Territory and ~~\$12,500~~10,000 for each additional Franchised Territory.

If you operate a Striping Business, your Initial Fee will be \$~~25,000~~30,000 for the first Franchised Territory, and \$~~12,500~~10,000 for each additional Franchised Territory.

- 4) Sealcoating or Enclosed Trailer. For the operation of a Sealcoat Business, you must purchase a specially-designed custom sealcoating trailer from Jet-Black for every two Franchised Territories that you purchase. You must purchase from us a 425-gallon spray rig which is capable of doing all sized jobs for a cost of \$~~20,200~~20,705. A second 220-gallon residential trailer may be required for franchises with 3 or more territories at a cost of \$~~12,000~~11,920. These trailers are sold to franchisees at or near cost. If you operate a Striping Business, you will purchase an enclosed trailer with a required decal set. See Item 5. All trailers will be purchased from us.
- ~~5) Line Striping Machine. You must purchase a Graco® line striping machine with auto layout.~~
- 5) Initial Inventory Package. As described in Item 5, you must purchase the applicable Initial Inventory Package for your Business, which includes a Graco® line striping machine with auto-layout.
- 6) Training Expenses. You must pay for the salaries, fringe benefits, travel costs, lodging, food, automobile rental and other expenses you and your General Manager incur while attending the training program. The estimate assumes that you will not have a General Manager.
- 7) Business Office. You need not obtain business office or warehouse space for your Business, particularly if you purchase one Franchised Territory. As your business grows, you may consider a business office or warehouse space or both.
- 8) Computer System. You will need a computer for managing and operating your Business and running the STARS program. The specifications for the computer system are listed in Item 11. You may already own a computer that meets these requirements.
- 9) Phone and Internet Access. You must establish and maintain a business phone number and a high speed/broadband Internet access.
- 10) Truck. You will need to purchase or lease, for use in each Franchised Territory, a black pickup truck capable of towing an 8,000-pound trailer. We have the right to require you to purchase or lease a separate truck for each Franchised Territory, although we may allow you to use one truck for two Franchised Territories. Jet-Black does not recommend or require that you purchase a new truck, but the truck must be black. Trucks can be painted black after purchase. Each truck must have decals or wraps approved by Jet-Black.
- 11) Additional Funds – 3 Months. You will use these additional funds for purchasing additional supplies, additional products, salaries and fringe benefits, business and automobile insurance, legal and accounting fees, marketing and promotion costs and other miscellaneous operating costs. These figures do not include compensation to you as the owner of the Business. These estimates are based on Jet-Black's over 35 years of experience in the asphalt and paving services industry, and operating and franchising Sealcoat and Striping Businesses.
- 12) Total. This estimate does not include the percentage of Gross Revenues you must pay for Continuing Fees or local advertising. This estimate does not include costs for optional line striping or pavement and asphalt equipment.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Obligation to Purchase Products or Services from Jet-Black

If you operate a Sealcoat Business, you must purchase the heavy duty sealer and hot crack filler and other products Jet-Black specifies directly from Jet-Black or Jet-Black's approved supplier. In addition, all Sealcoat Businesses within 200 miles of Jet-Black's warehouse in Savage, Minnesota, must purchase all products and supplies, including, without limitation, industrial grade sealant, premium crack filler, sealant additives, and sealant sand from Jet-Black. Jet-Black will provide delivery of all supplies, or franchisees may pick-up supplies at its corporate office in Savage, Minnesota. Jet-Black will provide the name of an approved manufacturer or distributor of sealant, crack filler, and sealant additives for locations greater than 200 miles away from the corporate office in Savage, as described below. Jet-Black may at any point require you to purchase products from a regional Jet-Black distributor. If you operate a Striping Business, you must purchase those products Jet-Black specifies from Jet-Black or its approved vendors.

All printed advertising materials Jet-Black offers to its franchisees must be purchased from Jet-Black. These printed pieces include, without limitation, ~~work cards~~, estimate cards, direct mail cards, pre-pay letters, commercial flyers, door-to-door cards, purple cards, yard signs, banner tape, decals, business cards, ~~newspaper inserts~~, letterhead, and more. All pre-paid and direct mail campaigns must go through Jet-Black. If you want to use advertising materials or methods Jet-Black does not offer, you must receive Jet-Black's prior written approval before using those materials.

Jet-Black will give you a written list of the product inventory that you must maintain and will occasionally update this list. You may, on written request, obtain information on pricing, yield, coverage and shipping weights of the products from Jet-Black before signing the Franchise Agreement. If you are opening a Sealcoat Business, you must also purchase from Jet-Black one trailer for up to two Franchised Territories that you purchase. All franchisees must purchase from Jet-Black the applicable Initial Inventory Package. Future additional trailer(s) must be purchased from Jet-Black or approved by Jet-Black if another type of trailer is needed. If you operate a Striping Business, you must purchase a trailer and related equipment and machines that meet our standards from an approved supplier.

Jet-Black may derive revenue from your purchase of products, printed advertising materials, trailers and the initial inventory by charging you prices that exceed Jet-Black's costs of supplying these products, printed advertising materials, trailers and the initial inventory. However, many items are provided at cost or close to cost. The requirement to purchase the products, printed advertising materials, the trailer and the initial inventory from Jet-Black is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all Businesses.

Jet-Black estimates that your purchase or lease of products, equipment and supplies which meet Jet-Black's specifications and standards will represent approximately 65% to 75% of the total cost of initially establishing your Business in one Franchised Territory and approximately 20% to 40% of the continuing cost of operating your Business in one Franchised Territory. In the year ending December 31, ~~2022~~2023, Jet-Black's gross revenues from the sale of products and services to franchisees was \$~~1,766,342~~2,464,819, or ~~41~~50.4% of its total gross revenues of \$~~4,326,044~~4,888,218.

Obligation to Purchase or Lease Products or Services from Approved Suppliers

In addition to purchasing supplies and products, printed advertising materials, trailers and the initial inventory of marketing materials and business supplies from Jet-Black, you must purchase certain other

products, goods, merchandise, supplies, furniture, fixtures, equipment and services used or sold at your Business from suppliers approved by Jet-Black in writing. Jet-Black will give you a list of these approved suppliers and will occasionally update this list. Approved suppliers are necessary to ensure that all franchisees adhere to the uniformity requirements and quality standards associated with Businesses.

If you operate a Sealcoat Business, you may also elect to purchase a hot asphalt trailer, a larger bulk storage tank, a squeegee machine with a trailer, a commercial spray applicator, a commercial sweeper and/or pavement installation products. Although you are not required to purchase this equipment, if you choose to offer products or services that require this equipment, you must purchase the equipment from Jet-Black or approved suppliers. In certain limited instances, some of this equipment may be available to rent from Jet-Black or other Sealcoat Business franchises.

Jet-Black is an approved supplier for the trailer, the Initial Inventory Package and products that you use in your Sealcoat Business. Jet-Black may derive revenue from your purchase of these items by charging you prices that exceed Jet-Black's costs of supplying these products and services. However, it is Jet-Black's goal to sell many products it purchases in bulk to franchisees at cost.

Except for trailers, marketing materials, and certain other products and supplies if you are within 200 miles of our corporate facility, if you want to purchase products or services from suppliers who have not been previously approved by Jet-Black, then you may be required to send representative samples or specifications of the supplier's goods or services to Jet-Black. We may require you to reimburse us for our reasonable expenses that we incur for the inspection and evaluation and the actual cost of the test.

Within 60 days of receiving the necessary samples and information, Jet-Black will determine whether the specified products or services comply with its established uniformity requirements, quality standards and specifications and will advise you in writing as to its determination. Jet-Black's criteria for supplier approval are available to you upon request.

Jet-Black will negotiate purchase terms for you with some of your suppliers. Although Jet-Black did not derive revenue or any other material consideration from franchisees' purchase of products or services from approved suppliers other than itself in ~~2022~~2023, it reserves the right to do so in the future. If Jet-Black receives revenue from approved suppliers, the fees and payments would most likely range from 0.5% to 10.0% or more of each supplier's sales (to Jet-Black's franchisees) of products or services. The revenue Jet-Black receives from suppliers may or may not be reasonably related to services Jet-Black provides to such suppliers. Jet-Black does not offer incentives for you to use suppliers approved by Jet-Black.

Jet-Black's officers own an interest in Jet-Black. Jet-Black's officers do not own a material interest in any other supplier.

Obligation to Purchase or Lease Products or Services from Designated Suppliers

Jet-Black may require that your purchase certain products or services only from designated suppliers. If Jet-Black provides for a single designated supplier of a particular item, you may only purchase that item from the designated supplier and Jet-Black will not approve other suppliers.

Obligation to Purchase or Lease Products or Services that Comply with Jet-Black’s Standards and Specifications

You must purchase or lease certain products and services which satisfy Jet-Black’s written standards and specifications. This requirement is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all Sealcoat Businesses and Striping Businesses. Jet-Black will provide you with written standards and specifications for your trucks, trailers, supplies, equipment, computer equipment, telephone equipment, standard attire, signs, insurance and the maintenance of the trucks and equipment. Jet-Black formulates its standards and specifications at its sole discretion. Jet-Black will periodically modify its written standards and specifications. You must comply with any modifications.

As further described above, all printed advertising materials Jet-Black offers to its franchisees must be purchased from Jet-Black, and all pre-paid and direct mail campaigns must go through Jet-Black. You must obtain Jet-Black’s prior written approval for all other advertising materials or methods Jet-Black does not offer, and for all signs. Jet-Black has the sole discretion to grant or deny written approval for these advertising materials and methods, and signs. You must ensure that all goods and services you select conform to Jet-Black’s standards and specifications. Jet-Black reserves the right to reject any goods or services you obtain from any unapproved supplier if they fail to meet Jet-Black written standards and specifications.

You must carry minimum insurance coverage of at least \$500,000 for general liability, \$500,000 for vehicle liability, replacement cost for property damage, “all risks” property insurance, and \$1,000,000 in umbrella insurance coverage (see Article 13 of the Franchise Agreement). Your insurance policies must name Jet-Black as an additional insured and must, as applicable, include primary and non-contributory endorsement or language in form and content as we periodically require. Jet-Black does not derive revenue from your purchase of required insurance coverage.

Except as described above, you need not purchase any goods or services from: (i) designated or approved suppliers; or (ii) that meet Jet-Black standards and specifications.

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 other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not applicable	
b. Pre-opening purchases/leases	Articles 7.3, 7.4 and 12, Exhibits C, D and E	Items 5 and 8
c. Site development and other pre-opening requirements	Not applicable	Not applicable
d. Initial and ongoing training	Article 9, Exhibits C, D and E	Items 6 and 11
e. Opening	Article 10	Item 11
f. Fees	Articles 5 and 7.4	Items 5 and 6

Obligation	Section in Agreement	Disclosure Document Item
g. Compliance with standards and policies/ Operating Manual	Articles 8 and 12	Item 11
h. Trademarks and proprietary information	Articles 4 and 8, Exhibits C, D and E	Items 13 and 14
i. Restrictions on products/services offered	Article 12.9	Item 16
j. Warranty and customer service requirements	Article 12	Item 11
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/service purchases	Article 12	Item 8
m. Maintenance, appearance and remodeling requirements	Articles 12.7 and 12.8	Item 11
n. Insurance	Article 13	Items 7 and 8
o. Advertising	Articles 7 and 12.6	Items 5, 6 and 11
p. Indemnification	Article 22	Not applicable
q. Owner's participation/management/staffing	Article 12.24	Items 11 and 15
r. Records/reports	Article 14	Item 6
s. Inspections/audits	Articles 12.18 and 14.5	Items 6 and 11
t. Transfer	Article 16	Item 17
u. Renewal	Article 3	Item 17
v. Post-termination obligations	Article 19	Item 17
w. Non-competition covenants	Article 20	Item 17
x. Dispute resolution	Article 26	Item 17

10. FINANCING

Other than as described below, Jet-Black does not offer direct or indirect financing. Jet-Black does not guarantee your note, lease or other obligation. Jet-Black is listed on the national franchise SBA registry.

If you meet Jet-Black's then-current qualifications, Jet-Black may loan you up to \$20,000 for start-up expenses, which may include our Initial Fee, under the terms of a secured promissory note attached as Exhibit I (the "Note").

You will be charged interest at the rate of 9% per annum on the unpaid balance of the principal. You will pay principal and interest due us under the Note in a maximum of 60 consecutive monthly installments. You can prepay the Note in whole at any time or in part periodically in multiples of \$100 when installments are due without penalty. Except as otherwise described in this Item 10, there are no additional finance charges you must pay under the Note.

To secure the performance of your obligations under the Note, you will grant us a security interest in all of your current and future Business assets, including all insurance policies covering those assets and any related proceeds. All individuals who guarantee your obligations under the Franchise Agreement also must jointly and severally guarantee the Note. You are responsible for all costs of collecting and enforcing payment or performance of this Note, including our costs and attorney's fees.

Any default under the Franchise Agreement is a default under the Note, and any default under the Note is a default under the Franchise Agreement. The entire unpaid principal balance and all accrued but unpaid interest under the Note will be immediately due and payable as a balloon payment upon the earlier of: (a) your failure to cure a default under the Note or the Franchise Agreement; or (b) the occurrence of a transfer (as defined in the Franchise Agreement). If your obligation to pay the principal is accelerated due to a default under the Note or the Franchise Agreement, interest will accrue on all unpaid amounts from the date of acceleration until the entire principal balance and accrued but unpaid interest is paid at the lesser of 18% per year or the maximum rate permitted by law.

You waive certain defenses and other legal rights under the Note, including presentment, protest and demand, delinquency, notice of protest, demand and dishonor, and other notice requirements, and you agree that the Note (or any payment) may be extended or subordinated without affecting your liability. The guarantors of the Note waive any requirement that Jet-Black proceed or exhaust its recourses against you or any other party, pursue any other remedy whatsoever or enforce any security before any demand under the guaranty.

Jet-Black has no plans, but Jet-Black reserves the right to sell, assign or discount to a third party all or part of the Note and you may lose all your defenses against the assignee as a result of the sale or assignment.

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

Except as listed below, Jet-Black is not required to provide you with any assistance.

Assistance Before Opening

- (1) Jet-Black will designate your Franchised Territory (see Article 2.1 of the Franchise Agreement). You will operate your Business only in your Franchised Territory. Jet-Black will define your Franchised Territory in your Franchise Agreement by a written description with zip codes. Because you are not required to have an office for your Business, Jet-Black will not select or approve your office location.
- (2) Jet-Black will train you and (if someone other than you) your General Manager (see Article 9.1 of the Franchise Agreement). The training period will be a minimum of ~~three~~ five days. Jet-Black offers training courses at its Savage, Minnesota, offices as often as is necessary to train new franchisees. The training program includes classroom, home study and on-the-job instruction on the topics described below, and must be successfully completed to Jet-Black's satisfaction. There is no additional charge for on-line training at this time. Currently, there is no charge for employee training on Jobs at the corporate office (during sealcoating season).

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Basic Business Procedures	1	0	Savage, MN
Employee Training	.5	.5	Savage, MN and your location
Basic Accounting	.5	0	Savage, MN
Computer Operations	4	0	Savage, MN
Telephone Skills	1	.5	Savage, MN and your location
Selling and Marketing Techniques	1	1	Savage, MN and your location
Product Knowledge	1	0	Savage, MN
Equipment Maintenance and Operation	0	3	Your location
Customer Service and Customer Relations	.5	4	Savage, MN and your location
Sales Estimating	.5	4	Savage, MN and your location
Customer Sales Presentations	0	2	Your location
Asphalt Preparation	0	4	Your location
Crack Filling	0	3	Your location
Debris Removal	0	1	Your location
Edging	0	1	Your location
Asphalt Sealant Application	0	4	Your location
Asphalt Repair	0	4	Your location
Lot Striping	.5	1	Savage, MN and your location
Total	10.5 hours	33 hours	

~~Andrew J. Hoiland and~~ Nicholas Kelso and Luke Urbaniak supervise Jet-Black's training program. Mr. ~~Hoiland is~~ Kelso has been the ~~co-founder~~ CEO and CFO of Jet-Black ~~and has been its President~~ since 1988. ~~Mr. Kelso has been~~ June 2024 and was the Vice President of Jet-Black ~~since 2008~~ from 2008 to 2024. Mr. Urbaniak has been the VP and Director of Franchise Operations since June 2024 and was the General Manager of Jet-Black from April 2018 to June 2024. All classes are taught by ~~Andrew J. Hoiland,~~ Nicholas Kelso and Luke Urbaniak, or by other instructors who have had at least two years' experience in the operation or management of a Business.

The instructional materials used in the training program include the Standard Operations Manual and other written materials, included as Exhibit A. Standard Operations Manual consists of 142 pages.

Jet-Black provides you this training at no additional cost. However, you must pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel and living expenses, lodging, food, automobile rental costs and all other expenses for you and your General Manager. You and your General Manager must complete the training program within 60 days after you sign your Franchise Agreement and before you open your Business. Neither you nor your General Manager is currently required to take any additional training or refresher courses.

~~In addition, within 2 years after you sign the Franchise Agreement, you must attend the National Pavement Expo.~~

- (3) Jet-Black will provide to you the Products and a list of the suppliers approved by Jet-Black (see Article 11.1 of the Franchise Agreement).
- (4) Jet-Black will provide you with access to the Standard Operating Manual through the STARS System (see Article 11.1 of the Franchise Agreement). Exhibit A is the Table of Contents of the Sealcoat Business Standard Operating Manual and Striping Business Manual.
- (5) Jet-Black will provide standards and specifications and the maintenance requirements for all trucks, trailers, supplies and equipment used in your Business (see Article 11.1 of the Franchise Agreement).
- (6) Jet-Black will provide a list of designated and approved suppliers for goods and services used in your Business (see Article 11.1 of the Franchise Agreement).
- (7) Jet-Black will provide marketing and grand opening materials for your Business (see Article 7.4 of the Franchise Agreement).
- (8) Jet-Black will approve the opening of your Business (see Article 10 of the Franchise Agreement).
- (9) Jet-Black will establish the standards and specifications for your employees' standard attire (see Article 12.17 of the Franchise Agreement).
- (10) Jet-Black will establish the standards and specifications for your telephone equipment (see Article 12.22 of the Franchise Agreement).
- (11) Jet-Black will provide you standards and specifications for the computer hardware and software, as well as all modifications and updates to these standards and specifications (See Article 12.23 of the Franchise Agreement). You must purchase or own at least one computer with an updated PC or Mac operating system. The cost to purchase the computer hardware and software will range from \$0 to \$2,000, depending on if you already own a computer that meets our standards. Jet-Black has the right to require you to update or purchase hardware and software components if your current operating system is not adequate to run the STARS System described below, and we can require modifications, updates and replacements to the computer hardware and software at any time, at your expense, and without limit on the costs of such modifications, updates, and replacements. You also must maintain a high-speed wireless connection to continuously connect to the STARS System.

You must use the designated software that Jet-Black has developed and/or selected for the System. ~~The cost to purchase and install the STARS System is \$350.~~ Jet-Black currently

requires that you use the STARS System. [There is currently no cost to install the STARS system.](#) The STARS System includes proprietary modifications to third-party software. Jet-Black will host the STARS System and you will access the STARS System over the Internet. The STARS System is confidential. Jet-Black may independently access financial information and customer data obtained through the STARS System. Jet-Black owns all data (including customer data) obtained through the STARS System. Jet-Black does not have any contractual limitations on its access of the information on the STARS System. Jet-Black may require you to replace the software at any time.

You also must maintain high speed or broadband Internet access and Internet browser software to access and utilize certain web-enabled systems used by Jet-Black. You must also have email capability of at least two gigabytes for transfer and storage of electronic communications. You must email customers using your required Jet-Black email address.

In addition, Jet-Black charges a technology fee for access and for support, hosting, database and other services related to your use of existing or future communication or data storage systems, components of those systems and associated hardware and services. Jet-Black currently charges you \$550 per year, plus \$100 per each additional Franchised Territory for these services. Jet-Black has the right to increase this fee by up to 25% per year upon 60 days' written notice to you as technology demands increase.

Typically, franchisees open their Business within two to eight weeks after they sign the Franchise Agreement. Factors which will affect your opening date include seasonal weather conditions, obtaining financing, completing training, compliance with local ordinances and delivery of inventory. You must obtain approval from Jet-Black in order to open your Business.

Assistance During the Operation of the Business

- (1) Jet-Black will occasionally review your business and give you written reports (see Article 11.1 of the Franchise Agreement).
- (2) Jet-Black will occasionally make advertising and marketing recommendations and give you the advertising materials it develops for Businesses (see Article 11.1 of the Franchise Agreement). Jet-Black does not require you to contribute to an advertising fund, but Jet-Black does require that you participate in advertising and promotional programs we establish (see Article 7.4 of the Franchise Agreement). You must spend at least \$10,000 annually on the Local Advertising Expenditure. Currently, Jet-Black requires that you pay Jet-Black for management of a Google Ads campaign in your Franchised Territory. The minimum requirement is a maximum of \$20 per day for Google Ads in the season between May 1st and October 1st in most parts of the country. Your Franchised Territory may or may not hit this minimum. You also must mail at least 40,000 direct mail cards per year and purchase the postcards from us currently at [\\$.3643](#) per piece, subject to change based on paper costs and postage rates. In addition, you must participate in Jet-Black's nationwide ValPak (coupon packets) promotion if ValPak is active in your Franchised Territory. The discounted cost Jet-Black negotiated is currently \$230 - \$260 per ValPak zone, which is 10,000 coupons. In addition, you must participate in the follow-up letter. In addition, Jet-Black plans to run radio ads in the Twin Cities metro area in Minnesota and all franchisees with Franchised Territories in that area must participate and contribute to the cost of that program. In [20222023](#), franchisees in the Twin Cities metro area in Minnesota contributed between [\\$9411,048](#) to [\\$4,0324,018](#) for the radio ads. These amounts are credited towards the \$10,000 Local Advertising Expenditure.

- (3) Jet-Black will review the advertising, promotion, marketing, public relations or telemarketing programs or campaigns which you propose to use for your Business (see Article 7.1 of the Franchise Agreement). All printed advertising material Jet-Black offers must be purchased from Jet-Black. These printed pieces include, without limitation, clothing, ~~work cards~~, estimate cards, direct mail cards, pre-pay letters, commercial flyers, door-to-door cards, purple cards, yard signs, banner tape, decals, business cards, ~~newspaper inserts~~, letterhead, and more. If Jet-Black does not offer certain advertising materials, you may create your own materials provided that they are approved by Jet-Black, and disseminate these materials via print, radio or television. Upon Jet-Black's request, you must provide Jet-Black with monthly reports of your advertising expenditures within 15 days after the end of each month. Jet-Black and its outside advertising consultants create print advertising suitable for mailing, newspaper or magazines. No formal franchisee advertising council currently exists to advise Jet-Black on advertising policies.
- (4) Jet-Black will, in its sole judgment, legally protect the mark "Jet-Black®," "Yellow Dawg Striping®," and "Black Dawg Sealcoat®" and the other trademarks, service marks, logos, slogans and commercial symbols used in connection with the Businesses (the "Marks") and Jet-Black's proprietary system for operating the Businesses (the "Business System") (see Article 4.5 of the Franchise Agreement).
- (5) Jet-Black maintains a home page on the Internet (the "Home Page") for advertising and promoting the Business System and all Businesses. Jet-Black determines all features of the Home Page, including domain name, content, format and links to other web sites. Jet-Black has the sole right to use the Marks, advertise the Businesses, and sell products and services via the Internet. You cannot use the Marks (either as a domain name or in any advertising or content), advertise your Business, or sell any products or services on the Internet without first obtaining Jet-Black's written consent. Your conduct on the Internet (if authorized by Jet-Black) and on social media is subject to any rules or restrictions imposed by Jet-Black (see Article 12.23 of the Franchise Agreement).
- (6) Jet-Black will, upon your reasonable written request, provide consulting services to you regarding marketing, advertising and promotional issues, operation issues, accounting matters, personal issues, and other business matters or special projects ("Consulting Services"). Such Consulting Services will be provide at a time and place chosen by us, which may require you to travel. We do not currently charge for Consulting Services, but reserve the right to do so.
- (7) Jet-Black will furnish supplements and modifications to the Standard Operating Manual (see Article 8.10 of the Franchise Agreement).
- ~~(78)~~ Jet-Black will provide a list of the names and addresses of newly approved suppliers (see Article 12.10 of the Franchise Agreement).
- ~~(89)~~ Jet-Black will provide you updates to the standards and specifications and the maintenance requirements for all trucks, trailers, supplies and equipment for your Business (see Article 12.5 of the Franchise Agreement).
- ~~(910)~~ Jet-Black will evaluate any transfer of your Business (see Article 16.4 of the Franchise Agreement).

12. TERRITORY

You will receive an exclusive territory consisting of one or more “Franchised Territories.” Jet-Black may not open other Businesses, company-owned or franchised, anywhere within your Franchised Territories without your written permission. You may service customers outside your Franchised Territory only if you receive Jet-Black’s prior written permission. Jet-Black may revoke that permission at any time, and you must stop serving customers outside your Franchised Territory within 30 days. Otherwise, you will operate your Business only in your Franchised Territories and you may not solicit or accept orders, sell any Products or Services, or otherwise operate your Business outside the boundaries of your Franchised Territories, including, but not limited to, soliciting or accepting orders or selling through other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing. Jet-Black will define your Franchised Territories in your Franchise Agreement by zip code.

Sealcoat Businesses may offer striping services and may compete with Striping Businesses. If Sealcoat Businesses subcontract for line striping services, Jet-Black may require that franchisees use their approved supplier of the services, which may include a franchised Striping Business.

Striping Businesses may also offer sealcoating and crack repair periodically. Striping Businesses may not, however, provide sealcoating and crack repair within any Sealcoat Business’ Franchised Territory unless approved in writing by Jet-Black and, if applicable, the franchisee operating in that territory.

As described in Items 1 and 5 of this disclosure document, you may elect to purchase one Franchised Territory or several Franchised Territories. Generally, most franchisees purchase one or two Franchised Territories. Each Franchised Territory will consist of a contiguous geographic area. The Franchised Territory is determined by examining the number of single family residences having household incomes of at least ~~\$75,000~~100,000 per year (collectively, “Qualified Residences”). In particular, because Jet-Black primarily uses U. S. mail zip codes to define a Franchised Territory, Jet -Black adds Qualified Residences in zip code blocks rather than splitting zip codes to add Qualified Residences individually. The number of Qualified Residences is determined by Jet-Black based on various commercially available software packages which provide demographic data and information. You may not relocate any Franchised Territory without Jet-Black’s written consent.

Jet-Black has the right anywhere in the world (including within your Franchised Territories without any compensation to you) to directly or indirectly advertise and/or sell any products that have been or may be developed through methods of distribution other than through Businesses, including through wholesale outlets, retail stores, or by mail order, electronic commerce or any other direct sales method. Other Businesses operating under the same mark as your Business cannot solicit customers in your Franchised Territory. You will have no option, right of first refusal or other right to purchase any additional franchises contiguous with yours. Except for the obligation to pay the Minimum Annual Continuing Fees as described below, you need not achieve any certain sales volume, market penetration or other contingency to maintain your Franchise. Except as described above, Jet-Black is not restricted in the distribution of products or services through channels of distribution other than the Jet-Black franchises, and is not restricted in the establishment of franchised or company-owned outlets, under the Jet-Black®, Black Dawg Sealcoat® or Yellow Dawg Striping® name or a different trademark, either within or outside of your Franchised Territory. Jet-Black reserves the right to establish policies and procedures with respect to national and regional accounts as described in the Operations Manual from time to time. Jet-Black also reserves the right to charge you for or require you to pay commissions in connection with national or regional accounts, but as of the issuance date, does not charge any commissions or fees associated with any national or regional accounts.

Commencing with the first full calendar year following the date of the Franchise Agreement, and for each calendar year thereafter for the remaining term of the Franchise Agreement, the aggregate amount of Continuing Fees paid by you to Jet-Black must meet or exceed the following Minimum Annual Continuing Fees multiplied by the number of Franchised Territories you own:

Sealcoat Business	
First full calendar year	\$4,000
Second full calendar year	\$5,000 <u>\$6,000</u>
Third full calendar year through end of franchise term	\$6,000 <u>\$8,000</u>

Striping Business	
First full calendar year	\$2,500
Second full calendar year	\$3,500
Third full calendar year through end of franchise term	\$5,000

If the total of the Continuing Fees paid by you to Jet-Black in any full calendar year is less than the Minimum Annual Continuing Fee amount set forth above, then you must pay Jet-Black the difference between the Minimum Annual Continuing Fee and the Continuing Fees you actually paid. The payment of such amount will be made by pre-authorized bank transfer from your account to Jet-Black’s account on or before January 31 of the year following the year in which you have paid less than the applicable Minimum Annual Continuing Fee amount. Jet-Black will have the right to terminate the Franchise Agreement if you fail to pay the Minimum Annual Continuing Fee, or any other fee due to Jet-Black under the Franchise Agreement.

In addition, the rights we have granted to you under the Franchise Agreement are dependent on your achieving certain minimum development requirements. After the first partial calendar year of operations, you must own and actively operate at least one approved truck and trailer for every \$200,000 in Gross Revenue that you generated in the previous calendar year. If you do not purchase the required number of approved trucks and trailers based on the previous calendar year’s Gross Revenue by February 28th of such calendar year, we have the right, but are not required, to: (i) modify or reduce the size of the Franchised Territories; or (ii) terminate the Franchise Agreement. An “approved truck and trailer” is a custom Jet-Black trailer system or other 3rd party trailer system that we approve with a truck capable of pulling the trailer, or a third-party all-in-one truck/sealcoating system we approve.

If you want to purchase an additional Franchised Territory after you have signed your Franchise Agreement and opened your Business and Jet-Black agrees to sell to you an additional Franchised Territory, or if you want to purchase an additional Business operating under another mark, as described in this disclosure document, you must pay additional fees as described in Item 5.

13. TRADEMARKS

Jet-Black authorizes you to operate your business under the name “Jet-Black®,” “Black Dawg Sealcoat®,” or “Yellow Dawg Striping®” and to use the logos which appear on the cover page of this disclosure document. You may only use Jet-Black’s Marks in the manner Jet-Black authorizes in

writing. The following is a list of the trademark and service mark registrations of Jet-Black's primary Marks on the Principal Register of the United States Patent and Trademark Office:

Principal Trademarks	Registration or Serial No.	Registration or Application Date	Principal/ Supplemental Register
JET-BLACK®	1,651,715	July 23, 1991	Principal
®	1,757,223	March 9, 1993	Principal
JET-BLACK®	3,275,199	August 7, 2007	Principal
JET-BLACK®	2,172,471	July 14, 1998	Principal
BEAUTIFY AND PROTECT YOUR DRIVEWAY®	5,679,632	February 19, 2019	Principal
THE WORLDS MOST BEAUTIFUL DRIVEWAYS AND PARKING LOTS®	3,837,566	August 24, 2010	Supplemental
BLACK DAWG SEALCOAT®	3,245,570	May 22, 2007	Principal
YELLOW DAWG STRIPING®	3,933,343	March 22, 2011	Principal
BLACK DAWG AND YELLOW DAWG (Logo Composite Mark)	3,482,978	August 12, 2008	Principal

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceeding, no pending material litigation involving the trademarks which have limited or restricted the use of Jet-Black trademarks, trade names, service marks or commercial symbols in any state. There are no agreements currently in effect which limit Jet-Black's rights to use or license the use of its trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to you. Jet-Black has filed all required affidavits, declarations of continuing use and renewal applications to maintain its registrations for the Marks.

To the knowledge of Jet-Black, there are no infringing uses which could materially affect your use of the licensed Marks or other related rights in any state. You must provide Jet-Black with written notice of any claims made against or associated with the Marks. Jet-Black must protect your right to use the Marks and other related rights and must protect you against claims of infringement and unfair competition with respect to the Marks. However, if anyone establishes to Jet-Black's satisfaction that its rights are, for any legal reason, superior to any of the Marks, then you must use the other service marks, trademarks or trade names Jet-Black requires to avoid conflict with the superior rights. Jet-Black will have the sole and absolute right to determine whether it will commence any action or defend any litigation involving the Marks.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any of the Marks and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions immediately upon written notice, at your own expense.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Copyrights

Jet-Black has copyrighted advertising materials, training materials, the Standard Operating Manual and other written materials, but has not registered these copyrights with the United States Copyright Office.

Confidential Information

You must keep confidential Jet-Black's Standard Operating Manual, any supplements to it and any other manuals or written materials (including any copyrighted materials) and trade secrets used in your Business. The Standard Operating Manual contains information regarding the Business System. Jet-Black considers this information a trade secret and extremely confidential. You must use all reasonable means to keep this information confidential and prevent any unauthorized copy, duplication, record or reproduction of this information. Your employees must sign confidentiality agreements which will require them to keep confidential, both during and after employment, all information designated by Jet-Black as confidential and proprietary.

You and your employees may not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("Generative AI"), while operating the Business. This includes, but is not limited to, uploading or sharing any Confidential Information with any third-party platforms, including Generative AI, except as authorized in writing by us.

Patents

No patents are material to the Franchise.

We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of any copyrights or confidential information. We are not aware of any patent or copyright infringement that could materially affect you.

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

You are not required to participate in the operation of your Business. However, if you do not participate in the operation, your Business must be managed by a General Manager who has completed Jet-Black's training program. Your General Manager need not have an equity interest in your Business. Your General Manager and all other employees who will have access to the Standard Operating Manual must sign a written agreement and keep confidential, both during and after employment, all information designated by Jet-Black as confidential and proprietary.

If you are a legal entity, your owners must personally guarantee all of the entity's obligations to Jet-Black. "Owner" means any individual or entity who owns shares of capital stock in you, if you are a corporation, or who owns a membership or partnership interest in you, if you are a limited liability company or a partnership. You cannot participate in any business that competes with a Business, within

your Franchised Territory, the franchised territory of any Business or any exclusive area granted by Jet-Black, during the term of the Franchise Agreement and for one year after expiration or termination.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell the products and services specified or approved in writing by Jet-Black. You must sell all products and services that Jet-Black requires. Jet-Black has the right, without any limitation, to change the goods and services that Businesses must sell. You may not solicit or accept orders, sell any Products or Services, or otherwise operate your Business outside the boundaries of your Franchised Territory. Otherwise, Jet-Black does not restrict your sale of products and services.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Article 3.1	15 years.
b. Renewal or extension of the term	Article 3.2	Term of then-current standard Franchise Agreement.
c. Requirements for you to renew or extend ⁽²⁾	Article 3.1	Give Jet-Black at least 180 days' notice before your Franchise Agreement expires; you have complied with all material terms and conditions of the Franchise Agreement and material operating and quality standards and procedures; you have satisfied all monetary obligations owed to Jet-Black; you pay the renewal fee; sign a release and you agree to sign and comply with the then-current standard Franchise Agreement (which may contain materially different terms and conditions).
d. Termination by you	Article 18	If Jet-Black violates any material provision of the Franchise Agreement or fails to timely pay any uncontested obligation due to you. You may also terminate the Franchise Agreement on any grounds available by law.
e. Termination by Jet-Black without cause	Not Applicable	
f. Termination by Jet-Black with cause	Article 17	If you breach the Franchise Agreement.
g. "Cause" defined – curable defaults	Articles 17.1 and 17.2	You will have 30 days to cure: a failure to open your Business within 60 days of signing the Franchise Agreement; a violation of any material provision of the Franchise Agreement; your conviction of violating any law relating to your Business or of committing a felony;

Provision	Section in Franchise or Other Agreement	Summary
		a failure to conform to the Business System; a failure to pay any uncontested fee to anyone; a determination that you are insolvent; an assignment made by you for the benefit of creditors; any dishonored check; a failure to pay for your trucks, trailers, supplies and equipment before opening your business; abandonment of your Business; any conduct which materially impairs the Marks or Business System; a failure to pay federal, state or other income or sales tax when due; a failure to report Gross Revenue; operating or being associated with a competing business; or a failure to maintain Internet access to the STARS System for over 10 days. You have 15 days to cure a failure to pay any amount due to Jet-Black.
h. “Cause” defined – non-curable defaults	Articles 17.4 and 17.5	Subject to possible limitations of applicable state law, Jet-Black may terminate the Franchise Agreement immediately on written notice to you if: you are convicted of violating any law relating to your Business or of committing a felony; you are deemed insolvent; you make an assignment for the benefit of creditors; you abandon your Business; you fail to provide Jet-Black with your financial records or fail to allow Jet-Black to audit your Business; you intentionally fail to report Gross Revenue, any unauthorized transfer of the Business or any of its assets; any other franchise agreement or similar agreement between Jet-Black and you is terminated; or your conduct materially impairs the Marks or Business System and you fail to correct your breach within 24 hours.
i. Your obligations on termination/ non-renewal	Articles 17.8 and 19	You must: cease to be a franchisee and cease to operate under the Business System; pay all sums and fees owing to Jet-Black; return to Jet-Black the Standard Operating Manual and all trade secrets and confidential materials, customer data, equipment and other property; inform your suppliers that you are no longer a franchisee; cease to use in advertising, or in any manner whatsoever, the licensed Marks, any methods, procedures or techniques associated with the Business System or the licensed Marks; remove all trade dress and other indications of operation under the Business System from your trucks or trailers; and transfer all rights to telephone numbers and directory listings to Jet-Black. If you wrongfully terminate the Franchise Agreement, or if Jet-Black terminates the Franchise Agreement because of your breach, you must pay Jet-Black the damages it sustains as a result, taking into account the Continuing Fees (including Minimum Continuing Fees) and other amounts you would have

Provision	Section in Franchise or Other Agreement	Summary
		paid Jet-Black over the remaining term of the Franchise Agreement.
j. Assignment of the contract by Jet-Black	Article 16.1	No restriction on Jet-Black's right to assign.
k. "Transfer" by you - defined	Articles 16.2, 16.3 and 16.4	Assignment to owned or controlled corporation or assignment in the event of your death or disability; assignment of the Franchise Agreement or ownership in you.
l. Jet-Black's approval of transfer by you	Article 16.4	Jet-Black has the right to approve any transfer made by you but will not unreasonably withhold its consent.
m. Conditions for Jet-Black's approval of transfer	Article 16.4	You must comply with Jet-Black's right of first refusal, pay all money owed to Jet-Black, pay the non-negotiable transfer fee and re-grand opening fee, and complete a written agreement between you and Jet-Black agreeing to observe all post-term obligations; transferee does not and will not participate in any business that competes with a Business; transferee meets Jet-Black's standards; transferee signs Jet-Black's current Franchise Agreement; transferee and transferee's General Manager complete our training program at the corporate office; transferee agrees to honor selling franchisee's warranties pursuant to Jet-Black standards; transferee pays the initial inventory of marketing materials and business supplies and initial inventory of products.
n. Jet-Black's right of first refusal to acquire your business	Article 15.1	You must first offer the sale of your Business or Business Assets to Jet-Black before selling to anyone else. After you present an offer to sell or a third-party's offer to purchase your Business or Business Assets to Jet-Black, Jet-Black must respond within 15 days of receiving your offer. If Jet-Black begins negotiations to purchase your Business or Business Assets, you must continue negotiations until you and Jet-Black have agreed in writing that negotiations have terminated.
o. Jet-Black's option to purchase your business	Article 15.6	If your Franchise Agreement is terminated or expires, Jet-Black may purchase your Business or Franchise Assets.
p. Your death or disability	Article 16.3	If you are an individual, your Franchise Agreement may be transferred to your beneficiary without first being offered to Jet-Black or paying a transfer fee to Jet-Black.
q. Noncompetition covenants during the term of the franchise	Article 20.2	You may not participate in any business that competes with a Business.

Provision	Section in Franchise or Other Agreement	Summary
r. Noncompetition covenants after the franchise is terminated or expires	Article 20.3	You may not participate in any competitive business located within the Franchised Territory, within the franchised territory of any Business or within any exclusive area granted by Jet-Black.
s. Modification of the agreement	Article 25.8	Only by written agreement between you and Jet-Black.
t. Integration/merger clauses	Article 25.8	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Franchise Agreement is intended to disclaim any representations contained within the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Article 26	Except for certain claims, all disputes must be arbitrated in Minneapolis, Minnesota.
v. Choice of forum	Article 25.5	Litigation must be in Hennepin County, Minnesota (subject to state law).
w. Choice of law	Article 27.1	Governing law will be the law of the state where your Business is located (subject to state law).

18. PUBLIC FIGURES

Jet-Black does not use any public figure to promote its franchise. No public figure is involved in the management of Jet-Black.

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.

Jet-Black provides prospective franchisees with the following information regarding the average Gross Revenues of Sealcoat Businesses (“Reporting Businesses”) based on historic information provided by Sealcoat Business franchise operators and information Jet-Black provided for its company-owned Sealcoat Businesses. All Reporting Businesses offer substantially the same Products and Services to the public as Franchisees will offer. The information below is based on historical data.

As described in Item 6, Gross Revenues mean the total revenue received for all products and services in conjunction with the Business or Jet-Black’s trademarks (including all Products and Services), regardless

of whether such services or products are provided to customers or clients by the franchisee Reporting Business, its employees or independent contractors hired by the Reporting Business. “Gross Revenues” does not include any sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly upon sales.

A. Average Gross Revenues for Sealcoat Businesses and Striping Businesses for Calendar Year Ending December 31, ~~2022~~2023

The chart below shows the average annual Gross Revenues for 33 Full-Time Reporting Businesses (as defined below) that were in operation for the full operating season (April through October) in ~~2022~~2023 and that provided Jet-Black with full required financial statements and weekly statements of Gross Revenues for all weeks during ~~2022~~2023. These 33 Sealcoat Businesses do not differ materially from those Sealcoat Business franchises offered to franchisees.

The 33 Businesses included the following: (A) 30 Sealcoat Businesses (operating in ~~96~~97 Franchised Territories) and (B) 3 Striping Businesses (operating in 4 Franchised Territories). Of the 30 Sealcoat Businesses, ~~8~~7 Sealcoat Businesses also operate Striping Businesses and report Gross Revenue to us as one Business. There were ~~38~~41 Businesses in operation as of December 31, ~~2022~~2023. The data below does not include ~~8~~6 corporate-owned territories, ~~1 part-time Striping Business~~6 new sealcoating businesses that were not active for the full operating season, and ~~4 part-time (or 2 temporarily inactive)~~ Sealcoat Businesses.

As noted above, some franchisees who own both Sealcoat Businesses and Striping Businesses. For the purpose of Item 19, these are counted as “one” business. The 3 Striping Businesses listed above solely own a Striping Business. Jet-Black derived these figures from Gross Revenues reports from franchised Sealcoat Businesses and Striping Businesses and its own internal reports for the Sealcoat Businesses that Jet-Black owns.

Full-Time Reporting Franchised Businesses ⁽¹⁾⁽²⁾ – Average Calendar Year Gross Revenues – 2022 2023	
Number of Reporting Businesses	33
Average Gross Revenues per Reporting Business	\$ 612,076 685,266
Number and Percentage of Reporting Businesses that Equaled or Exceeded Average	10 (30%) 7 (21%)
Median Gross Revenues of Reporting Businesses the mean of the two middle values	\$ 408,468 394,559
Range of Gross Revenues of Reporting Businesses	\$ 113,200 – \$4,930,265 \$157,790 - \$4,571,156

The chart below shows the average annual Gross Revenues for the ~~22~~23 of the 33 franchised Sealcoat Businesses (operating in ~~61~~63 Franchised Territories) that **only** operate a Sealcoat Businesses. The chart below does not include the ~~8~~7 franchised Sealcoat Businesses that also operated a Striping Business or the 3 franchised Striping Businesses.

Sealcoat Businesses Only	
Full-Time Reporting Franchised Businesses ⁽¹⁾⁽²⁾ – Average Calendar Year Gross Revenues – 2022 2023	
Number of Reporting Businesses	22 23
Average Gross Revenues per Reporting Business	\$392,586 429,154
Number and Percentage of Reporting Businesses that Equaled or Exceeded Average	11 (50%) 9 (39%)
Median Gross Revenues of Reporting Businesses	\$409,703 370,395
Range of Gross Revenues of Reporting Businesses	\$121,378 – \$791,905 \$157,790 - \$888,780

The chart below shows the average annual Gross Revenues for the 3 franchised Striping Businesses (operating in 4 Franchised Territories) that only operate Striping Businesses. The chart below does not include the ~~4~~7 franchised Striping Businesses that also operated a Sealcoat Business.

Striping Businesses Only	
Full-Time Reporting Franchised Businesses ⁽¹⁾⁽²⁾ – Average Calendar Year Gross Revenues – 2022 2023	
Number of Reporting Businesses	3
Average Gross Revenues per Reporting Business	\$515,746 957,877
Number and Percentage of Reporting Businesses that Equaled or Exceeded Average	1 (33%)
Median Gross Revenues of Reporting Businesses	\$183,210 304,525
Range of Gross Revenues of Reporting Businesses	\$113,200 – \$1,250,827 \$178,273 - \$2,390,834

Notes for Chart Above:

- (1) A Full-Time Reporting Business is defined as having at least one full-time crew and one full-time sales person / office manager to run the office, answer telephones, etc. during the ~~2022~~2023 operating season.
- (2) As stated above, many Reporting Businesses operate more than one territory. All Reporting Businesses included in Section A are franchised Businesses.

B. Gross Revenues for Sealcoat Businesses' and Striping Businesses' Franchised Territories Since 2007

The information in the following table and graph below is based on the aggregate Gross Revenues reported to us from all Sealcoat Businesses and Striping Businesses operational for any portion of each calendar year ended December 31, 2007, through December 31, ~~2022~~2023. This does not include ~~8~~6 corporate-owned territories. Jet -Black acquired the Black Dawg Sealcoat® and Yellow Dawg® franchise systems in 2012 and the Gross Revenues for these businesses are included in 2012 through ~~2022~~2023. These charts do not include the Gross Revenues of any Sealcoat Business owned and operated by Jet-Black reflected in Section C below. The graph is an illustration of the numbers in the table below.

Sealcoat Businesses Franchised Territories Sales from 2007 - 20222023		
Years Ending December 31		
Year	System Sales	Number of Franchised Territories as of Calendar Year End
2007	\$2,957,995	65
2008	\$2,817,951	66
2009	\$3,048,024	60
2010	\$3,546,927	63
2011	\$4,072,733	72
2012	\$5,371,127	82
2013	\$6,437,456	82
2014	\$7,948,613	85
2015	\$11,274,731	88
2016	\$10,857,133	96
2017	\$10,868,235	107
2018	\$12,090,830	107
2019	\$13,570,204	113
2020	\$16,647,133	115
2021	\$20,742,823	117
2022	\$20,210,919	110
<u>2023</u>	<u>\$22,771,752</u>	<u>118</u>

C. Aggregate Gross Revenues for Territories Operated by Jet-Black (corporate owned territories)

The information in the following table and graph below is based on the aggregate Gross Revenues for the three Sealcoat Businesses operated by Jet-Black in ~~eight~~6 territories for each calendar year ended December 31, 2007, through December 31, ~~2022~~2023. The information below does not include information from a Striping Business that Jet-Black operated from 2013 to 2016. ~~In addition, the Sealcoat Businesses in the table below have been in operation for over ten years.~~Jet-Black sold 2 territories to a franchisee in April 2023. Accordingly, the Gross Revenues for those 2 territories are only included for 2007 to 2022. Sealcoat Businesses operated by Jet-Black do not differ materially from those Sealcoat Business franchises offered to franchisees.

Gross Revenues for Sealcoat Businesses Operated by Jet-Black Years Ending December 31, 2022 <u>2023</u>		
Year	Gross Revenues	Number of Territories as of Calendar Year End
2007	\$414,406	8
2008	\$489,822	8
2009	\$467,867	8
2010	\$600,681	8
2011	\$753,531	8
2012	\$813,675	8
2013	\$750,782	8
2014	\$950,763	8
2015	\$1,251,642	8
2016	\$1,072,598	8
2017	\$1,173,260	8
2018	\$1,057,719	8
2019	\$1,288,344	8
2020	\$1,580,804	8
2021	\$1,605,887	8
2022	\$1,415,742	8
<u>2023</u>	<u>\$1,286,208</u>	<u>6</u>

* * * *

Some franchise operators have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.

Written substantiation for the financial performance representation will be made available to prospective franchisees upon request. The figures in the charts above do not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Revenues to obtain your gross profit, or net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Business. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

Other than the preceding financial performance representation, Jet-Black does not make any financial performance representations. Jet-Black also does 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 Nick Kelso, 12445 Boone Avenue South, Savage, MN 55378, (952) 212-0410, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1A
Systemwide Franchised Territories Summary
for Sealcoat Businesses
For Years ~~2020~~2021 to ~~2022~~2023

Territory Type	Year	Territories at the Start of the Year	Territories at the End of the Year ⁽¹⁾	Net Change
Franchised(1)	2020 2021	94 97	97 99	+3 +2
	2022	99	93	-6
	<u>2023</u>	<u>93</u>	<u>102</u>	<u>+9</u>
Company-Owned	2020 2021	8 8	8 8	0 0
	2022	8	8	0
	<u>2023</u>	<u>8</u>	<u>6</u>	<u>-2</u>
Total Territories	2020 2021	102 105	105 107	+3 +2
	2022	107	101	-6
	<u>2023</u>	<u>101</u>	<u>108</u>	<u>+7</u>

(1) These numbers reflect the number of Franchised Territories operated by Sealcoat Business franchisees in the listed states. As of December 31, ~~2022~~2023, there were ~~34~~36 separate Sealcoat Business franchisees operating in ~~93~~102 Franchised Territories.

TABLE NUMBER 2A
Transfers of Franchised Territories From Franchisee to New Owners
(Other than the Franchisor)
for Sealcoat Businesses

For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Number of Transfers
Colorado	2020	0
	2021	1
	2022	0
	<u>2023</u>	<u>0</u>
Florida	2020	2
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
Minnesota	2020	6
	2021	1
	2022	1
	<u>2023</u>	<u>0</u>
New Hampshire	2020	3
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
New Jersey	2020	2
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
New York	2020	0
	2021	4
	2022	0
	<u>2023</u>	<u>1</u>
North Dakota	2020	1
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
Pennsylvania	2020	3

State	Year	Number of Transfers
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
Wisconsin	2020 2021	0 1
	2022	0
	<u>2023</u>	<u>0</u>
TOTAL	2020 2021	17 7
	2022	1
	<u>2023</u>	<u>1</u>

TABLE NUMBER 3A
Status of Franchised Territories
for Sealcoat Businesses
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Territories at the Start of the Year	Territories Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Territories at the End of the Year ⁽¹⁾
Colorado	2020 2021	1 1	0 0	0 0	0 0	0 0	0 0	1 1
	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>
Connecticut	2020 2021	6 6	0 3	0 3	0 0	0 0	0 0	6 6
	2022	6	0	3	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Delaware	2020 2021	1 1	0 0	0 0	0 0	0 0	0 0	1 1
	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>
Florida	2020 2021	4 4	0 0	0 0	0 0	0 0	0 0	4 4
	2022	4	0	0	0	0	0	4

State	Year	Territories at the Start of the Year	Territories Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Territories at the End of the Year ⁽¹⁾
	<u>2023</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Illinois	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	<u>2023</u>	<u>2</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
Michigan	2020	2	2	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	1	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Minnesota	2020	34	0	0	0	0	0	34
	2021	34	1	0	0	0	0	35
	2022	35	2	1	0	0	0	36
	<u>2023</u>	<u>36</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37</u>
New Hampshire	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	3	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
New Jersey	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	<u>2023</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
New York	2020	17	0	0	0	0	0	17
	2021	17	1	0	0	0	0	18
	2022	18	2	2	0	0	0	18
	<u>2023</u>	<u>18</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19</u>
North Dakota	2020	1	0	0	0	0	0	1
	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>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Ohio	2020	2	1	0	0	0	0	3
<u>Ohio</u>	2021	3	0	0	0	0	0	3

State	Year	Territories at the Start of the Year	Territories Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Territories at the End of the Year ⁽¹⁾
	2022	3	0	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Pennsylvania	2020 2021	4 4	0 0	0 0	0 0	0 0	0 0	4 4
	2022	4	0	0	0	0	0	4
	<u>2023</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Tennessee	2020 2021	1 1	0 0	0 0	0 0	0 0	0 0	1 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	2020 2021	5 5	0 0	0 0	0 0	0 0	0 0	5 5
	2022	5	0	0	0	0	0	5
	<u>2023</u>	<u>5</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Wisconsin	2020 2021	2 2	0 0	0 0	0 0	0 0	0 0	2 2
	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>
TOTAL	2020	94	3	0	0	0	0	97
TOTAL	2021	97	5	3	0	0	0	99
	2022	99	4	10	0	0	0	93
	<u>2023</u>	<u>93</u>	<u>13</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>102</u>

(1) As of December 31, ~~2022~~2023, there were ~~39~~36 separate Sealcoat Business franchisees operating in ~~93~~102 Franchised Territories.

TABLE NUMBER 4A
Status of Company-Owned Franchised Territories
for Sealcoat Businesses
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Territories at the Start of the Year	Territories Opened	Territories Reacquired From Franchisees	Territories Closed	Territories Sold to Franchisees	Territories at the End of the Year ⁽¹⁾
Minnesota ⁽¹⁾	2020 2021	8 8	0 0	0 0	0 0	0 0	8 8
	2022	8	0	2	0	2	8
	<u>2023</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>6</u>
TOTAL	2020 2021	8 8	0 0	0 0	0 0	0 0	8 8
	2022	8	0	2	0	2	8
	<u>2023</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>6</u>

TABLE NUMBER 5A
Projected Openings
for Sealcoat Businesses
As of December 31, ~~2022~~2023

State	Franchise Agreements Signed But Territory Not Opened	Projected New Franchised Territories in the Next Fiscal Year	Projected New Company-Owned Territories in the Next Fiscal Year
<u>Florida</u>	<u>0</u>	<u>2</u>	<u>0</u>
<u>Massachusetts</u>	<u>0</u>	<u>2</u>	<u>0</u>
Connecticut	0	2	0
<u>Illinois</u>	<u>0</u>	<u>2</u>	<u>0</u>
New Jersey <u>Hampshire</u>	0	2	0
New York	0	2	0
<u>Illinois</u>	<u>0</u>	<u>2</u>	<u>0</u>
Pennsylvania	0	1	0
Wisconsin	0	1 <u>2</u>	0
TOTAL	0	10 <u>12</u>	0

TABLE NUMBER 1B
Systemwide Franchised Territories Summary
for Striping Businesses
For Years ~~2020~~2021 to ~~2022~~2023

Territory Type	Year	Territories at the Start of the Year	Territories at the End of the Year ⁽¹⁾	Net Change
Franchised(1)	2020	19	18	+
	2021	18	18	0
	2022	18	17	-1
	<u>2023</u>	<u>17</u>	<u>17</u>	<u>0</u>
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Territories	2020	19	18	+
	2021	18	18	0
	2022	18	17	-1
	<u>2023</u>	<u>17</u>	<u>17</u>	<u>0</u>

(1) As described in Item 1, as of December 31, ~~2022~~2023, there are 12 Striping Business franchisees operating in 17 Franchised Territories. ~~6~~3 of these franchisees only operate Striping Businesses.

TABLE NUMBER 2B
Transfers of Franchised Territories From Franchisee to New Owners (Other than the Franchisor) for Striping Businesses
For Years ~~2019~~2021 to ~~2022~~2023

State	Year	Number of Transfers
Florida	2020	2
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
Minnesota	2020	0
	2021	1
	2022	0
	<u>2023</u>	<u>0</u>
TOTAL	2020	2
	2021	1
	2022	0
	<u>2023</u>	<u>0</u>

TABLE NUMBER 3B
Status of Franchised Territories
for Striping Businesses
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Territories at the Start of the Year	Territories Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Territories at the End of the Year ⁽¹⁾
Connecticut	2020 2021	4 4	0 0	0 0	0 0	0 0	0 0	4 4
	2022	4	0	0	0	0	0	4
	<u>2023</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Florida	2020 2021	3 3	0 0	0 0	0 0	0 0	0 0	3 3
	2022	3	0	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Minnesota	2020 2021	5 5	0 0	0 0	0 0	0 0	0 0	5 5
	2022	5	0	0	0	0	0	5
	<u>2023</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
New York	2020 2021	3 3	0 0	0 0	0 0	0 0	0 0	3 3
	2022	3	0	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
North Carolina	2020 2021	1 1	0 0	0 0	0 0	0 0	0 0	1 1
	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>
Ohio	2020 2021	1 1	0 0	0 0	0 0	0 0	0 0	1 1
	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>
Pennsylvania	2020 2021	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	2022	0	0	0	0	0	0	0

State	Year	Territories at the Start of the Year	Territories Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Territories at the End of the Year ⁽¹⁾
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	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>
TOTAL	2020	19	0	1	0	0	0	18
TOTAL	2021	18	0	0	0	0	0	18
	2022	18	0	1	0	0	0	17
	<u>2023</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17</u>

(1) As described in Item 1, as of December 31, ~~2022~~2023, there are 12 Striping Businesses operating in 17 Franchised Territories. ~~5~~ of these owners only own Striping Businesses (no Sealcoat Businesses).

TABLE NUMBER 4B
Status of Company-Owned Franchised Territories
for Striping Businesses
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Territories at the Start of the Year	Territories Opened	Territories Reacquired From Franchisees	Territories Closed	Territories Sold to Franchisees	Territories at the End of the Year
TOTAL	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	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>

TABLE NUMBER 5B
Projected Openings
for Striping Businesses
As of December 31, ~~2022~~2023

State	Franchise Agreements Signed But Territory Not Opened	Projected New Franchised Territories in the Next Fiscal Year	Projected New Company-Owned Territories in the Next Fiscal Year
Illinois	0	1	0
Minnesota	0	2	0
New York	0	1	0
Pennsylvania	0	1	0
Wisconsin	0	1	0
TOTAL	0	6	0

Exhibit B is a list of the names, addresses and telephone numbers of all operational franchised Sealcoat Businesses and Striping Businesses as of December 31, ~~2022~~2023. Exhibit B also includes lists of the names, addresses and telephone numbers of the persons whose franchises were terminated and who transferred ownership of their franchises during ~~2022~~2023. 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, no current or former franchisees have signed any confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the franchise system.

There is no trademark-specific franchisee association required to be disclosed in this disclosure document.

21. FINANCIAL STATEMENTS

Exhibit C contains the audited Financial Statements of Jet-Black International, Inc. as of and for the periods ended December 31, ~~2022~~2023, December 31, ~~2021~~2022, and December 31, ~~2020, and unaudited financial statements as of March 1, 2023~~2021.

22. CONTRACTS

Exhibit D is the Jet-Black International, Inc. Franchise Agreement. Exhibit G is the State Addenda. Exhibit H is the General Release of Claims Form. Exhibit I is the Promissory Note.

23. RECEIPTS

Exhibit K contains the Receipt pages.

EXHIBIT A

STANDARD OPERATING MANUAL TABLE OF CONTENTS

Jet-Black Operations Manuals

Chapter	Number of Pages Per Chapter
About this Manual	3
Definition	1
Corporate Sponsors	1
Recent Acknowledgements and News	2
New Owners and Expansion	1
Recent Sales Review	5
Royalty Scale	1
Franchisee Obligations	3
Insurance Requirements	1
STARS Computer System Requirements	1
Record Keeping Policy	1
Basic Business Models	3
Financial Assistance	1
Customer Built Trailers	5
Steel Agitated Storage Tanks	1
Infrared Asphalt Repairs	1
Asphalt Sealants 101	8
Water Activated Cold Patch	1
ADA Parking Lot Laws	4
STARS Database	15
Commercial Work	14
Subcontracting	3
Marketing	27
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Cash Flow and Cash Reserves	14
Questions for You	1
Approved/Preferred Vendors	11
Planning for Next Spring	2
Your Email	2
Hiring Laborers (Information)	1
Franchise Awards	3
Corporate Contact Information	1
TOTAL	142

EXHIBIT B
LIST OF FRANCHISEES

CURRENT FRANCHISEES

Jet-Black International Operating Units As of December 31, ~~2022~~2023

Franchisee Name	Address	City	State	Zip Code	Phone Number	No. Territories
Patrick Carr & Steven Brown	1396 Seabreeze Street	Clearwater	FL	33756	(813) 467-4002	2
Phil Hayes	9640 Kris Trail	Orland Park	IL	60462	(708) 259-3295	2
Brandon Croney	1202 Division St.	Marquette	MI	49855	(906) 235-4354	1
Cameron Tomlinson	PO Box 70701	Rochester Hills	MI	48307	(947) 205-1187	2
Chad Herron	9033 Lyndale Ave S. #104	Bloomington	MN	55420	(952) 944-7474	2
Tom Lissick	9424 4th Ave S	Bloomington	MN	55421	(612) 338-1785	1
Rob Arnold	15016 Cherry Lane	Burnsville	MN	55306	(952) 435-3330	2
Don Dahlstrom	627 Carver Bluffs Pkwy	Carver	MN	55315	(952) 448-9959	5
Dan Rosemark	1409 126 th Ave NW	Coon Rapids	MN	55448	(651) 407-7076	5
Charlie Weichelt	1005 Walnut St	Farmington	MN	55024	(507) 528-8777	2
Patrick Herzog ¹	3020 Rosewood Lane SE	Alexandria	MN	56308	(320) 808-8612	4
Benjamin Herzog	201 W Oak St	Osakis	MN	56360	(320) 529-0697	4 3
Dave Monson	7630 County Road 8 NE	Kandiyohi	MN	56251	(320) 212-9635	4 2
Uriah Farr	7235 Guider Dr #217	Woodbury	MN	55125	(651) 653-8282	2
Jay Hanel	22955 602 nd Lane	Madison Lake	MN	56063	(612) 366-8020	1
Dan Johnson	7931 164 th Lane NW	Ramsey	MN	55303	(763) 420-4726	5
Rich & Tammy Carlson	1875 Countryside Dr	Shakopee	MN	55379	(952) 471-0209	1
Nick Duley ²	PO Box 25917	Woodbury	MN	55125	(651) 459-8877	4
Andy Oberg	13 Mertensia Ln	Henrietta	NY	14467	(585) 737-2589	6
James Webster	1069 Main St., Suite 345	Holbrook	NY	11741	(631) 998-9000	3 1
Mike Leandro	5 Mill St.	Yaphank	NY	11980	(631) 509-7325	1
Dave Dworetzky ³	1 McNamara Lane	Goshen	NY	10924	(845) 590-3317	6
Jonathan Tatis	4 Johns Road	Middletown	NY	10941	(845) 386-9991	3
Noelle Nieves-Rivera						
Meaghan Paisley	67 May Rd	Pearl River	NY	10965	(845) 715-2833	2
Mike Emery	462 Storms Rd	Valley Cottage	NY	10989	(845) 313-4984	2
Andrew Aulenbach & Dan Mason ⁵⁴	975 2nd Street Pike Unit 5	Richboro	PA	18954	(215) 862-1707	5
John Zawistowski	5326 Princeton Rd	Macungie	PA	18062	(610) 966-1505	1
Dave Draper	413 Echo Valley Rd	Knoxville	TN	37923	(865) 300-6692	4
Andrew Dods	341 S Laurel St.	Richmond	VA	23220	(540) 219-2741	3
Andrew Melby	18338 Duluth St.	Farmington	MN	55024	(651) 334-4653	2
Rich Gervasi	113 Maple Lane	Otisville	NY	10963	(914) 443-7080	2
Adrian Azodi	211 State Route 103	Newbury	NH	03255	(603) 540-0814	3
Brian Soifer	2460 Dundee Rd #1324	Northbrook	IL	60062	(847) 840-2991	2
Dante Carter	21 Ave C Apt 1	Norwalk	CT	06854	(203) 919-4270	1
Mario Rojas	635 Winchester Ln	Lake Villa	IL	60046	(224) 814-2578	2
Vladimir Rojas	5766 80 th St. #1	Kenosha	WI	53142	(224) 814-2625	1

Notes:

* Craig Laquerre reports all business through his Yellow Dawg franchise.

1. Patrick Herzog owns four territories in Minnesota and one territory in North Dakota.
2. Nick Duley owns three territories in Minnesota and one territory in Wisconsin.

3. Dave Dworetzky owns two territories in New York and four territories in New Jersey.
4. Andrew Aulenbach & Dan Mason own three territories in Pennsylvania and two territories in New Jersey.

Black Dawg Operating Units
As of December 31, ~~2022~~2023

Franchisee Name	Address	City	State	Zip Code	Phone Number	No. Territories
William "Billy" Falgares	55 Ponemah Road #12	AmherstValley Cottage	NHNY	9303410989	(603) 673-8700(845) 313-4984	32
Mark Birk	7235 Shawnee Run Rd	Cincinnati	OH	45243	513-332-4246	3
Tom Corvetti	T & JC Property Services, LLC 8414 West Harrison Court	Fredericksburg	VA	22407	(540) 455-4313	2

Yellow Dawg Operating Units
As of December 31, ~~2022~~2023

Franchisee Name	Address	City	State	Zip Code	Phone Number	No. Territories
Andy Belotti	44 Osborn Lane	Monroe	CT	06468	(203) 231-0390	2
Dante Carter	21 Ave C Apt 1	Norwalk	CT	06854	(203) 919-4270	2
Bob Burris	3153 Stonebrier Ridge Dr	Orange Park	FL	32065	(904) 838-4076	1
Patrick Carr & Steven Brown	1396 Seabreeze Street	Clearwater	FL	33756	(813) 467-4002	2
Patrick Herzog	3020 Rosewood Lane SE	Alexandria	MN	56308	(320) 808-8612	1
Benjamin Herzog	201 W Oak St	Osakis	MN	56360	(320) 529-0697	1
Andrew Melby	18338 Duluth St.	Farmington	MN	55024	(651) 334-4653	2
Dave Monson*	7630 County Road 8 NE	Kandiyohi	MN	56251	(320) 212-9635	1
James Webster*	1069 Main Street, Suite 345	Holbrook	NY	11741	(631) 998-9000	1
Rich Gervasi	113 Maple Lane	Otisville	NY	10963	(914) 443-7080	2
George Holt	1510 Battleground Ave	Greensboro	NC	27408	(336) 501-0797	1
Mark Birk	926 Keswick Pl	Cincinnati	OH	45230	(513) 332-4246	1

* denotes a Jet-Black franchisee prior to 2018.

FORMER FRANCHISEES

Jet-Black International Franchises Terminated, Cancelled, Not Renewed, Transferred or Ceased to Do Business from January 1, ~~2022~~2023 to December 31, ~~2022~~2023

Franchisee Name	City	State	Phone Number	No. Territories
James Webster¹	Holbrook	NY	(631) 998-9000	1
Michael LaTour Mike Emery²	Tarifville	CT	(860) 952-4536	3 2
Dave Draper	Richmond	VA	(865) 300-6692	1
Andrew Dods	Farmington	MN	(540) 219-2741	3
Dan O'Brien	Grand Rapids	MI	(616) 222-0852	4
Jerome Markfort	Brainerd	MN	(218) 820-9251	4
Todd Frigstad	Eagan	MN	(612) 590-4799	4
Troy Dowe	Middleton	NY	(845) 281-0446	2

[1. James Webster transferred one of his territories to a new franchisee and retained one territory.](#)

[2. Mike Emery co-owned two territories and transferred his ownership share of the territories to his co-owner, who now maintains sole ownership.](#)

Black Dawg Franchises Terminated, Cancelled, Not Renewed or Ceased to Do Business from January 1, ~~2022~~2023 to December 31, ~~2022~~2023

Franchisee Name	City	State	Phone Number	No. Territories
Rich Drown	Hillsborough	NH	(603) 496-0330	3

[No Black Dawg Franchises were terminated, cancelled, not renewed or ceased to do business from January 1, 2023 to December 31, 2023.](#)

Yellow Dawg Franchises Terminated, Cancelled, Not Renewed or Ceased to Do Business from January 1, ~~2022~~2023 to December 31, ~~2022~~2023

Franchisee Name	City	State	Phone Number	No. Territories
Jon Simmons	Blacksburg	VA	(540) 357-1340	4

[No Yellow Dawg Franchises were terminated, cancelled, not renewed or ceased to do business from January 1, 2023 to December 31, 2023.](#)

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

EXHIBIT C
FINANCIAL STATEMENTS

Financial statements of:

JET-BLACK INTERNATIONAL, INC.

Years ended
December 31, 2023 and 2022

	Page
Independent auditor's report	1
Financial statements:	
Balance sheets	2
Statements of income and retained earnings	3
Statements of cash flows	4
Notes to financial statements	5-11



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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Jet-Black International, Inc.
Savage, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jet-Black International, Inc. (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 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 (GAAS). 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 for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 Jet Black International, Inc.'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 the 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.

*Schecter Bokken Kanter
Andrews & Selzer Ltd.*

May 23, 2024, except Note 10, as to which the
date is June 11, 2024
Minneapolis, MN

JET-BLACK INTERNATIONAL, INC.

 BALANCE SHEETS
 DECEMBER 31

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets:		
Cash	\$ 72,896	\$ 37,463
Accounts receivable, net of allowance \$2,900 and \$4,000 at December 31, 2023 and 2022, respectively,	14,291	24,936
Current portion of notes receivable, franchisees	52,445	29,861
Inventories	198,193	185,262
Prepaid expenses	17,295	17,083
	<hr/>	<hr/>
Total current assets	355,120	294,605
Property and equipment, net	273,372	261,324
Notes receivable, franchisees net of current portion	431,532	150,552
Intangible assets, net	15,000	16,292
Goodwill	245,700	294,800
	<hr/>	<hr/>
	<u>\$ 1,320,724</u>	<u>\$ 1,017,573</u>
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable	\$ 56,788	\$ 74,246
Accrued:		
Liabilities	52,249	10,503
Distributions	3,174	174
Current portion of deferred revenue	105,803	57,003
Current portion of long-term debt	6,100	
	<hr/>	<hr/>
Total current liabilities	224,114	141,926
Deferred revenue, net of current portion	437,340	209,688
Long-term debt, net of current portion	35,985	-
	<hr/>	<hr/>
Total liabilities	697,439	351,614
Shareholders' equity:		
Common stock, \$0.01 par value; 1,000,000 shares authorized; 1,000 shares issued and outstanding	10	10
Additional paid-in capital	49,990	49,990
Retained earnings	573,285	615,959
	<hr/>	<hr/>
	623,285	665,959
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<u>\$ 1,320,724</u>	<u>\$ 1,017,573</u>

See notes to financial statements.

JET-BLACK INTERNATIONAL, INC.STATEMENTS OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31

	<u>2023</u>	<u>2022</u>
Revenue	\$ 4,888,218	\$ 4,326,044
Cost of revenue	<u>2,909,130</u>	<u>2,604,538</u>
Gross profit	1,979,088	1,721,506
Operating expenses	<u>1,132,760</u>	<u>1,081,185</u>
Income from operations	<u>846,328</u>	<u>640,321</u>
Other income (expense):		
Interest income	15,067	16,383
Paycheck Protection Program loan forgiveness	-	244,851
Interest expense	<u>(9,911)</u>	<u>(2,683)</u>
	<u>5,156</u>	<u>258,551</u>
Net income	<u>851,484</u>	<u>898,872</u>
Retained earnings, beginning	615,959	629,813
Distributions to shareholders	<u>(894,158)</u>	<u>(912,726)</u>
Retained earnings, ending	<u>\$ 573,285</u>	<u>\$ 615,959</u>

JET-BLACK INTERNATIONAL, INC.

 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31

	2023	2022
Cash flows from operating activities:		
Net income	\$ 851,484	\$ 898,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	65,603	73,285
Amortization	1,292	10,573
Gain on disposal of property and equipment	(29,456)	(29,771)
Paycheck Protection Program loan forgiveness	-	(244,851)
Changes in operating assets and liabilities:		
Accounts receivable	10,645	(2,442)
Notes receivable, franchisees	(303,564)	(80,663)
Inventories	(12,931)	(47,162)
Prepaid expenses	(212)	10,697
Other current	-	30,485
Accounts payable	(17,458)	48,562
Accrued liabilities	44,746	1,113
Deferred revenue	276,452	98,399
Net cash provided by operating activities	886,601	767,097
Cash flows from investing activities:		
Purchases of property and equipment	(54,000)	(133,024)
Proceeds from sale of:		
Property and equipment	49,400	70,099
Corporate-owned location	49,100	44,500
Net cash provided by (used in) investing activities	44,500	(18,425)
Cash flows from financing activities		
Principal payments on long-term debt	(1,510)	-
Distributions to shareholders	(894,158)	(912,726)
Net cash used in financing activities	(895,668)	(912,726)
Net change in cash	35,433	(164,054)
Cash, beginning	37,463	201,517
Cash, ending	\$ 72,896	\$ 37,463
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 9,911	\$ 2,683
Non cash investing and financing activities, corporate-owned location		
Corporate-owned location acquired in exchange for forgiveness of note receivable		\$ 49,100
Property acquired in exchange for long term debt	\$ 43,595	

See notes to financial statements.

1. Nature of business and significant accounting policies:**Nature of business:**

Jet-Black International, Inc. (the Company) was incorporated under the laws of the State of Minnesota in 1992 for the purpose of developing and franchising businesses that are involved in the repair and seal-coating of asphalt and concrete surfaces, pavement marking, and pressure washing. The Company operates under the names Jet-Black; Black Dawg Sealcoat; Yellow Dawg Stripping; and Blue Dawg Power Wash throughout the United States.

The franchise offered is for the operation of an exclusive territory providing asphalt and concrete repair and seal-coating, pavement marking, and pressure washing. In addition, the Company provides materials, equipment, and services to its franchisees as part of the franchise agreement.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Franchise operations:

The Company sells franchises pursuant to a fifteen-year franchise agreement to independent operators. The Company has Jet-Black, Black Dawg Sealcoat, Yellow Dawg Striping, and Blue Dawg Power Wash franchises.

The Black Dawg Sealcoat business is an asphalt services business that offers similar services as Jet-Black. The Company is offering these to new franchisees on a very limited basis; however, it will allow current Black Dawg Sealcoat franchisees the option to renew or open a new location under their current brand or convert to a Jet-Black franchise.

The Yellow Dawg Striping business offers pavement marking services.

The Blue Dawg Power Wash offers residential and commercial pressure washing of homes, commercial facilities, vehicles, exterior windows, and in some circumstances, concrete sealing.

The Company does not plan on offering these franchises in the future.

Credit risk:

The Company maintains cash balances at one financial institution. At times, bank balances may exceed federally insured limits. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk as a result of such practice.

Notes receivable, franchisees:

During the normal course of business, the Company may provide financing to franchisees for the initial franchisee fee, equipment, and material purchases. Notes receivables are stated at the amount management expects to collect from outstanding balances.

1. Nature of business and significant accounting policies (continued):**Allowance for credit losses:**

For trade receivables and notes receivables, the allowance for credit losses is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Organization could be adversely affected. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. At December 31, 2023 and 2022, the Company recorded a current estimate of credit loss in the amount of \$1,900 and \$2,000, respectively.

Inventories:

Inventories, consisting of construction supplies and marketing materials, are stated at the lower of cost or net realizable value, determined by the first-in, first-out method. The Company reviews inventory on a regular basis and provides for slow-moving, obsolete or unusable inventories by reducing inventory to its estimated useful or scrap value. No reserve for potential obsolescence was deemed necessary at December 31, 2023 and 2022.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives which range from 5 to 10 years.

Intangible assets:

Included in intangible assets is an asset with an indefinite life for \$15,000.

Goodwill:

From time to time the Company purchases existing franchises. These purchased franchises are intended to be operated as company-owned locations with the results of their operations recorded in the Company's statements of income. Goodwill is recorded as the excess purchase price beyond the fair value of assets acquired and liabilities assumed. The goodwill in connection with these purchased franchises is not amortized but rather tested annually for potential impairment, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The Company sold a purchased franchise in 2023 and reduced goodwill attributed to the franchise by \$49,100. There were no impairment charges recorded in 2023 and 2022.

Income taxes:

The Company has elected to be taxed as an S-corporation under applicable federal and state regulations. Accordingly, income taxes have not been provided for in these financial statements as any liability or benefit generally accrues to the shareholders.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

1. Nature of business and significant accounting policies (continued):**Revenue recognition:**

In accordance with ASC 606, Initial franchise fee revenue is recognized on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. The performance obligations with respect to franchise fee revenues consist of the licenses to utilize the Company's brand for a specified period of time, which is satisfied equally over the life of each franchise agreement. Upon signing the franchise agreement, the Franchise agreements have a term of seven to fifteen years and optional renewal periods depending on contract terms and certain conditions.

Royalty revenue consists of a variable fee from 1% to 8% that is charged to franchisees based on their gross revenue and is recognized at a point in time when the fees are earned and collection of the resulting receivable is reasonably assured.

Seal-coating revenue represents seal-coating revenues of Company-owned locations and is recognized at a point in time when the Company has completed the performance obligation and collection of the resulting receivable is reasonably assured.

Materials, equipment and marketing materials sales to franchisees are recognized when the Company has satisfied its performance obligations, generally when products are shipped.

Advertising:

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately \$95,000 and \$91,000 for the years ended December 31, 2023 and 2022, respectively.

Recently adopted accounting guidance:

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide uses of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade accounts receivable and contract opted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

Subsequent events:

The Company evaluated subsequent events through May 23, 2024, the date on which the financial statements were available to be issued, except for the events described in Note 10, as to which the date is June 11, 2024.

2. Notes receivable, franchisees:

The Company has several notes receivable with franchisees that mature through 2043. The notes generally originate from the inception of the franchise arrangement that includes the franchise fees, equipment, supplies, marketing and other support. The notes range from 3 years to 20 years with simple interest payable generally monthly at rates from 6.5% interest to 9.0% interest. The notes are secured by assets of the franchisees including inventory and equipment.

Future maturities of notes receivable net of amounts reserved are as follows:

<u>Years ending December 31</u>	<u>Amount</u>
2024	\$ 52,445
2025	45,469
2026	40,979
2027	26,647
2028	29,063
Thereafter	<u>289,374</u>
	<u>\$ 483,977</u>

3. Inventories:

Inventories consisted of the following:

	<u>2023</u>	<u>2022</u>
Job materials	\$ 112,452	\$ 92,808
Equipment	79,978	61,176
Marketing materials	<u>5,763</u>	<u>31,278</u>
	<u>\$ 198,193</u>	<u>\$ 185,262</u>

4. Property and equipment:

Property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Trucks	\$ 648,105	\$ 579,256
Machinery and equipment	318,996	335,296
Computer equipment	77,762	77,762
Furniture and fixtures	<u>14,247</u>	<u>14,247</u>
	1,059,110	1,006,561
Less accumulated depreciation	<u>785,738</u>	<u>745,237</u>
	<u>\$ 273,372</u>	<u>\$ 261,324</u>

5. Line of credit:

The Company has a line of credit for \$250,000 with a maturity date of December 2024 and a variable rate .75% above the prime rate. Before December 2023, the line was for \$200,000 with essentially the same terms. (See Note 10.)

6. Long-term debt:

The Company has a loan secured by a vehicle due in monthly installments of \$752 at 7.44% interest through September 2029.

Future minimum payments are as follows:

<u>Years ending December 31</u>	<u>Amount</u>
2024	\$ 6,100
2025	6,570
2026	7,075
2027	7,620
2028	8,207
2029	<u>6,513</u>
	<u>\$ 42,085</u>

7. Paycheck Protection Program loan:

On February 22, 2021, the Company received a PPP loan from the Small Business Administration for \$244,851. Under the program, the loan will be forgiven for the portion of funds spent on eligible expenses. Remaining unforgiven loan funds have a maturity date of February 22, 2026 and an interest rate of 1% per annum. Payments are deferred until completion of all conditions of the loan are met. The loan was forgiven in 2022.

8. Operating leases:

The Company leases its Savage, Minnesota office and warehouse facilities under a non-cancelable operating lease agreement which expired in May 2017 from Jet-Black Properties, LLC, a related company with common ownership. Upon expiration, the agreement is being renewed annually for a 12-month period. The lease requires fixed monthly payments of \$6,500 plus real estate taxes and building operating expenses. Total rent expense paid to this related party, including real estate taxes, was \$100,818 and \$105,703 for the years ended December 31, 2023 and 2022, respectively.

Total expense for all operating leases, including real estate taxes and building operating expenses, for the years ended December 31, 2023 and 2022 was approximately \$98,000 in each year.

9. Franchises and company-owned location summary information:

Franchise revenue consisted of the following:

	<u>2023</u>	<u>2022</u>
Equipment, marketing and materials sales	\$ 2,464,819	\$ 1,890,861
Franchise fees	45,471	55,664
Royalties	<u>1,115,228</u>	<u>892,189</u>
	<u>\$ 3,625,518</u>	<u>\$ 2,838,714</u>

Information about the number of Company-owned locations and franchisees was as follows:

	<u>2023</u>	<u>2022</u>
Sold	6	2
Terminations	2	6
Transferred	3	2
In operation as of December 31	41*	38*
Company-owned locations in operation as of December 31	2	3

*Amount included one Blue Dawg Franchise which is no longer being sold.

9. Franchises and Company-owned location summary information (continued):

The following is a summary of revenue and related costs from Company-owned locations:

	<u>2023</u>	<u>2022</u>
Company-owned locations:		
Seal coating sales	\$ 1,262,700	\$ 1,487,330
Less costs and expenses	<u>(1,153,835)</u>	<u>(1,140,088)</u>
	<u>\$ 108,865</u>	<u>\$ 347,242</u>

10. Subsequent event, stock redemption and debt agreements:

On June 7, 2024, the Company and the Jet-Black Properties, LLC, a related party, redeemed 50% of the interest in each entity. The redemption was financed through an SBA loan with Jet-Black International, Inc. and Jet-Black Properties LLC as co-borrowers for \$2,617,300, payable over 175 months with interest only payments for the first 3 months and with 172 monthly principal and interest payments of \$25,604 for the remainder of the term. The interest rate is 7.99%. The loan is secured by all assets of both entities, assignments of rents and an assignment of life insurance and guaranteed by the sole shareholder of Jet-Black International Inc. and the sole unit holder of Jet-Black Properties LLC.

On June 7, 2024, the Company also entered into a new line of credit under the provisions of the SBA for up to \$500,000 at 1% over the indexed rate. The previous line of credit agreement was terminated. The agreement expires in June of 2026 and is secured by all assets of both the Company and Jet-Black Properties LLC and guaranteed by Jet-Black Properties LLC and the sole shareholder of the Company.

Financial statements of:

JET-BLACK INTERNATIONAL, INC.

Years ended
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Jet-Black International, Inc.
Savage, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jet-Black International, Inc. (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (GAAS). 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 for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 Jet Black International, Inc.'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 the 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.

*Schecter Bokken Kenter
Andrew & Selcer Ltd.*

May 2, 2023
Minneapolis, MN

JET-BLACK INTERNATIONAL, INC.

 BALANCE SHEETS
 DECEMBER 31

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets:		
Cash	\$ 37,463	\$ 201,517
Accounts receivable, net of allowance for doubtful accounts of \$4,000 and \$2,000 at December 31, 2022 and 2021, respectively	24,936	22,494
Current portion of notes receivable, franchisees	123,111	37,417
Inventories	185,262	138,100
Other current	-	30,485
Prepaid expenses	17,083	27,780
	<u>387,855</u>	457,793
Property and equipment, net	261,324	241,913
Notes receivable, franchisees net of current portion	57,302	111,433
Intangible assets, net	16,292	26,865
Goodwill	294,800	290,200
	<u>\$ 1,017,573</u>	<u>\$ 1,128,204</u>
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable	\$ 74,246	\$ 25,684
Accrued:		
Liabilities	10,503	9,390
Distributions	174	174
Current portion of deferred revenue	57,003	16,003
	<u>141,926</u>	51,251
Deferred revenue, net of current portion	209,688	152,289
Paycheck Protection Program loan	-	244,851
	<u>351,614</u>	448,391
Shareholders' equity:		
Common stock, \$0.01 par value; 1,000,000 shares authorized; 1,000 shares issued and outstanding	10	10
Additional paid-in capital	49,990	49,990
Retained earnings	615,959	629,813
	<u>665,959</u>	679,813
Total liabilities and shareholders' equity	<u>\$ 1,017,573</u>	<u>\$ 1,128,204</u>

See notes to financial statements.

JET-BLACK INTERNATIONAL, INC.STATEMENTS OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31

	<u>2022</u>	<u>2021</u>
Revenue	\$ 4,326,044	\$ 4,379,193
Cost of revenue	<u>2,604,538</u>	<u>2,341,529</u>
Gross profit	1,721,506	2,037,664
Operating expenses	<u>1,026,734</u>	<u>1,150,460</u>
Income from operations	<u>694,772</u>	<u>887,204</u>
Other income (expense):		
Interest income	16,383	10,551
State income tax	(54,451)	(93,462)
Paycheck Protection Program loan forgiveness	244,851	134,300
Interest expense	<u>(2,683)</u>	<u>(2,806)</u>
	<u>204,100</u>	<u>48,583</u>
Net income	<u>898,872</u>	<u>935,787</u>
Retained earnings, beginning	629,813	625,202
Distributions to shareholders	<u>(912,726)</u>	<u>(931,176)</u>
Retained earnings, ending	<u>\$ 615,959</u>	<u>\$ 629,813</u>

JET-BLACK INTERNATIONAL, INC.

 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income	\$ 898,872	\$ 935,787
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	73,285	93,046
Amortization	10,573	16,700
(Gain) loss on disposal of property and equipment	(29,771)	(5,000)
Paycheck Protection Program loan forgiveness	(244,851)	(134,300)
Changes in operating assets and liabilities:		
Accounts receivable	(2,442)	12,190
Notes receivable, franchisees	(80,663)	(41,411)
Inventories	(47,162)	25,271
Prepaid expenses	10,697	20,811
Other current	30,485	(30,485)
Accounts payable	48,562	(2,450)
Accrued liabilities	1,113	1,509
Deferred revenue	98,399	1,267
Net cash provided by operating activities	<u>767,097</u>	<u>892,935</u>
Cash flows from investing activities:		
Purchases of property and equipment	(133,024)	(126,762)
Proceeds from sale of property and equipment	70,099	-
Proceed from sale of corporate- owned location	44,500	-
Net cash used in investing activities	<u>(18,425)</u>	<u>(126,762)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	-	244,851
Distributions to shareholders	(912,726)	(931,176)
Net cash used in financing activities	<u>(912,726)</u>	<u>(686,325)</u>
Net change in cash	<u>(164,054)</u>	79,848
Cash, beginning	<u>201,517</u>	<u>121,669</u>
Cash, ending	<u>\$ 37,463</u>	<u>\$ 201,517</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,683</u>	<u>\$ 2,806</u>
Non cash investing activity, corporate-owned location acquired in exchange for note receivable forgiven	<u>\$ 49,100</u>	

See notes to financial statements.

1. Nature of business and significant accounting policies:**Nature of business:**

Jet-Black International, Inc. (the Company) was incorporated under the laws of the State of Minnesota in 1992 for the purpose of developing and franchising businesses that are involved in the repair and seal-coating of asphalt and concrete surfaces, pavement marking, and pressure washing. The Company operates under the names Jet-Black; Black Dawg Sealcoat; Yellow Dawg Stripping; and Blue Dawg Power Wash throughout the United States.

The franchise offered is for the operation of an exclusive territory providing asphalt and concrete repair and seal-coating, pavement marking, and pressure washing. In addition, the Company provides materials, equipment, and services to its franchisees as part of the franchise agreement.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Franchise operations:

The Company sells franchises pursuant to a fifteen-year franchise agreement to independent operators. The Company has Jet-Black, Black Dawg Sealcoat, Yellow Dawg Striping, and Blue Dawg Power Wash franchises.

The Black Dawg Sealcoat business is an asphalt services business that offers similar services as Jet-Black. The Company is offering these to new franchisees on a very limited basis; however, it will allow current Black Dawg Sealcoat franchisees the option to renew or open a new location under their current brand or convert to a Jet-Black franchise.

The Yellow Dawg Striping business offers pavement marking services.

The Blue Dawg Power Wash offers residential and commercial pressure washing of homes, commercial facilities, vehicles, exterior windows, and in some circumstances, concrete sealing.

The Company does not plan on offering these franchises in the future.

Credit risk:

The Company maintains cash balances at one financial institution. At times, bank balances may exceed federally insured limits. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk as a result of such practice.

1. Nature of business and significant accounting policies (continued):**Accounts receivable:**

Trade accounts receivable are recorded at their estimated net realizable value. The Company's estimate of the allowance for doubtful accounts is based on historical experience, its evaluation of the current status of receivables, and unusual circumstances, if any. Accounts are considered past due if payment is not made on a timely basis in accordance with the Company's credit terms. Accounts considered uncollectible are charged against the allowance for doubtful accounts.

Notes receivable, franchisees:

During the normal course of business, the Company may provide financing to franchisees for the initial franchisee fee, equipment, and material purchases. Notes receivable are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

Inventories:

Inventories, consisting of construction supplies and marketing materials, are stated at the lower of cost or net realizable value, determined by the first-in, first-out method. The Company reviews inventory on a regular basis and provides for slow-moving, obsolete or unusable inventories by reducing inventory to its estimated useful or scrap value. No reserve for potential obsolescence was deemed necessary at December 31, 2022 and 2021.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives which range from 5 to 7 years.

Intangible assets:

Intangible assets are amortized over the life of the estimated useful life. Included in intangible assets is an asset with an indefinite life for \$15,000. Future amortization is \$1,292 in 2023.

Goodwill:

From time to time the Company purchases existing franchises. These purchased franchises are intended to be operated as company-owned locations with the results of their operations recorded in the Company's statements of income. Goodwill is recorded as the excess purchase price beyond the fair value of assets acquired and liabilities assumed. The goodwill in connection with these purchased franchises is not amortized but rather tested annually for potential impairment, or more frequently if events or changes in circumstances indicate that the asset may be impaired. There were no impairment charges recorded in 2022 and 2021.

Adoption of new lease standard:

As of January 1, 2022, the Company adopted ASU 2016-12 – Leases (Topic 842) under the modified retrospective approach and has chosen the transition method of not adjusting comparative periods. Under this standard, the Company determines if an arrangement is a lease at inception.

The Company leases property for its offices from a related party on a month-to-month basis. Under ASU 2023-01 – Leases (Topic 842) and elected to not record an operating lease right-of-use asset and operating lease liability.

1. Nature of business and significant accounting policies (continued):**Income taxes:**

The Company has elected to be taxed as an S-corporation under applicable federal and state regulations. Accordingly, income taxes have not been provided for in these financial statements as any liability or benefit generally accrues to the shareholders.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Revenue recognition:

In accordance with ASC 606, Initial franchise fee revenue is recognized on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. The performance obligations with respect to franchise fee revenues consist of the licenses to utilize the Company's brand for a specified period of time, which is satisfied equally over the life of each franchise agreement. Upon signing the franchise agreement, the Franchise agreements have a term of seven to fifteen years and optional renewal periods depending on contract terms and certain conditions.

Royalty revenue consists of a variable fee from 1% to 8% that is charged to franchisees based on their gross revenue and is recognized at a point in time when the fees are earned and collection of the resulting receivable is reasonably assured.

Seal-coating revenue represents seal-coating revenues of Company-owned locations and is recognized at a point in time when the Company has completed the performance obligation and collection of the resulting receivable is reasonably assured.

Materials, equipment and marketing materials sales to franchisees are recognized when the Company has satisfied its performance obligations, generally when products are shipped.

Advertising:

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately \$91,000 and \$124,000 for the years ended December 31, 2022 and 2021, respectively.

Recently Issued accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new guidance requires capitalization of a "right-of-use asset" and recognition of an obligation for future lease payments for most leases currently classified as operating leases.

1. Nature of business and significant accounting policies (continued):

Subsequent events:

The Company evaluated subsequent events through May 2, 2023, the date on which the financial statements were available to be issued.

As a result of the spread of the COVID-19, economic uncertainties have arisen which may negatively impact revenue in the near term. The impact, if any, of this uncertainty is not known at this time.

2. Notes receivable, franchisees:

	<u>2022</u>	<u>2021</u>
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$145 maturing in May 2025. Secured by personal guarantee.	\$ 3,777	\$ 5,116
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$170 maturing in May 2025. Secured by personal guarantee.	4,418	5,984
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$364 maturing in October 2024. Secured by personal guarantee.	7,363	10,897
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$240 matured in September 2022.	-	2,082
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$498 matured in September 2022.	-	17,871
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$223 paid off in 2022.	-	4,701

2. Notes receivable, franchisees (continued):

	<u>2022</u>	<u>2021</u>
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$240 maturing in November 2023. Secured by personal guarantee.	\$ 2,521	\$ 5,046
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$765 maturing in November 2031. Secured by personal guarantee. \$55,071 was forgiven in 2022 in an acquisition of franchise rights by the company.	-	60,040
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$669 maturing in November 2027. Secured by personal guarantee.	14,923	36,702
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$227 maturing in May 2026. Secured by personal guarantee.	7,996	9,133
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$321 maturing in May 2026. Secured by personal guarantee. \$25,314 was forgiven in 2022.	-	25,314
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$437 maturing in April 2023. Secured by personal guarantee.	1,717	5,000
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$127 maturing in May 2032. Secured by personal guarantee.	9,630	10,000
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$660 maturing in November 2026. Secured by personal guarantee.	26,042	31,349

2. Notes receivable, franchisees (continued):

	<u>2022</u>	<u>2021</u>
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$695 maturing in July 2042. Secured by personal guarantee	\$ 92,288	\$ -
Note receivable, franchisee, with an interest rate of 9.00%, due monthly installments of \$127 maturing in July 2032. Secured by personal guarantee	<u>9,738</u>	<u>-</u>
	180,413	229,335
Less amounts reserved	<u>-</u>	<u>80,385</u>
	180,413	148,850
Less current portion	<u>29,861</u>	<u>37,417</u>
	<u>\$ 150,552</u>	<u>\$ 111,433</u>

Future maturities of notes receivable net of amounts reserved are as follows:

<u>Years ending December 31</u>	<u>Amount</u>
2023	\$ 29,861
2024	27,206
2025	15,832
2026	12,752
2027	5,066
Thereafter	<u>89,696</u>
	<u>\$ 180,413</u>

3. Inventories:

Inventories consisted of the following:

	<u>2022</u>	<u>2021</u>
Job materials	\$ 92,808	\$ 98,689
Equipment	61,176	22,676
Marketing materials	<u>31,278</u>	<u>16,735</u>
	<u>\$ 185,262</u>	<u>\$ 138,100</u>

4. Property and equipment:

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Trucks	\$ 579,256	\$ 553,195
Machinery and equipment	335,296	303,066
Computer equipment	77,762	74,975
Furniture and fixtures	<u>14,247</u>	<u>14,247</u>
	<u>1,006,561</u>	945,483
Less accumulated depreciation	<u>745,237</u>	<u>703,570</u>
	<u>\$ 261,324</u>	<u>\$ 241,913</u>

5. Line of credit:

The company has Line of Credit in the amount of \$200,000, with a maturity date of March 2023 and a variable rate .75% above the prime rate. The line was renewed in March 2023 through March 2024.

6. Paycheck Protection Program loan:

On April 22, 2020, the Company received a Paycheck Protection Program (PPP) loan from the Small Business Administration for \$134,300. Under the program, the loan is forgiven for the portion of funds spent on eligible expenses. Remaining unforgiven loan funds have a maturity date of April 22, 2022 and an interest rate of 1% per annum. Payments are deferred until completion of all conditions of the loan are met. The loan was forgiven on January 7, 2021.

On February 22, 2021, the Company received a PPP loan from the Small Business Administration for \$244,851. Under the program, the loan will be forgiven for the portion of funds spent on eligible expenses. Remaining unforgiven loan funds have a maturity date of February 22, 2026 and an interest rate of 1% per annum. Payments are deferred until completion of all conditions of the loan are met. The loan was forgiven in 2022.

7. Operating leases:

The Company leases its Savage, Minnesota office and warehouse facilities under a non-cancelable operating lease agreement which expired in May 2017 from Jet-Black Properties, LLC, a related company with common ownership. Upon expiration, the agreement automatically became a month-to-month lease which will continue unless either party is notified with at least 30 days written notice. The lease requires fixed monthly payments of \$6,500 plus real estate taxes and building operating expenses. Total rent expense paid to this related party, including real estate taxes, was \$105,703 and \$98,024 for the years ended December 31, 2022 and 2021, respectively.

Total expense for all operating leases, including real estate taxes and building operating expenses, for the years ended December 31, 2022 and 2021 was approximately \$98,000 in each year.

8. Franchises and company-owned location summary information:

Franchise revenue consisted of the following:

	<u>2022</u>	<u>2021</u>
Equipment, marketing and materials sales	\$ 1,766,342	\$ 1,722,843
Franchise fees	55,664	14,525
Royalties	<u>892,189</u>	<u>1,023,809</u>
	<u>\$ 2,714,195</u>	<u>\$ 2,761,177</u>

Information about the number of Company-owned locations and franchisees was as follows:

	<u>2022</u>	<u>2021</u>
Sold	2	1
Terminations	6	1
Transferred	2	5
Expansion	-	-
Renewed with changes	-	1
In operation as of December 31	38*	43*
Company-owned locations in operation as of December 31	3	3

*Amount included one Blue Dawg Franchise which is no longer being sold.

8. Franchises and Company-owned location summary information (continued):

The following is a summary of revenue and related costs from Company-owned locations:

	<u>2022</u>	<u>2021</u>
Company-owned locations:		
Seal coating sales	\$ 1,487,330	\$ 1,605,887
Less costs and expenses	<u>(1,140,088)</u>	<u>(1,132,525)</u>
	<u>\$ 347,242</u>	<u>\$ 473,362</u>

9. Concentrations:

The Company has a supplier concentration with its asphalt sealant and equipment supplier. The supplier accounted for approximately 67% and 64% of purchases of materials and equipment in 2022 and 2021, respectively.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Jet-Black Franchise Group

Balance Sheet

As of May 31, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
00011 NEW!! Old Nat Check Acc #0163	101,567.09
0002 STRIPE	
0003 NK - Stripe	0.00
0005 FREE - Stripe	0.00
0006 CORP - Stripe	0.00
007 STM - Stripe	0.00
Total 0002 STRIPE	0.00
0012 OLD!! - Old Nat Check Acct #2932	-285.07
Total Bank Accounts	\$101,282.02
Accounts Receivable	
0121 Accounts Receivable - Customers	28,324.15
0123 Allowance on Notes receivable	-2,000.00
0126 Notes Receivable - Long Term	591,120.49
0130 Accounts Receivable - Vendors/Misc	283,300.02
0132 Allowance - Trade Receivables	-900.00
Total Accounts Receivable	\$899,844.66
Other Current Assets	
0107 Prepaid Rent	6,500.00
0108 Prepaid Insurance	10,795.00
0109 Prepaid Other	0.00
0119 Accounts Receivable - Existing Franchisees	118,088.07
0120 Due to Jet-Black Properties, LLC	25,000.00
0122 Franchise Purchased	245,700.00
0124 Notes Receivable	52,445.00
0129 Refundable state income taxes	0.00
0131 Insurance Proceed Receivable	0.00
0158 INVENTORY - MATERIALS/SERVICES	112,452.18
0159 INVENTORY - EQUIPMENT	89,978.25
0160 INVENTORTY - MARKETING	5,763.26
1499 Undeposited Funds	0.00
Total Other Current Assets	\$666,721.76
Total Current Assets	\$1,667,848.44

Jet-Black Franchise Group

Balance Sheet

As of May 31, 2024

	TOTAL
Fixed Assets	
0205 Vehicles Purchased	410,087.75
0941 Isuzi Spray Rig	51,838.40
0943 2016 Toyota Tundra	56,649.50
0944 2017 Ford F250	32,552.58
0945 2018 Ford F150 (Nick)	63,016.22
0946 2018 Ford F250	33,960.49
Total 0205 Vehicles Purchased	648,104.94
0206 Computer equipment/hardware >\$1k	77,761.90
0210 Equipment (For corporate use) >\$1k	323,512.06
0211 Furniture and Fixtures >\$1k	14,246.67
0242 Accum Dep.	-814,051.35
Total Fixed Assets	\$249,574.22
Other Assets	
0125 Black Dawg	179,000.00
0127 Other Long-term Assets	0.00
0128 Seat License	14,400.00
0244 Accumulated Amortization of Other Assets	-178,400.00
0280 Lease Deposit	0.00
0380 Note Receivable Shareholder	0.00
Total Other Assets	\$15,000.00
TOTAL ASSETS	\$1,932,422.66
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
0290 AP Franchisees	297,655.00
0291 Accounts Payable-Vendors/Misc	63,749.31
0292 Prepaid Marketing	0.00
0293 Corporate Paid Franchise Fees	0.00
Total Accounts Payable	\$361,404.31
Credit Cards	
0375 **OLD NATIONAL CREDIT CARDS**	25,820.66

Jet-Black Franchise Group

Balance Sheet

As of May 31, 2024

	TOTAL
Total Credit Cards	\$25,820.66
Other Current Liabilities	
0312 Sales Tax Agency Payable	0.00
0328 Old Nat \$250k LOC	139,329.60
03281 Voyager Short term loan \$100k #0031	0.00
0390.01 Sales Tax Payable, MN	16,730.74
0390.03 Sales Tax Payable, CO	59.39
0390.04 Sales Tax Payable, CT	76.62
0390.06 Sales Tax Payable, IL	179.40
0390.07 Sales Tax Payable, MI	243.05
0390.08 Sales Tax Payable, NY	2,069.15
0390.09 Sales Tax Payable, OH	3.21
0390.10 Sales Tax Payable, PA	354.02
0390.11 Sales Tax Payable, VA	48.13
0390.12 Sales Tax Payable, WI	1,578.93
0395 Accrued Salaries	12,249.13
0396 Accrued Contractor Expenses on Building Repairs	40,000.00
0397 Due to Franchisee	0.00
0398 Deferred revenue	125,703.00
0399 Accrued Distribution	0.00
0400 Vehicle Loan Payable	6,100.00
0416 GMC Financial Nick's GMC 2500	33,697.73
Total 0400 Vehicle Loan Payable	39,797.73
Total Other Current Liabilities	\$378,422.10
Total Current Liabilities	\$765,647.07
Long-Term Liabilities	
0311 Less current portion of LT debt	0.00
0310 Current portion of LT debt	0.00
Total 0311 Less current portion of LT debt	0.00
0398.1 Deferred Revenue, LT	421,590.00
Total Long-Term Liabilities	\$421,590.00
Total Liabilities	\$1,187,237.07
Equity	
0440 Common Stock	10.00
0445 Paid-In-Capital	49,990.00
0450 Owners	
0456 Andy's Draw's - Other	-522,978.57
0457 Nick's Draws - Other	-549,678.57
Total 0450 Owners	-1,072,657.14
0468 Equity	0.00
0469 Retained Earnings	1,467,443.01

Jet-Black Franchise Group

Balance Sheet

As of May 31, 2024

	TOTAL
Net Income	300,399.72
Total Equity	\$745,185.59
TOTAL LIABILITIES AND EQUITY	\$1,932,422.66

Jet-Black Franchise Group

Profit and Loss

January - May, 2024

	TOTAL
Income	
0500 REVENUE FROM FRANCHISEES	101,952.00
0503 Revenues - ROYALTIES	192,339.71
0510 Blue Dawg Royalties	2,019.30
0512 Black Dawg Royalties	19,925.94
0514 Yellow Dawg Royalties	53,012.76
504 Revenues - Royalties (past due)	33,147.51
Total 0503 Revenues - ROYALTIES	300,445.22
0506 Revenues - MATERIALS/SERVICES (Sold to fran.)	553,810.94
0508 Revenues - EQUIPMENT (Sold to fran)	166,288.25
0513 Revenues - MARKETING (Sold to fran)	228,972.02
0700 FRANCHISE FEES	
0701 Revenues - Franchise Fees	240,989.11
Total 0700 FRANCHISE FEES	240,989.11
Total 0500 REVENUE FROM FRANCHISEES	1,592,457.54
0925 Interest income	-447.76
1000 Corp owned franchises (customer payments)	
1010 Eagan Territory	234.86
1030 Shakopee territory	163,151.80
Total 1000 Corp owned franchises (customer payments)	163,386.66
Total Income	\$1,755,396.44
Cost of Goods Sold	
0600 Cost of Goods Sold	
0602 Franchisee - Advertising	186,770.12
0605 Franchisee - Materials	542,753.32
0606 Franchisee - Equipment	50,982.00
Total 0600 Cost of Goods Sold	780,505.44
Total Cost of Goods Sold	\$780,505.44
GROSS PROFIT	\$974,891.00
Expenses	
0511 Sales Tax	18,603.23
0610 Equipment Rental	503.96
0620 Payroll TOTAL	
0621 Payroll LABORER net pay	19,483.43
0622 Payroll TAXES - Fed & State	71,463.10
0751 Payroll - OFFICER net pay	32,910.68
0753 Payroll SALES PERSON net pay	52,183.70
0754 Payroll OFFICE net pay	11,826.14
0755 Unemployment Taxes	7,839.00
0756 Payroll DRIVER net pay	2,862.22
0758 Payroll WAREHOUSE net pay	24,545.58

Jet-Black Franchise Group

Profit and Loss

January - May, 2024

	TOTAL
0759 Payroll MN CHILD SUPP. net pay	486.66
Total 0620 Payroll TOTAL	223,600.51
0763 Truck & Auto	
0764 Auto Repair	4,577.59
0765 Auto Gasoline	13,056.39
Total 0763 Truck & Auto	17,633.98
0766 Bank Charges	9,966.90
0891 Interest Expense	3,426.92
Total 0766 Bank Charges	13,393.82
0775 Depreciation	28,313.00
0777 Gifts	11,684.00
0790 Insurance - Company	25,152.80
0795 License & Permits	3,289.50
0796 Property Tax	12,726.00
0797 S Corp Taxes	31,947.34
0807 Miscellaneous	-24,676.44
0810 Office Expense	36,868.51
0811 Computer Programming & Maintenance	16,088.66
0814 Outside Services	2,322.88
0815 Subcontractors	25,779.00
Total 0814 Outside Services	28,101.88
0819 Postage	98,372.72
0820 Franchise Sales	27,130.00
0821 Attorney Fees	420.00
0822 Accounting Fees	8,264.82
0824 Rent	32,500.00
0828 Repairs - Equipment	1,680.95
0855 Telephone	5,738.26
0857 Meals - with customers, franchisees, vendors, etc.	13,727.64
0858 Travel - Business Related	6,800.87
0860 Utilities MN	3,114.81
0937 Voided	0.00
1100 Advertising for corp owned franchises	2,440.00
1200 Materials for corp owned franchises	31,070.46
Total Expenses	\$674,491.28
NET OPERATING INCOME	\$300,399.72
NET INCOME	\$300,399.72

EXHIBIT D
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

BETWEEN

JET-BLACK INTERNATIONAL, INC.

12445 Boone Avenue South

Savage, MN 55378

(888) 538-2525

FAX (952) 890-7022

www.jet-black.com

AND

Name(s) of **FRANCHISEE**

BUSINESS ADDRESS:

Street

City, State, Zip Code

Area Code and Telephone

FRANCHISED TERRITORIES:

**EFFECTIVE DATE OF FRANCHISE
AGREEMENT**

_____, 20____

JET-BLACK INTERNATIONAL, INC.
FRANCHISE AGREEMENT
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	<u>without limitation sales through wholesale outlets, retail stores, or by mail order, electronic commerce or any other direct sales method. Further, if the Franchisee does not offer certain optional services (such as driveway installation) or if the Franchisee does not have the equipment to handle certain jobs (such as a commercial spray applicator), the Franchisor or other Jet-Black® franchisees may perform those services in the Franchised Territories without paying any compensation to the Franchisee. In no way does the Franchisee’s subcontracting of optional services constitute “offering” the optional services for purposes of maintaining exclusivity.</u>	4
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JET-BLACK INTERNATIONAL, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, (this “Agreement”) effective as of the _____ day of _____, 20____ (the “Effective Date”), by and between Jet-Black International, Inc., a Minnesota corporation, hereinafter referred to as the “Franchisor,” and _____, a _____ hereinafter referred to as the “Franchisee.”

RECITALS:

A. The Franchisor has developed a “Business System,” as defined in Article [1.2](#). The Franchisor has publicized the name Jet-Black® to the public and other businesses as an organization of businesses operating under the Business System.

B. The Franchisor represents that it has the right and the authority to license the use of the “Marks,” as defined in Article 1.11, for use in connection with businesses operated in conformity with the Business System to selected persons, businesses or entities who will comply with the Franchisor’s uniformity requirements and quality standards.

C. The Franchisee desires to establish and operate a business, using the other Marks and Business System, within the “Franchised Territories” set forth in Article 2.1 (the “Business”).

D. The Franchisor is willing to provide the Franchisee with marketing, advertising, operational and other business information and “know-how” about the Business System and the Business, all of which have been developed by the Franchisor over time and at a significant cost and investment to the Franchisor.

E. The Franchisee acknowledges that it would take substantial capital and human resources to develop a business similar to the Business and as a result, desires to acquire from the Franchisor the right to use the Marks and the Business System and to own and operate a Business subject to and under the terms and conditions set forth in this Agreement.

F. The Franchisee acknowledges that the Franchisor would not grant the Jet-Black® franchise to the Franchisee or provide the Franchisee with any business information or operational know-how about the Business and the Business System unless the Franchisee agreed to comply in all respects with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby contract as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the following words will have the following definitions:

1.1 ABANDON

“Abandon” will mean conduct of the Franchisee, including acts of omission as well as commission, indicating the willingness, desire or intent of the Franchisee to discontinue operating the Franchisee’s Business in accordance with the quality standards, uniformity requirements and the Business System as set forth in this Agreement and the Manuals, failure to communicate with its customers or otherwise cease operation for more than three consecutive days without notification to Franchisor and reasonable cause for the suspension of services.

1.2 BUSINESS SYSTEM

“Business System” will mean the Franchisor’s business concept and methods for operating businesses of a distinctive character and quality that provide Products and Services under the Marks. “Business System” will include all of the products and services, uniformity requirements, standards of quality, procedures, specifications and instructions established and amended from time to time by the Franchisor.

1.3 COMPETING BUSINESS

“Competing Business” will mean any business that offers products or services that are the same as or similar to Products and Services, including all products or services offered by the Jet-Black® system, such as paving and concrete work, installation and maintenance of asphalt, concrete, or brick paver surfaces, including, without limitation, the repair and sealcoating of driveways, sidewalks, patios, parking lots and other asphalt and concrete surfaces, crackfilling, patchwork, oil spot treatment, power washing, grass edging, commercial sweeping, snow plowing, pavement marking services, including line striping, lot signage installation, parking lot bumper installation, thermo plastic pavement marking, floor resurfacing, decorative asphalt services, tennis court surfacing, track surfacing, and any other related products and services, even if all of those services are not offered by Franchisee, or which is otherwise competitive with or similar to a Business.

1.4 CONFIDENTIAL INFORMATION

“Confidential Information” will mean all of the Franchisor’s proprietary information, knowledge and know-how concerning the Business System and the procedures, operations and data used in connection with the Business System and the operation of Businesses including, without limitation, business plans and strategies, marketing and advertising plans, drawings, client lists, materials, brochures, marketing materials, equipment, technology, methods, procedures, specifications, techniques, teaching methods, computer software programs and systems, and any other business information which the Franchisor copyrights or designates as confidential or proprietary.

1.5 ESTIMATOR

“Estimator” will mean the individual responsible for the overall sales and marketing efforts on behalf of the Franchisee’s Business including, but not limited to, sales presentations to customers and estimating job pricing.

1.6 FINANCIAL STATEMENTS

“Financial Statements” will mean a balance sheet, detailed profit and loss statement, statement of cash flows and footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis. The Franchisee’s Financial Statements will be presented in the exact form and format prescribed by the Franchisor, and will be categorized according to the standard chart of accounts developed and approved by the Franchisor.

1.7 FRANCHISE

“Franchise” will mean the right granted to the Franchisee authorizing the Franchisee to operate a Business in conformity with the Business System using the name “Jet-Black®” and the other Marks.

1.8 GENERAL MANAGER

“General Manager” will mean the individual responsible for the overall management of the Franchisee’s Business including, but not limited to, administration, customer relations, basic operations, marketing, community relations, recordkeeping, employee staffing and training, inventory control, hiring and firing, and maintenance of the Franchisee’s office, trucks, trailers and other equipment.

1.9 GROSS REVENUES

“Gross Revenues” will mean the total revenue the Franchisee receives on the sale of all products and services in conjunction with the Business or Marks (including all Products and Services), regardless of whether such services or products are provided to customers or clients by the Franchisee, its employees or independent contractors hired by the Franchisee. “Gross Revenues” will not include any sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly upon sales, if: (a) the amount of the tax is added to the selling price and is expressly charged to the customer; (b) a specific record is made at the time of each sale of the amount of such tax; and (c) the amount of such tax is paid to the appropriate taxing authority by the Franchisee.

1.10 PRODUCTS AND SERVICES

“Products and Services” ~~will mean~~ include those Products and Services ~~for that~~ the ~~installation and maintenance of asphalt and concrete surfaces, including without limitation, the repair, installation and sealcoating of driveways, parking lots, roadways, and other asphalt and concrete surfaces, asphalt crackfilling, patchwork, pot hole repair or service, oil spot treatment, paving, sealing and restoration of concrete, power washing, grass edging, commercial sweeping, and any other related or ancillary~~ Franchisor requires the Franchisee offer in the Business and those Products and Services that Franchisee may, but is not required to, offer in its Business, as described in the Manuals.

1.11 MARKS

“Marks” will include the names “Jet-Black®,” and such other trademarks, trade names, service marks, logos, slogans and commercial symbols as the Franchisor has developed or may develop for use in connection with the Businesses.

1.12 MANUALS

“Manuals” will mean the confidential mandatory and suggested standard operations, procedures and training manuals developed by the Franchisor for the operation of Businesses, as supplemented, changed or modified from time to time by the Franchisor.

1.13 OWNER; OWNERSHIP INTERESTS

“Owner” will mean any individual or entity who owns shares of capital stock in the Franchisee, if the Franchisee is a corporation, or who owns a membership or partnership interest in the Franchisee, if the Franchisee is a limited liability company or a partnership. “Ownership Interests” will mean shares of capital stock in the Franchisee, if the Franchisee is a corporation, or a membership or partnership interest in the Franchisee, if the Franchisee is a limited liability company or a partnership.

1.14 STARS SYSTEM

“STARS System” refers to the online database that the Franchisor maintains and that the Franchisee must use in its Business for data entry, customer tracking, sales reporting and more, as Franchisor may update or replace periodically. “STARS” stands for “Sales Tracking and Reporting Software.”

1.15 TRAINING EXPENSES

“Training Expenses” will mean the salaries, fringe benefits, payroll taxes, unemployment compensation, workers’ compensation insurance, lodging, food, medical insurance, automobile rental, travel costs and all other expenses for the Franchisee and all other persons who attend the Franchisor’s training programs on behalf of the Franchisee.

1.16 WEEK; WEEKLY

“Week” will mean seven consecutive days beginning on ~~Monday~~ Sunday and ending on ~~Sunday~~ Saturday; “Weekly” will mean once per Week.

ARTICLE 2
GRANT OF FRANCHISE; FRANCHISED TERRITORIES

2.1 FRANCHISED TERRITORIES

The Franchisor hereby grants to the Franchisee the exclusive right to operate one Business within the following territory/ies: _____

(consisting of ___ territory/ies (each) containing, as of the date of this Agreement, at least ~~30,000~~20,000 single family residences having household incomes of at least ~~\$75,000~~100,000 per year (“Qualified Residences”), as determined by the Franchisor) each hereinafter referred to individually as a “Franchised Territory” and collectively hereinafter referred to as the “Franchised Territories.”

2.2 EXCLUSIVITY

“Exclusive;” for the purposes of this Article, means that the Franchisor will not own or operate, or authorize any other person to own or operate, a Business within the Franchised Territories during the term of this Agreement without the prior consent of the Franchisee, except as qualified below. The Franchisor will have the absolute and unconditional right, without paying any compensation to the Franchisee, at any location or in any area outside the boundaries of the Franchised Territories, to: (a) grant other franchisees the right to use the name “Jet-Black®,” the other Marks and the Business System, and (b) operate company owned businesses under the name “Jet-Black®,” the other Marks and the Business System. The Franchisor will have the absolute and unconditional right, without paying any compensation to the Franchisee, at any location or in any area within or outside the boundaries of the Franchised Territories, to grant to other franchisees or to operate company owned businesses under the names “Blue Dawg Power Wash®” or Yellow Dawg Striping®” or any other marks other than the Marks, which may offer services similar to or competitive with services offered by a Business. During the term of this Agreement and thereafter, the Franchisor has the right, without paying any compensation to the Franchisee, anywhere in the world (including within the Franchised Territories) to directly or indirectly advertise and/or sell any proprietary products that have been or may be developed by or for the Franchisor, to any persons, businesses or entities, through methods of distribution other than Businesses, including without limitation sales through wholesale outlets, retail stores, or by mail order, electronic commerce or any other direct sales method. Further, if the Franchisee does not offer certain optional services (such as driveway installation) or if the Franchisee does not have the equipment to handle certain jobs (such as a commercial spray applicator), the Franchisor or other Jet-Black® franchisees may perform those services in the Franchised Territories without paying any compensation to the Franchisee. In no way does the Franchisee’s subcontracting of optional services constitute “offering” the optional services for purposes of maintaining exclusivity.

~~**2.3 CONDITIONS**~~

The Franchisee hereby undertakes the obligation to operate the Business within the Franchised Territories, in strict compliance with the terms and conditions of this Agreement. The rights and privileges granted to the Franchisee by the Franchisor under this Agreement are applicable only in the Franchised Territories and are personal in nature. The Franchisee may not use the Marks or operate the Business at any location or within any area other than the Franchised Territories, and may not deliver Products and Services to any customer located outside the boundaries of the Franchised Territories, without the prior written consent of the Franchisor. If the Franchisee receives the Franchisor’s written consent to operate its Business or service customers outside the Franchised Territories, the Franchisor reserves the right to revoke such consent for any reason with 30 days’ prior written notice to the Franchisee.

2.3 PERSONAL LICENSE

The Franchisee will not have the right to franchise, subfranchise, license or sublicense its rights under this Agreement. The Franchisee will not have the right to transfer this Agreement or the Franchisee's rights under this Agreement, except as specifically provided for in this Agreement.

ARTICLE 3 TERM OF FRANCHISE; FRANCHISEE'S OPTION TO REACQUIRE FRANCHISE

3.1 TERM

The term of this Agreement is 15 years, beginning on the Effective Date. This Agreement will not be enforceable until it has been signed by both the Franchisee and the Franchisor.

3.2 CONDITIONS TO OPTION

At the end of the term of this Agreement, the Franchisee will have the option to reacquire a franchise for the Franchised Territories, provided the Franchisee has complied with the following conditions:

- a) The Franchisee has given the Franchisor written notice at least 180 days prior to the end of the term of this Agreement of its intention to reacquire the Franchise;
- b) The Franchisee has at all times complied with all material terms and conditions of this Agreement and with the Franchisor's material operating and quality standards and procedures;
- c) The Franchisee has timely satisfied all monetary obligations owed by the Franchisee to the Franchisor throughout the term of this Agreement;
- d) The Franchisee has replaced or updated the vehicles, trailers, and other equipment used in the Business to comply with the Franchisor's then-current standards and requirements;
- e) The Franchisee and each of the Owners have executed a general release of all claims relating to or arising out of this Agreement, the Business or the parties business relationship in the form designated by the Franchisor; and
- f) The Franchisee agrees to execute the standard franchise agreement then being offered to new franchisees by the Franchisor.

3.3 TERMS OF OPTION

The Franchisee will have the option to reacquire the Franchise for the Franchised Territories under the same terms and conditions then being offered to other franchisees by the Franchisor under the Franchisor's then-current standard franchise agreement. The Franchisee must pay a renewal fee equal to \$3,000 for each Franchised Territory that the Franchisee reacquires. The Franchisee will also be required to pay Continuing Fees, Minimum Annual Continuing Fees, and all other fees (whether or not included under this Agreement) at the rates specified in the then-current standard franchise agreement. In addition, during the term of this Agreement, demographic changes may occur in the Franchised Territories such that upon the parties' signing of the Franchisor's then-current franchise agreement in connection with the Franchisee's requisition of the franchise, the Franchisor has the right to modify the Franchised Territories based on the Franchisor's then-current standards for determining the size or composition of franchised territories. The Franchisor will not offer to sell a franchise for the Franchised Territories at the end of the term of this Agreement to any other person or entity on more favorable terms or conditions than those being offered to the Franchisee. The Franchisee acknowledges that the terms, conditions, capital requirements, equipment costs and

economics of subsequent franchise agreements, including the then-current standard franchise agreement of the Franchisor may, at that time, vary in substance and form from this Agreement.

ARTICLE 4 LICENSING OF MARKS AND BUSINESS SYSTEM TO FRANCHISEE

4.1 FRANCHISOR'S RIGHT TO LICENSE MARKS

The Franchisor warrants that it has the right to grant the franchise granted hereunder and, except as provided herein, to license the Marks and the Business System to the Franchisee. Any and all improvements to the Marks or the Business System made by the Franchisee will be the sole and absolute property of the Franchisor who will have the exclusive right to register (in its own name), protect, use and license others to use all such improvements in accordance with applicable law. The Franchisee's use of the Marks and the Business System will inure exclusively to the benefit of the Franchisor and any and all goodwill associated with the Marks and the Business System will inure exclusively to the Franchisor's benefit. Upon the expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with the Franchisee's use of the Marks and the Business System. The Franchisee will at no time take any action whatsoever to contest the validity or the ownership of the Marks or the Business System.

4.2 CONDITIONS TO LICENSE OF MARKS

The Franchisee will have the rights to use the Marks and the Business System subject to and in accordance with the provisions of this Agreement. Such rights will apply only to the Franchisee's Business operated within the Franchised Territories and will exist only so long as the Franchisee fully performs and complies with all of the conditions, terms and covenants of this Agreement. The Franchisee will not have or acquire any rights in any of the Marks or the Business System other than the right of use as provided herein. The Franchisee will have the right to use the Marks and the Business System only in the manner prescribed, directed and approved by the Franchisor in writing. If, in the judgment of the Franchisor, the acts of the Franchisee are contrary to the limitations set forth in this Agreement or infringe upon or demean the goodwill, uniformity, quality or business standing associated with the Marks or the Business System, then the Franchisee will, upon written notice from the Franchisor, immediately modify its use of the Marks or the Business System in the manner prescribed by the Franchisor in writing.

4.3 ADVERSE CLAIMS TO MARKS

If any third party claims that its rights to any or all of the Marks are superior to those of the Franchisor and if the Franchisor's attorneys are of the opinion that such claim by a third party is legally meritorious, or if there is an adjudication by a Court of competent jurisdiction that any party's rights to the Marks are superior to those of the Franchisor, then upon written notice from the Franchisor, the Franchisee will, at its sole expense, immediately adopt and use the changes and amendments to the Marks that are specified by the Franchisor in writing. In that event, the Franchisee will immediately cease using the Marks specified by the Franchisor, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols designated by the Franchisor in writing in connection with all advertising, marketing and promotion of the Business. The Franchisee will not make any changes or amendments whatsoever to the Marks or the Business System without the prior written approval of the Franchisor.

4.4 DEFENSE OR ENFORCEMENT OF RIGHTS TO MARKS OR BUSINESS SYSTEM

The Franchisee will have no right to and will not defend or enforce any rights associated with the Marks or the Business System in any Court or other proceedings for or against imitation, infringement, prior use or for any other claim or allegation. The Franchisee will give the Franchisor prompt and immediate written notice of any and all claims or complaints made against or associated with the Marks and the Business System and will, without compensation for its time and at its expense, cooperate in all respects with the

Franchisor in any lawsuits or other proceedings involving the Marks and the Business System. The Franchisor will have the sole and absolute right to determine whether it will commence any action or defend any litigation involving the Marks and/or the Business System, and the cost and expense of all litigation incurred by the Franchisor, including attorneys' fees, specifically relating to the Marks or the Business System will be paid by the Franchisor.

4.5 TENDER OF DEFENSE

If the Franchisee is named as a defendant or party in any action involving the Marks or the Business System solely because the plaintiff or claimant is alleging that the Franchisee does not have the right to use the Marks or the Business System in conducting the Business within the Franchised Territories, then the Franchisee will have the right to tender the defense of the action to the Franchisor. The Franchisor will, at its expense, defend the Franchisee in the action providing that the Franchisee has tendered the action to the Franchisor within ten days after receiving service of the Summons and Complaint relating to the action. The Franchisor will indemnify and hold the Franchisee harmless from any damages assessed against the Franchisee in any actions resulting solely from the Franchisee's proper licensed use of the Marks and the Business System within the Franchised Territories in accordance with the terms and conditions of this Agreement if the Franchisee has tendered the defense of the action to the Franchisor, provided however that the Franchisee will pay all costs relating to its adoption and use of any changes or amendments to the Marks in accordance with Article [4.3](#).

4.6 FRANCHISEE'S RIGHT TO PARTICIPATE IN LITIGATION

The Franchisee may, at its expense, retain an attorney to represent it individually in all litigation and Court proceedings involving the Marks or the Business System, and may do so with respect to matters involving only the Franchisee (i.e., not involving the Franchisor or its interests); however, the Franchisor (and its attorneys) has the right to control and conduct all litigation involving the Marks or the Business System. The Franchisor will have no liability to the Franchisee for any costs that the Franchisee may incur in any litigation involving the Marks or the Business System, and the Franchisee will pay for all costs, including attorneys' fees, that it may incur in any litigation or proceeding arising as a result of matters referred to under this Article 4, unless the Franchisee tenders the defense to the Franchisor in a timely manner as provided for herein.

ARTICLE 5

INITIAL FEE; USE OF INITIAL FEE; APPROVAL OF FRANCHISEE

5.1 INITIAL FEE; USE OF INITIAL FEE

The Franchisee will pay the Franchisor a non-refundable Initial Fee of ~~\$25,000~~[\\$30,000](#) for the first Franchised Territory, and ~~\$12,500~~[\\$10,000](#) for each additional Franchised Territory, on the date this Agreement is executed by the Franchisee.

5.2 FRANCHISOR'S UNILATERAL RIGHT TO REJECT FRANCHISEE

The Franchisor will have the absolute right to reject or disapprove the Franchisee and to cancel this Agreement at any time within 60 days after the date of this Agreement if: (a) the Franchisor determines, in its sole judgment, that any required or other financial, personal or other information provided by the Franchisee to the Franchisor is materially false, misleading, incomplete or inaccurate; or (b) the Franchisor determines, in its sole judgment, that the Franchisee or the Franchisee's General Manager is not qualified or competent to properly manage or operate the Franchisee's Business and such person has failed to successfully complete the Franchisor's training program.

5.3 REFUND OF INITIAL FEE

If the Franchisee is rejected by the Franchisor pursuant to Article [5.2](#), then the Initial Fee paid by the Franchisee pursuant to Article [5.1](#) will be refundable to the Franchisee after the Franchisor deducts all

reasonable administrative and out-of-pocket expenses incurred by the Franchisor including, but not limited to, executives' and employees' salaries, costs for salespersons' commissions, attorneys' fees, accountants' fees, travel expenses, training costs, marketing costs and long distance telephone calls. The Franchisee will be notified by the Franchisor in writing if the Franchisee is disapproved by the Franchisor pursuant to Article 5.2, and the Franchisor will provide the Franchisee with a written accounting of the administrative and out-of-pocket expenses that were incurred by the Franchisor and deducted from the Initial Fee paid by the Franchisee.

ARTICLE 6 CONTINUING FEES

6.1 AMOUNT OF CONTINUING FEES.

In addition to the Initial Fee, the Franchisee will, for the entire term of this Agreement, pay the Franchisor Weekly Continuing Fees based on Franchisee's Gross Revenues for the preceding Week calculated in accordance with this Article 6.1. The Continuing Fees paid by the Franchisee to the Franchisor will not be refundable to the Franchisee under any circumstances.

The Franchisee will pay a Continuing Fee of 1% to 8% of Gross Revenues for each Job. For purposes of this Agreement, a "Job" means the sale of any of the Products and Services in conjunction with the Business to customers or clients by the Franchisee, the Franchisee's employees or independent contractors hired by the Franchisee. If a single individual or entity requests projects at multiple locations, each location where a project is completed will be considered a separate Job. If a project involves multiple phases at the same location, and the time between each respective phase is greater than sixty (60) days, then each phase will be considered a distinct "Job."

For each Job ~~(other than those involving snow plowing services)~~, the Continuing Fee will be based on the price for that Job as follows:

Single-Site Job Price	Continuing Fee for Each Single-Site Job
\$0 to \$2,000	8% of Gross Revenues for Job
\$2,001 to \$4,000	7% of Gross Revenues for Job
\$4,001 to \$6,000	6% of Gross Revenues for Job
\$6,001 to \$8,000	5% of Gross Revenues for Job
\$8,001 to \$10,000	4% of Gross Revenues for Job
\$10,001 to \$15,000	3% of Gross Revenues for Job
\$15,001 to \$50,000	2% of Gross Revenues for Job
\$50,001 to \$100,000	1.5% of Gross Revenues for Job
Greater than \$100,000	1% of Gross Revenues for Job

6.2 FRANCHISEE'S OBLIGATION TO PAY

The Weekly Continuing Fees payable to the Franchisor under this Article will be calculated and paid to the Franchisor by the Franchisee on a Weekly basis during the entire term of this Agreement. The Franchisee's obligation to pay the Franchisor the Continuing Fees pursuant to the terms of this Agreement will be absolute and unconditional, and will remain in full force and effect until the term of this Agreement has expired. The Franchisee will not have the "right of offset" and, as a consequence, the Franchisee will timely pay all Continuing Fees due to the Franchisor under this Agreement regardless of any claims or allegations the Franchisee may allege against the Franchisor.

6.3 DATE PAYABLE

The Franchisee will pay the Weekly Continuing Fees to the Franchisor on or before Monday of each Week for the preceding Week by pre-authorized bank transfer from the Franchisee's account to the account of the Franchisor. Any Continuing Fees not received by the Franchisor on or before Monday of each Week for the preceding Week will be deemed to be past due. The Franchisee's report of Gross Revenues required under [Article 14](#) of this Agreement will be entered into the STARS System ~~on or before Sunday of each Week~~ no later than three (3) days of receiving the Gross Revenue for ~~the preceding Week~~ a Job.

6.4 INTEREST ON UNPAID CONTINUING FEES

If the Franchisee fails to remit the Continuing Fees or any other amounts due to the Franchisor as provided for in this Article, or if Franchisee fails to report Gross Revenues in the STARS System within three (3) days of receiving payment from customers or fails to submit any other requested information, then the amount of the unpaid and past due Continuing Fees will bear simple interest at the rate equal to the lesser of (a) the maximum legal interest rate allowable in the state in which the Franchisee's Business is located, or (b) 18% per annum.

6.5 SERVICE CHARGE

If the Franchisee fails to pay any Continuing Fees or any other amount due under this Agreement within ten days after the due date, including any bounced or returned auto-debit, or fails to ~~submit a required~~ report Gross Revenues in the STARS System within three (3) days of receiving payment from customers, then in addition to the interest payable by the Franchisee as set forth above, the Franchisee will pay the Franchisor a service charge of \$50 per week for any outstanding Continuing Fees and \$25 per week for any other outstanding invoices which will be immediately due and payable.

6.6 COLLECTION COSTS

The Franchisee will pay the Franchisor for any and all costs incurred by the Franchisor in the collection of unpaid and past due Continuing Fees or any other amount due under this Agreement including, but not limited to, the amount of actual attorneys' fees paid by the Franchisor, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees, travel expenses, and interest.

6.7 MINIMUM CONTINUING FEES

Commencing with the first full calendar year following the date of this Agreement, and for each calendar year thereafter for the remaining term of this Agreement, the aggregate amount of Continuing Fees paid by the Franchisee to the Franchisor must meet or exceed the following amounts multiplied by the number of Franchised Territories purchased by the Franchisee: first full calendar year – \$4,000; second full calendar year – ~~\$5,000~~ 6,000; third full calendar year through end of franchise term – ~~\$6,000~~ 8,000 (the "Minimum Annual Continuing Fees"). If the total of the Continuing Fees paid to the Franchisor by the Franchisee in any full calendar year pursuant to Article [6.1](#) is less than the Minimum Annual Continuing Fee amount set forth in this Article [6.7](#), then the Franchisee must pay to the Franchisor the difference between the Minimum Annual Continuing Fee and the Continuing Fees actually paid by the Franchisee. The payment of such amount will be made by pre-authorized bank transfer from the Franchisee's account to the Franchisor's account on or before January 31 of the year following the year in which the Franchisee has paid less than the applicable Minimum Annual Continuing Fee amount.

ARTICLE 7 ADVERTISING

7.1 APPROVAL OF ADVERTISING

The Franchisee will use its best efforts to advertise and promote its Business. All concepts, materials or media proposed by the Franchisee for any advertising, promotion, marketing or public relations program or

campaign must have the Franchisor's prior written approval. The Franchisee will not permit any third party (including any business) to advertise the Franchisee's business, services or products (including the Jet-Black® Products) without obtaining the Franchisor's prior written approval.

7.2 LOCAL ADVERTISING

Commencing with the first full calendar year following the date of this Agreement, and for each calendar year thereafter for the remaining term of this Agreement, the Franchisee will spend \$10,000 multiplied by the number of Franchised Territories purchased by the Franchisee for that calendar year (the "Minimum Annual Advertising Amount"), for approved advertising and promotion, as described in the Manuals, within the Franchisee's Franchised Territories. Expenditures by the Franchisee required pursuant to Article [7.3](#) to participate in marketing programs required by the Franchisor may be applied toward the Minimum Annual Advertising Amount. On or before January 31 of each year, the Franchisee will furnish to the Franchisor, in the form prescribed by the Franchisor, an accurate accounting of the Franchisee's expenditures for approved advertising and promotion during the previous year.

~~**7.3 TELEPHONE DIRECTORY LISTING**~~

~~The Franchisee will, at its expense, continually maintain a basic business listing in the Yellow Pages under the listing of "Sealeoating, Asphalt, or Paving," or such other listings as may be designated by the Franchisor in writing. The format, size and content of the listings will conform in all respects to the standards established by the Franchisor from time to time. Expenditures made by the Franchisee for Yellow Pages advertising will be in addition to all other advertising requirements of the Franchisee that are set forth in this Agreement. The use of a cell phone or other unpublished line as the primary phone number for the Franchisee's Business is prohibited.~~

7.3 PARTICIPATION IN MARKETING PROGRAMS

The Franchisee will participate in all direct mail marketing, customer survey, Internet marketing and other local marketing and promotional programs which are required by the Franchisor as designated from time to time in the Manuals or otherwise designated by the Franchisor from time to time in writing. To the extent allowed by law, this includes a requirement that Franchisee must sell its products at the prices and discounts advertised or promoted pursuant to programs established by Franchisor. The Franchisee will pay the Franchisor, or the designated provider of marketing and promotional programs at the direction of the Franchisor, for all costs associated with printing and mailing direct mail marketing materials to the Franchisee's customers and for all other costs associated with directing the required marketing and promotional materials to the Franchisee's customers, including a grand opening campaign. The Franchisee's costs for participating in these marketing and promotional programs may be applied by the Franchisee to its local advertising expenditures required pursuant to Article [7.2](#) of this Agreement.

ARTICLE 8 CONFIDENTIAL MANUALS AND OTHER INFORMATION

8.1 COMPLIANCE WITH MANUALS

In order to protect the reputation and goodwill of the Franchisor, and to maintain uniform operating standards under the Marks and the Business System, the Franchisee will at all times during the term of this Agreement conduct its Business in accordance with mandatory requirements described in the Manuals. The Franchisor will provide the Franchisee with access to the Manuals electronically through the STARS System. Any required specifications, standards and operating procedures exist to protect the Franchisor's interests in the Business System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to the Franchisee.

8.2 CONFIDENTIALITY OF MANUALS

The Manuals and all supplements, changes and modifications to the Manuals will remain the sole and exclusive property of the Franchisor. The information contained in the Manuals constitutes Confidential Information, and the Franchisee will at all times during the term of this Agreement and thereafter treat the Manuals, any other manuals created for or approved for use in the operation of the Franchisee's Business, and the information contained therein as secret and confidential, and the Franchisee will use all reasonable means to keep such information secret and confidential. Neither the Franchisee nor any employees of the Franchisee will: (a) make any copy, duplication, record or reproduction of the Manuals, or any portion thereof, available to any unauthorized person; or (b) use the Manuals or any information contained therein in connection with the operation of any other business or for any purpose other than in conjunction with the operation of the Franchisee's Business.

Notwithstanding any other provision of this Agreement or the Manuals, Franchisee may, in accordance with any applicable law which includes but is not limited to the federal Defend Trade Secrets Act, disclose Confidential Information (a) in confidence, to federal, state, or local government officials, or to its attorney of, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure.

8.3 REVISIONS TO MANUALS

The Franchisor has the right to revise the Manuals at any time during the term of this Agreement as the Franchisor, in its sole judgment, deems necessary to: (a) improve the standards of service or the products offered for sale under the Business System; (b) protect the goodwill associated with the Marks; or (c) improve the operation or efficiency of the Franchisee's Business. The Franchisee expressly agrees to operate its Business in accordance with all such required revisions. The Franchisee will at all times keep the Manuals current and up-to-date, and in the event of any dispute regarding the Manuals, the terms of the Manuals maintained electronically ~~on the STARS System~~ by the Franchisor will be controlling in all respects.

8.4 CONFIDENTIALITY OF OTHER INFORMATION

The Franchisor will be disclosing and providing to the Franchisee certain Confidential Information. The Franchisee will not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any person or entity any Confidential Information which may be communicated to the Franchisee, or of which the Franchisee may be apprised by virtue of this Agreement. The Franchisee will divulge Confidential Information only to its employees who must have access to it in order to operate the Business. Neither the Franchisee nor any employees of the Franchisee will make any copy, duplication, record or reproduction or any of Confidential Information available to any unauthorized person. Any Customer Data (as defined in Article 12.22) developed by either the Franchisor or the Franchisee and any information designated as Confidential Information by the Franchisor will be and remain the sole and exclusive property of the Franchisor.

8.5 TRADE SECRETS

Franchisee understands and agrees that he/she will come into possession of certain of Franchisor's trade secrets concerning the manner in which it conducts business including, but not necessarily limited to: methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; software; and Franchisor's materials clearly marked or labeled as trade secrets. Franchisee agrees that the forgoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to Franchisor. Franchisee agrees that Franchisor derives independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper

means by, another person. Franchisee agrees to take reasonable measures to keep such information secret. Upon termination of this Agreement, Franchisee will not use, sell, teach, train or disseminate in any manner to any other person, firm, corporation or association any trade secret pertaining to Franchisor's business and/or the manner in which it is conducted.

8.6 ARTIFICIAL INTELLIGENCE

Franchisee will not, without Franchisor's prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("Generative AI") directly or indirectly in the operation of the Business, including without limitation, in advertising, promotion, or marketing of the Business or the Jet-Black® business, communications with customers, business planning, analysis or optimization, or in any social media. Franchisee acknowledges and agrees not to upload or share any Confidential Information (including any inputs of information containing trade secrets, sensitive confidential information or personal information) with any unapproved third-party platforms, including Generative AI, except as authorized in writing by Franchisor. In addition, Franchisee shall prohibit its employees from using any Confidential Information in Generative AI. In the event Franchisee utilizes any Generative AI, with or without Franchisor's prior approval, Franchisee shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon the intellectual property of a third party, or use such intellectual property without appropriate authorization and attribution.

8.7 CONFIDENTIALITY AGREEMENTS

All of the Franchisee's employees who have access to the Manuals, the STARS System, or any other Confidential Information, must sign agreements in a form satisfactory to the Franchisor agreeing to maintain the confidentiality, during the course of their employment and thereafter, of all information copyrighted or designated by the Franchisor as Confidential Information. Copies of all such executed agreements will be submitted to the Franchisor upon request.

8.8 REMEDIES

The Franchisee acknowledges that the provisions of this Article are reasonable and necessary for the protection of the Franchisor and the Franchisor's franchisees. If the Franchisee violates any of the provisions contained in this Article, then the Franchisor will have the right to: (a) terminate this Agreement as provided for in Article 17; (b) seek injunctive relief from a court of competent jurisdiction; (c) commence an action or lawsuit against the Franchisee for damages; and (d) enforce all other remedies or take such other actions against the Franchisee that are available to the Franchisor under this Agreement, common law, in equity and any federal or state laws.

ARTICLE 9 TRAINING PROGRAM

9.1 MANAGEMENT TRAINING

The Franchisor will provide a training program for the Franchisee and the Franchisee's General Manager, in ~~Minneapolis~~Savage, Minnesota, or at such other location as may be designated by the Franchisor, to educate, familiarize and acquaint them with the Business System and the operations of the Business. The Franchisee and the Franchisee's General Manager must successfully complete the classroom and on-the-job training program prior to providing any Products and Services to customers. The training program, which will be scheduled by the Franchisor, will be for a minimum of three days. In the event the Franchisor determines that the Franchisee or the Franchisee's General Manager has failed to successfully complete the Franchisor's training program within 60 days of the date of this Agreement, then such person will not be permitted or authorized to participate in the management of the Franchisee's Business and the Franchisor will have the right to reject the Franchisee pursuant to Article ~~5.2~~. ~~In addition, the Franchisee must attend the National Pavement Expo within 2 years of the Effective Date~~5.2.

9.2 PAYMENT OF TRAINING EXPENSES; RELEASE OF CLAIMS

During the training program, the Franchisee will pay all Training Expenses for the Franchisee and all other persons who attend the training program on behalf of the Franchisee. The Franchisee, for itself and all persons who attend the training program on behalf of the Franchisee, hereby releases and agrees to hold harmless the Franchisor, and its officers and directors, from and against any and all claims, liability, damages, or causes of action of any nature arising from the participation and attendance by the Franchisee (or its designated training attendees) in the Franchisor's training program.

ARTICLE 10 APPROVAL TO OPEN

The Franchisee will not open and commence initial business operations until the Franchisor has given the Franchisee written approval to commence operation of the Franchisee's Business. Upon the written request of the Franchisee, the Franchisor will provide opening assistance to its General Manager and/or Estimator; however, the Franchisee will be required to pay the Franchisor the then-current charge imposed by the Franchisor for such additional opening assistance, and will pay for the travel, room and board and other expenses incurred by the individual or individuals employed or retained by the Franchisor who provide such additional opening services to the Franchisee.

ARTICLE 11 FRANCHISOR'S OBLIGATIONS

11.1 BUSINESS SYSTEM

Consistent with the Franchisor's uniformity requirements and quality standards, the Franchisor or its authorized representative will: (a) designate the source, if any, from which the Franchisee must purchase products; (b) upon request, provide the Franchisee with a written schedule of all trucks, trailers, supplies and equipment which are necessary and required for the operation of the Franchisee's Business; (c) upon request, provide the Franchisee with a list of designated or approved suppliers for the goods and services necessary and required for the Franchisee's Business; (d) make available to the Franchisee basic accounting and business procedures for use by the Franchisee in its Business; (e) make advertising and marketing recommendations; (f) review the Franchisee's Business as often as the Franchisor deems necessary and render written reports to the Franchisee as deemed appropriate by the Franchisor; (g) provide the Franchisee with the Manuals and any supplements and modifications to the Manuals that may be published by the Franchisor from time to time; and (h) upon the reasonable written request of the Franchisee, and if Franchisor determines (in its sole judgment) it is necessary, render advisory services by telephone or in writing pertaining to use of the Business System and the operation of the Franchisee's Business.

11.2 CONSULTING SERVICES

During the term of this Agreement, the Franchisor will, upon the reasonable written request of the Franchisee, provide consulting services to the Franchisee ~~in the Franchised Territories~~ regarding marketing, advertising and promotional issues, operational issues, accounting matters, personnel issues, and other business matters or special projects relating to the Business ("Consulting Services"). ~~The Franchisee will pay the Franchisor the then current charge imposed by the Franchisor for~~ Such Consulting Services ~~and may be required~~ will be provided at a time and place chosen by Franchisor in its sole discretion, which location may require the Franchisee to travel to the Franchisor's location to complete any additional training or consulting on Franchisee's Business. The Franchisor does not currently charge for Consulting Services but reserves the right to do so at any point in the future.

ARTICLE 12
QUALITY CONTROL UNIFORMITY
AND STANDARDS REQUIRED OF FRANCHISEE

12.1 QUALITY AND SERVICE STANDARDS

The Franchisor will promulgate, from time to time, uniform standards of quality and service regarding the business operations of the Franchisee's Business so as to protect and maintain (for the benefit of all Jet-Black® franchisees and the Franchisor) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the Business System. Accordingly, to ~~insure~~ensure that all Jet-Black® franchisees will maintain and adhere to the uniformity requirements and quality standards for the products and services associated with the Marks and the Business System, the Franchisee agrees to maintain the uniformity and quality standards required by the Franchisor for all products and services associated with the Marks and the Business System and agrees to the following terms and conditions to assure that all Businesses will be uniform in nature and will sell and dispense quality products and services to the public. The Franchisee may not own or operate any other business in connection with its Business. An Owner of the Franchisee may own and operate a business separate from the Business, provided that the operation of the business does not violate Article 20.2 of this Agreement, the business is owned and operated by an entity other than the Franchisee and the business does not use the same phone number or directory listing as the Business.

12.2 IDENTIFICATION OF BUSINESS

The Franchisee will operate the Business so that it is clearly identified and advertised as a Business. The style and form of the words "Jet-Black®" and the Marks used in any advertising, marketing, public relations, telemarketing or promotional program or campaign must have the prior written approval of the Franchisor. The Franchisee will use the name "Jet-Black®," the approved logo and all graphics commonly associated with the Business System and the Marks which now or hereafter may form a part of the Franchisor's Business System, on all trucks, vehicles, trailers, equipment, uniforms, advertising, public relations and promotional materials, signs, video tapes, stationery, paper supplies, business cards and other materials used in the Franchisee's Business in the identical combination and manner prescribed by the Franchisor in writing. The Franchisee will not use or advertise any name or mark other than the Marks and the Franchisee's individual or corporate name on any vehicle or materials used in connection with the Franchisee's Business without the Franchisor's prior written consent. The Franchisee will, at its expense, comply with all legal notices of registration and all trademark, trade name, service mark, copyright, patent and other notice markings that are required by the Franchisor or by applicable law.

12.3 COMPLIANCE WITH STANDARDS

The Franchisee will operate its Business and use the Marks and the Business System in strict compliance with the standards, quality standards, operating procedures, policies, specifications, requirements and instructions required by the Franchisor, as set forth in the Manuals or otherwise, and as amended and supplemented by the Franchisor from time to time.

12.4 FRANCHISEE'S NAME

The Franchisee will not use the words "Jet-Black®" or any of the Marks in its corporate, partnership or sole proprietorship name or in any email address or Internet domain name. The Franchisee will hold itself out to the public as an independent contractor operating its Business pursuant to a franchise from the Franchisor. Whenever practical, the Franchisee will clearly indicate on its business checks, stationery, business cards, invoices, receipts, video tapes, advertising, public relations and promotional materials, and other written materials that the Franchisee is a franchisee of the Franchisor. The Franchisee will ~~display signs on the Franchisee's trucks which are clearly visible to the general public indicating~~indicate that the Franchisee's Business is independently owned and operated as a franchised business in the manner the Franchisor directs. The Franchisee will file for a certificate of assumed name in the manner required by applicable

state law so as to notify the public that the Franchisee is operating its Business as an independent business pursuant to this Agreement.

12.5 TRUCKS, TRAILERS, SUPPLIES AND EQUIPMENT

The Franchisee will obtain and pay for the trucks, trailers, supplies and equipment required by the Franchisor and used by the Franchisee for the operation of its Business. The trucks, trailers, supplies and equipment used in the Business must conform to the quality standards and uniformity requirements established by the Franchisor from time to time. All trucks and trailers must display all required Jet-Black® logos and Marks, the Franchisee's primary business phone number, and the web address, www.jet-black.com, in the form the Franchisor requires. All replacement trucks, trailers, supplies, equipment and other items used in the Business by the Franchisee must comply with the Franchisor's then-current standards and specifications and Franchisee may be required to obtain trucks, trailers or other supplies from Franchisor.

12.6 APPROVED ADVERTISING AND PROMOTION

The Franchisee will not conduct any media advertising, promotion, marketing, public relations or telemarketing programs or campaigns for its Business unless or until the Franchisor has given the Franchisee prior written approval for all concepts, materials or media proposed for any media advertising, promotion, marketing, public relations or telemarketing program or campaign. The Franchisee will not, and will not permit any third party to, advertise any business, services or products other than the Business through or in connection with the Franchisee's Business without obtaining the prior written approval of the Franchisor.

12.7 SIGNS

The Franchisee will only display signs that have been approved by the Franchisor in writing, and will not use or display any signs of any kind or nature on the Franchisee's trucks or in connection with the Franchisee's Business without obtaining the written approval of the Franchisor prior to their installation or use.

12.8 MAINTENANCE OF TRUCKS AND EQUIPMENT

The Franchisee will, at its expense, obtain at least one truck and one trailer for each Franchised Territory which meet the Franchisor's requirements for appearance (including required decals) and equipment for use in connection with the Franchisee's Business. The Franchisee will at all times repair and keep in good working order and appearance all trucks, trailers and equipment used in the Franchisee's Business in accordance with the Franchisor's quality standards. The Franchisee will replace all equipment, supplies, trucks and trailers as such items become worn-out or in disrepair with replacements which comply with the Franchisor's then-current standards and specifications.

12.9 LIMITATIONS ON PRODUCTS AND SERVICES AND SERVICE STANDARDS

The Franchisee will promote and sell only those products and services approved by the Franchisor in writing and will offer for sale all Products and Services prescribed by the Franchisor. The Franchisee will conform to all customer service standards and policies prescribed by the Franchisor, including that Franchisee agrees to observe the highest standards of honesty, integrity, and fair dealing, as well as engage in prompt, courteous, respectful, and professional services and communication, in all dealings with customers, clients, vendors, suppliers and other third parties, and the Franchisor. The Franchisee must respond to client inquiries in a responsive manner. The Franchisee will have the absolute right to sell all products and services to its customers and clients at whatever prices and on whatever terms it deems appropriate.

12.10 APPROVED SUPPLIERS

The Franchisee will purchase from suppliers approved in writing by the Franchisor (which may be the Franchisor or its affiliates) those products, goods, machinery, signs, trucks, trailers, supplies, advertising materials and campaigns, equipment and services (sometimes referred to in this Agreement as “goods and services”) which are to be used or sold by the Franchisee and which the Franchisor determines must meet the standards of quality and uniformity required to protect the valuable goodwill and uniformity symbolized by and associated with the Marks and the Business System. ~~Subject to Article 12.11 below, The Franchisee will have the right and option to purchase these goods and services from other suppliers provided that such goods and services conform in quality to the Franchisor’s standards and specifications. If the Franchisee desires to purchase any goods or services from such other suppliers, then the Franchisee must, at its expense, submit samples and specifications to the Franchisor for review and/or testing to determine whether the goods and services comply with the Franchisor’s standards and specifications. The written approval of the Franchisor must be obtained by the Franchisee prior to the time that any previously unapproved goods and services are sold by or used by the Franchisee.~~

The Franchisee will have the right and option to purchase these goods and services from other suppliers provided that such goods and services conform in quality to the Franchisor’s standards and specifications. If the Franchisee desires to purchase any goods or services from such other suppliers, then the Franchisee must, at its expense, submit samples and specifications to the Franchisor for review and/or testing to determine whether the goods and services comply with the Franchisor’s standards and specifications. The written approval of the Franchisor must be obtained by the Franchisee prior to the time that any previously unapproved goods and services are sold by or used by the Franchisee.

~~12.11 DESIGNATED SOURCE~~

The Franchisee must purchase only from the Franchisor, or such other source as may be designated in writing by the Franchisor, certain products and printed advertising materials including, but not limited to, ~~work cards,~~ estimate cards, direct mail cards, pre-pay letters, commercial flyers, door-to-door cards, purple cards, yard signs, banner tape, decals, business cards, ~~newspaper inserts,~~ letterhead, and more. The Franchisee will, at the request of the Franchisor, pay for all printed advertising materials or other products purchased from the Franchisor, on the date the set forth by Franchisor ~~ships the products to the Franchisee,~~ by pre-authorized direct bank transfer from the Franchisee’s account to the Franchisor’s account. Further, all pre-paid and direct mail campaigns must go through the Franchisor. ~~In addition, the Franchisor has the right to require the Franchisee to purchase from designated suppliers (including a single source which may be the Franchisor or its affiliate) certain products and services designated in writing by the Franchisor which are to be used or sold by the Franchisee and which the Franchisor determines must meet the standards of quality and uniformity required to protect the valuable goodwill and uniformity symbolized by and associated with the Marks and the Business System.~~

If the Franchisor elects to designate one or more suppliers of certain products and/or services pursuant to this Article ~~12.11~~12.10, the Franchisor will not approve other suppliers of such items. Notwithstanding ~~Articles this Article 12.10 and 12.11,~~ the Franchisor reserves the right to establish different designated suppliers and/or approved suppliers for different Jet-Black® franchisees including, but not limited to, the Franchisee, based on the location of their respective Franchised Territories.

12.11 COMPLIANCE WITH APPLICABLE LAWS AND MEMBERSHIPS

The Franchisee will, at its expense, comply with all applicable federal, state, city, local and municipal laws, ordinances, rules and regulations pertaining to the operation of the Business including, but not limited to, health and safety regulations, all environmental laws, all laws relating to labor and employment, all discrimination laws, all sexual harassment laws and all laws relating to the disabled. Without limiting the preceding sentence, the Franchisee will, at its expense, consult an attorney to obtain advice with regard to the Franchisee’s compliance with all federal and state environmental laws, OSHA laws, licensing laws, and

all other laws relating to the application, storage and disposal of products used by the Franchisee in its Business. ~~The Franchisee will, at its expense, become a member of its local Better Business Bureau (“BBB”) and maintain good standing with the BBB during the entire terms of this Agreement.~~ The Franchisee will, at its expense, be absolutely and exclusively responsible for determining the licenses and permits required by law for the Franchisee’s Business, for filing, obtaining and qualifying for all such licenses and permits, and for maintaining all necessary licenses and permits throughout the term of this Agreement. Further, without limiting the preceding sentences, the Franchisee agrees that it has had an opportunity to obtain legal advice regarding, and currently complies with, all applicable legal requirements that prohibit unfair, fraudulent or corrupt business practices, including U.S. and other legal requirements that are designed to combat terrorism and terrorist activities. In addition, neither the Franchisee nor any holder of an ownership interest in the Franchisee is named as a “specially designated national” or “blocked person” (or other similar classification) as designated by the United States Department of the Treasury’s Office of Foreign Assets Control (or other applicable government agency). Notwithstanding any rights or obligations set forth herein, no part of this Agreement shall be read to require you to engage in acts or practices that violate any law.

12.12 PAYMENT OF OBLIGATIONS

The Franchisee will timely pay all of its uncontested and liquidated obligations and liabilities due and payable to the Franchisor, and to the suppliers, lessors and creditors of the Franchisee.

12.13 PAYMENT OF TAXES

The Franchisee will be absolutely and exclusively responsible and liable for the prompt filing and payment of all federal, state, city and local taxes including, but not limited to, individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, unemployment taxes, inventory taxes, personal property taxes, real estate taxes and other taxes payable in connection with the Franchisee’s Business (hereinafter referred to as “Taxes”). The Franchisor will have no liability for the Taxes which arise or result from the Franchisee’s Business and the Franchisee will indemnify the Franchisor for any such Taxes that may be assessed or levied against the Franchisor which arise or result from the Franchisee’s Business. It is expressly understood and agreed by the Owners that their personal guaranty applies to the prompt filing and payment of all Taxes which arise or result from the Franchisee’s Business.

12.14 REIMBURSEMENT OF FRANCHISOR FOR TAXES

In the event any “franchise” or other tax which is based upon the Gross Revenues, receipts, sales, business activities or operation of the Franchisee’s Business is imposed upon the Franchisor by any taxing authority, then the Franchisee will reimburse the Franchisor in an amount equal to the amount of such taxes and related costs imposed upon and paid by the Franchisor. The Franchisee will be notified in writing if the Franchisor is entitled to reimbursement for the payment of such taxes and, in that event, the Franchisee will pay the Franchisor the amount specified in the written notice within ten days of the date of the written notice.

12.15 STANDARD ATTIRE

The Franchisee will require its employees to wear the standard attire or uniforms which have been established and approved by the Franchisor and will wear the safety or protective clothing or equipment designated by the OSHA.

12.16 PERSONNEL

The Franchisee will at all times have a General Manager on duty who is responsible for supervising the employees and the business operations of the Franchisee’s Business. The initial General Manager must have successfully completed the Franchisor’s training program in accordance with Article 9.1. Any

replacement General Manager must successfully complete any replacement General Manager training required by the Franchisor within 60 days of the date of hire. The Franchisee will have a sufficient number of adequately trained and competent personnel on duty to guarantee efficient service to the Franchisee's customers and clients in conformity with the Franchisor's standards.

12.17 FRANCHISOR'S INSPECTION RIGHTS

The Franchisor will have the absolute right to interview the Franchisee's employees and customers, to take photographs and videotapes of the Franchisee's trucks and of the work being performed by the Franchisee's employees on the Franchisee's customers' premises at all times during normal business hours, to examine representative samples of the goods and products sold or used in the Franchisee's Business and to evaluate the quality of the services provided by the Franchisee to its customers and clients. The Franchisor will have the right to use all interviews, photographs and videotapes of the Business for such purposes as the Franchisor deems appropriate including, but not limited to, use in training, advertising, marketing and promotional materials, and as evidence in any court or arbitration proceeding. The Franchisee will not be entitled to, and hereby expressly waives, any right that it may have to be compensated by the Franchisor, its advertising agencies, or other Jet-Black® franchisees for any use of such interviews, photographs or videotapes.

12.18 SECURITY INTEREST

This Agreement and the franchise granted to the Franchisee hereunder may not be the subject of a security interest, lien, levy, attachment or execution by the Franchisee's creditors, any financial institution or any other party, except with the prior written approval of the Franchisor.

12.19 NOTICES OF DEFAULT; LAWSUITS OR OTHER CLAIMS

The Franchisee will immediately deliver to the Franchisor a copy of any notice of default received from any mortgagee, trustee under any deed of trust, contract for deed holder, lessor or any other party with respect to the Business and copies of all written notifications of any lawsuits, consumer claims, employee claims, federal or state administrative or agency proceedings or investigations or other claims, actions or proceedings relating to the Franchisee's Business. Upon request from the Franchisor, the Franchisee will provide such additional information as may be required by the Franchisor regarding the alleged default, lawsuit, claim, action, investigation or proceeding, and any subsequent action or proceeding in connection with the alleged default, lawsuit, claim, action, investigation or proceeding.

12.20 TELEPHONE EQUIPMENT

Upon the Effective Date of this Agreement, Franchisor will establish a Google Business location on behalf of Franchisee's Business. The Franchisee will, at its sole expense, at all times maintain a dedicated mobile phone line or land telephone line with a telephone number and listing dedicated solely and exclusively to the Business, which will be included in the Business' Google Business listing. The Franchisee will, at its expense, maintain standard telephone equipment as well as a voice mail system, ~~mobile telephone (in addition to the dedicated land line), paging equipment~~ and/or wireless communication devices which will be used exclusively for the Business and which must at all times meet the Franchisor's then-current standards and specifications.

12.21 TECHNOLOGY

The Franchisee will use in the Business the STARS System, or another software program the Franchisor designates, including all existing or future communication or data storage systems, components thereof and associated hardware and services, which the Franchisor has developed and/or selected for the System (the "Software"). The Software used in the Franchisee's business includes proprietary modifications to third-party software developed by or for the Franchisor, and the Software is the confidential property of the Franchisor. The Franchisor will host the Software and the Franchisee will access the Software over the

Internet. The Franchisor will strive to provide continuous access to the Software, but the Franchisor will have no liability related to Software downtime, whether scheduled or unscheduled.

The Franchisor also may access financial information and customer data produced by or otherwise located on the Software (collectively the “Customer Data”). The Customer Data includes customers’ and potential customers’ addresses, phone numbers, emails and any driveway measurements acquired. All Customer Data must be entered into the STARS System within seven days after the Franchisee acquires such Data. The Franchisor owns the Customer Data that is stored on the Software. The Franchisee will have in its Business the computer hardware and form of Internet connection as specified by the Franchisor. The Franchisee will use an email address designated by the Franchisor for communication with the Franchisor. The Franchisor has the right to designate a single source from whom the Franchisee must purchase any software or hardware components or associated services, and Franchisor or its affiliates may be that single source. The Franchisor has the right to update and/or replace the Software. In such event, the Franchisee may be required to enter into a separate computer software license agreement. The Franchisee will be required to use and, at the Franchisor’s discretion, pay for all future updates, licensee fees, supplements and modifications to the Software or any replacement program. The Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies the Franchisor periodically may establish. The Franchisee must notify the Franchisor immediately of any suspected breach at or in connection with the Business.

The Franchisor has the right to charge the Franchisee the then-current fee for use of the Software (“Software Fee”) for licensing the Software. ~~Currently, The Franchisor charges a one-time~~ does not currently charge a Software Fee of \$350, but may charge up to \$500 per year for licensing the Software. The Franchisor has the right to charge the Franchisee the then-current monthly or annual fee (“Technology Fee”) for access and for support, hosting, database and other services related to the Software. Currently, the Franchisor charges \$550 per year plus \$100 for each additional Franchised Territory owned by Franchisee for the Technology Fee, but the Franchisor has the right to increase this annual support fee up to 25% per Franchised Territory per year upon 60 days’ written notice to the Franchisee. Franchisee must pay any additional then-current annual or monthly fee associated with the use of the Software or the STARS System, in addition to the monthly support fee paid to the Franchisor. The Franchisor also has a right to charge additional monthly or annual fees for the use of any Software required for the Business and for any access to the STARS System.

It is the Franchisee’s responsibility to protect itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and the Franchisee waives any and all claims the Franchisee may have against the Franchisor as the direct or indirect result of such disruptions, failures and attacks.

12.22 JET-BLACK® HOME PAGE

The Franchisor will establish and maintain an Internet website or home page (the “Jet-Black® Home Page”) to advertise and promote the Businesses, including the Franchisee’s Business. The Franchisor has the right to determine all features of the Jet-Black® Home Page, including the domain name, content, format, and links to other websites. The Franchisor also has the right to modify, suspend or temporarily or permanently discontinue the Jet-Black® Home Page at any time. The Franchisor and its affiliates will have the sole right to advertise Businesses on the Internet, to sell merchandise directly to retail and/or wholesale customers via the Internet under the “Jet-Black®” name and the Marks, to create a website or home page containing the “Jet-Black®” name and the Marks, and to use “jet-black.com,” “yellowdawgstriping.com,” or “bluedawgpowerswash.com” or any derivative or related domain names. The Franchisee will not establish or maintain a website or home page on the Internet or establish a social media account for its Business, and will not use any of the Marks in any Internet website ~~or~~, home page, or social media account, without the Franchisor’s prior written consent. Franchisee’s general conduct (if authorized by the Franchisor) on any website, home page or other on-line communication systems (including any use of the Marks) is subject to any rules or restrictions imposed by Franchisor. Further, the Franchisee may not market, advertise or

promote its Business or conduct any business on the Internet (or any other existing or future form of electronic communication) without the Franchisor's prior written approval, including without limitation using social and professional networking sites, email marketing or other digital marketing to promote the Franchisee's Business.

12.23 OPERATION OF BUSINESS

Any required standards exist to protect the Franchisor's interest in the Business System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to the Franchisee. The Franchisee will be totally and solely responsible for the operation of its Business, and will control, supervise and manage all the employees, agents and independent contractors who work for or with the Franchisee. The Franchisee will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations. The Franchisor will have no right, obligation or responsibility to recommend, interview, hire, discipline, control, supervise or manage or terminate the Franchisee's employees, agents or independent contractors.

12.24 NATIONAL/REGIONAL ACCOUNTS

The Franchisee agrees to follow the policies and procedures with respect to National/Regional Accounts as set forth in the Manuals from time to time. The Franchisor has the right to charge the Franchisee a fee or to require the Franchisee to pay commissions for the generation of National/Regional Account leads. For purposes of this Agreement, a "National/Regional Account" means any customer who has locations in the territories of more than one Jet-Black® franchisee.

12.25 CREDIT CARD PAYMENT

The Franchisee must allow all of its customers to pay by credit card. In addition, the Franchisee must allow all of its customers to pay online through a credit card processor that the Franchisee elects or through the Franchisor for a processing fee. Franchisee must comply with all Payment Card Industry Data Security Standards and all other industry standards for the accepting and processing of credit card payments. The franchisee must otherwise comply with rules of participation as may be established by the Franchisor through the Manuals or other forms of communication.

12.27 NON-COMPLIANCE FEE

The Franchisee must pay the Franchisor a "Non-Compliance Fee" if the Franchisee fails to comply on a timely basis with certain obligations under this Agreement and/or the Manuals. The Non-Compliance Fee is charged as consideration for the expenses the Franchisor incurs in addressing the Franchisee's failure to comply with the terms of this Agreement and the Manuals. All Non-Compliance Fees shall be imposed according to the schedule stated in the Manuals. The fees described in this Section 12.27 shall in no way limit our rights to put you in default or terminate this Agreement.

12.28 MINIMUM DEVELOPMENT REQUIREMENT

After the first partial calendar year of operations, the Franchisee must own and actively operate at least one approved truck and trailer for every \$200,000 in Gross Revenue that the Franchisee generated the previous calendar year. If the Franchisee fails to purchase the required number of trucks based on the previous calendar year's Gross Revenue by February 28th of such calendar year, the Franchisor has the right, but is not required to: (i) modify or reduce the size of the Franchised Territories; or (ii) terminate this Agreement. This remedy is in addition to all other rights and remedies under this Agreement and applicable law. An "approved truck and trailer" is a custom Jet-Black® trailer system or other 3rd party trailer system that Franchisor approves with a truck capable of pulling the trailer, or a third-party all-in-one truck/sealcoating system Franchisor approves.

ARTICLE 13 INSURANCE

13.1 GENERAL LIABILITY INSURANCE

The Franchisee will procure and maintain in full force and effect, at its sole cost and expense, general liability insurance with coverage of at least \$500,000 insuring the Franchisee, the Franchisor and their respective officers, directors, agents and employees from and against any and all loss, liability, claim or expense of any kind whatsoever, including errors and omissions, bodily injury, personal injury, death, property damage, products liability and all other damages resulting from the condition, operation, use, business or occupancy of the Business and the Franchisee's office.

13.2 VEHICLE INSURANCE

The Franchisee will procure and maintain in full force and effect, at its sole cost and expense, automobile liability insurance with coverage of at least \$500,000 insuring the Franchisee, the Franchisor and their respective officers, directors, agents and employees from any and all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation or maintenance of all automobiles, trucks, trailers or vehicles owned by the Franchisee or used by the Franchisee or any of the Franchisee's employees (including vehicles or trailers owned or leased by any employee of the Franchisee) in connection with the Franchisee's Business.

13.3 PROPERTY INSURANCE; FIRE AND EXTENDED COVERAGE

The Franchisee will procure and maintain in full force and effect, at its sole cost and expense, "all risks" property insurance coverage, which must include fire and extended coverage, for the inventory, machinery, equipment and fixtures and furnishings owned or leased by the Franchisee and used by the Business. The Franchisee's property insurance policy (including fire and extended coverage) must have coverage limits of at least "replacement" cost.

13.4 UMBRELLA LIABILITY INSURANCE

The Franchisee will procure and maintain in full force and effect, at its sole cost and expense, "umbrella" liability insurance with coverage of at least \$1,000,000 insuring the Franchisee, the Franchisor and their respective officers, directors, agents and employees from and against any and all loss, liability, claim or expense of any kind whatsoever in excess of the coverages obtained pursuant to Article [13.1](#) and [13.2](#) above.

13.5 OTHER INSURANCE

The Franchisee will, at its sole cost and expense, procure and maintain all other insurance required by state or federal law, including workers' compensation insurance for its employees, as well as all insurance required under any lease, mortgage, deed of trust, contract for deed or any other legal contract in connection with the Business.

13.6 INSURANCE COMPANIES; EVIDENCE OF COVERAGE

All insurance companies providing coverage to the Franchisee and the Franchisee's Business must be acceptable to and approved by the Franchisor, and must be licensed in the state where coverage is provided. The Franchisee will provide the Franchisor with certificates of insurance or other proof of insurance required by Franchisor, evidencing the insurance coverage required pursuant to this Article no later than the date the Franchisee opens for business, and the Franchisee will immediately provide Franchisor such proof of insurance in the form required by Franchisor upon expiration, change or cancellation of any insurance policy.

13.7 DEFENSE OF CLAIMS

All liability insurance policies procured and maintained by the Franchisee will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against the Franchisee, the Franchisor, and their respective officers, directors, employees and agents.

13.8 FRANCHISOR'S RIGHTS

All insurance policies procured and maintained by the Franchisee pursuant to this Article will name the Franchisor, its affiliates, and their respective officers, directors, and employees as additional named insured, will contain endorsements by the insurance companies waiving all rights of subrogation against the Franchisor, ~~and~~ will stipulate that the Franchisor will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least 30 days prior to the effective date of such cancellation, nonrenewal or coverage change, and will, as applicable, include primary and non-contributory endorsement or language in form and content as Franchisor periodically requires. The Franchisor may periodically increase the amounts of coverage required under such insurance policies and/or required different or additional kinds of insurance with 90 days' notice to the Franchisee. The Franchisee's obligation to obtain and maintain the insurance policies described above in the amounts specified will not be limited in any way by reason of any insurance that the Franchisor may maintain, nor does the Franchisee's procurement of required insurance relieve the Franchisee of liability under the indemnity obligations described in Article 22. The Franchisee's insurance procurement obligations under this Article are separate and independent of the Franchisee's indemnity obligations. The Franchisor does not represent or warrant that any insurance that the Franchisee is required to purchase will provide adequate coverage for the Franchisee. The requirements of insurance specified in this Agreement are for the Franchisor's protection. The Franchisee should consult with its own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by the Franchisor.

13.9 MATERIAL BREACH

The Franchisee's failure to comply with the provisions of this Article will be deemed to be a material breach of this Agreement and the Franchisor will have the right, but not the obligation, to procure on behalf of the Franchisee and the Franchisee's Business, any and all insurance required under this Agreement with the agent and insurance company of the Franchisor's choice. Should the Franchisor decide to provide the required insurance on behalf of the Franchisee, the Franchisor will invoice the Franchisee for all costs and expenses incurred by the Franchisor to procure the required insurance coverage on behalf of the Franchisee and the Franchisee's Business. Within ten days of receipt of an invoice from the Franchisor, the Franchisee must pay all amounts owed to the Franchisor for costs and expenses to procure insurance coverage on behalf of the Franchisee and the Business.

ARTICLE 14 FINANCIAL STATEMENTS, REPORTS OF GROSS REVENUES, FORMS AND ACCOUNTING

14.1 MONTHLY, YEAR-TO-DATE AND ANNUAL FINANCIAL STATEMENTS

The Franchisee will, at its expense, provide the Franchisor with annual financial statements for the Franchisee's Business. The annual financial statements will be due by April 15th of each year for the preceding year. The Franchisee must provide the Franchisor with a current year-to-date financial statement within 15 days after the Franchisor's request for such statement. The financial statements for Franchisee's Business must be separate from any personal finances and any other business entity.

14.2 VERIFICATION OF FINANCIAL STATEMENTS

If the Franchisee's annual Financial Statements are not certified by an independent certified public accountant, then the Franchisee's annual Financial Statements must be verified by an officer of the Franchisee.

14.3 TAX RETURNS

On or before ~~March 31~~April 15 of each year, the Franchisee will provide the Franchisor with signed copies of the Franchisee's annual federal and state income tax returns, sales tax returns, and copies of any other federal, state and local tax returns filed by the Franchisee including, but not limited to, any amended tax returns filed by the Franchisee for preceding years together with written proof that the Franchisee has paid all taxes due.

14.4 REPORTS OF GROSS REVENUES

The Franchisee will enter all Gross Revenues into the STARS System by ~~Sunday of each week for the Gross Revenues received for the preceding week~~within three (3) days of receiving payment, in any form.

14.5 FRANCHISOR'S AUDIT RIGHTS

The Franchisee and the Franchisee's accountants will make all of their records, ledgers, work papers, books, accounts, and financial information, including without limitation, all tax returns, books and records of the legal entity holding Franchisee, bank statements, credit card statements, cash receipts and cash disbursements journals, general ledgers, payroll tax returns, W-2 forms for all employees, purchase records, and all personal tax returns for each of the owners of Franchisee, ("financial records") available to the Franchisor at all reasonable times for review and audit by the Franchisor or its designee, and will provide the Franchisor with adequate facilities to conduct the review and audit. If the financial records are computerized, then the Franchisor will have the absolute right to access the Franchisee's computer and software programs containing the financial records. The Franchisor or its designee will have the right to make copies of the Franchisee's financial records in hard copy or electronic form. Further, in addition to or in lieu of an on-site audit, Franchisor has the right to require Franchisee to provide to Franchisor, at Franchisee's sole expense, copies of all such financials records as Franchisor requests. The Franchisee's financial records for each fiscal year will be kept in a secure place by the Franchisee and will be available for audit by the Franchisor for at least five years. If an audit by the Franchisor results in a determination that the Franchisee's Gross Revenues were understated and such an understatement is intentional, is greater than 2%, or reveals that the Franchisee has underpaid the Continuing Fees by more than \$500 during any 12- month period, then the Franchisee will pay the Franchisor for all costs and expenses (including salaries of the Franchisor's employees, travel costs, room and board, copying, postage and audit fees) that the Franchisor incurred as a result of the audit of the Franchisee's financial records (any of any follow-up audit or inspection over the ensuing 24-month period). If the Franchisee has underpaid the Franchisor, then the Franchisee will, within ten days of receipt of an invoice from the Franchisor indicating the amounts owed, pay to the Franchisor any deficiency in Continuing Fees or other amounts owed to the Franchisor, together with interest as provided for herein. The Franchisee's failure or refusal to produce the books and financial records for audit by the Franchisor in accordance with this Article 14.5 will constitute a material breach of this Agreement and will be grounds for the immediate termination of this Agreement by the Franchisor. Franchisor's right to audit will continue for 24 months following the termination or expiration of this Agreement.

In order to verify any information Franchisee provides, Franchisor has the right to reconstruct Franchisee's sales through the inventory construction method or any other reasonable method of analyzing and reconstructing sales. Franchisee agrees to accept any such reconstruction of sales unless Franchisee provides evidence (in a form satisfactory to Franchisor) of Franchisee's sales within 14 days from the date of any notice of understatement.

14.6 PRE-AUTHORIZED BANK TRANSFERS

The Franchisee will, from time to time during the term of this Agreement, execute such documents as the Franchisor may request to provide the Franchisee's unconditional and irrevocable authority and direction to its bank or financial institution authorizing and directing the Franchisee's bank or financial institution to transfer directly to the bank account of the Franchisor, and to charge to the account of the Franchisee, the amount of Continuing Fees, product purchases and other sums due and payable by the Franchisee to the Franchisor pursuant to this Agreement. The transfer authorizations will be in the form prescribed by the Franchisor's bank. Transfers will be made on Monday of each Week for Continuing Fees payable on the Franchisee's Gross Revenues for the preceding Week, ~~on the date the Franchisor ships products to the Franchisee for product purchases~~, and upon issuance of an invoice by the Franchisor for other amounts payable by the Franchisee. The Franchisee's authorizations will permit the Franchisor to designate the amount to be transferred from the Franchisee's account, and to adjust such amount from time to time, for the Continuing Fees and other sums then payable to the Franchisor from the Franchisee. If the Franchisee fails at any time to provide the Weekly reports of Gross Revenues required under [Article 14](#) of this Agreement, then the Franchisor will have the right, in its sole judgment, to estimate the amount of Continuing Fees and other sums due and payable to the Franchisor, and to transfer such estimated amount from the Franchisee's bank account to the Franchisor's bank account. The Franchisee will at all times maintain a balance in its account at its bank or financial institution sufficient to allow the appropriate amount to be transferred from the Franchisee's account for payment of the Continuing Fees, product purchases and other sums payable by the Franchisee directly to the Franchisor's bank account.

ARTICLE 15 FRANCHISOR'S RIGHT OF FIRST REFUSAL

15.1 RIGHT TO PURCHASE BUSINESS ASSETS

The Franchisee will not pledge, sell, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of ("Transfer"), the Business or the Business Assets, as defined in this provision, to any party without first offering the same to the Franchisor in a written offer that contains all material terms and conditions of the proposed Transfer (hereinafter referred to as the "Price and Terms"). This provision will be applicable to the proposed sale or transfer of: (a) the Franchisee's Business; (b) any Ownership Interests in the Franchisee (subject to Article 15.3); (c) the lease for the Franchisee's office (if applicable); (d) the land and building for the Franchisee's office (if applicable); (e) this Agreement; and (f) the trucks, trailers, supplies, equipment, customer lists or other assets used in the Business, except for transactions involving the sale of such items in the normal course of business (hereinafter either collectively or individually referred to as the "Business Assets"). This provision does not apply to the assignment or pledge of the Business Assets (with the exception of this Agreement) by the Franchisee to a bank, financial institution or other lender made in connection with the financing of the trucks, trailers, supplies and equipment, and/or the real estate and building used in the Franchisee's Business.

15.2 NOTICE OF PROPOSED SALE.

Within 15 business days after receipt by the Franchisor of the Franchisee's written offer specifying the Price and Terms for the proposed Transfer of the Business Assets, the Franchisor will give the Franchisee written notice in which the Franchisor will either waive its right of first refusal to purchase, or will state an interest in negotiating to purchase the Business Assets. If the Franchisor commences negotiations to purchase the Franchisee's Business Assets as set forth herein, then the Franchisee will not Transfer the Business Assets to a third party until the Franchisor and the Franchisee agree in writing that the negotiations have terminated. If the Franchisor waives its right to purchase, then the Franchisee will have the right to complete the Transfer of the Business Assets according to the Price and Terms set forth in the written notice to the Franchisor; however, any such Transfer to a third party is expressly subject to the terms and conditions set forth in [Article 16](#) of this Agreement. If the Franchisee does not consummate the Transfer of

the Business Assets to a third party upon the Price and Terms previously presented to the Franchisor in writing, but negotiates a sale price with a third party that is lower or on different terms and conditions than the stated Price and Terms for the Business Assets presented to the Franchisor, then the offer must be recommunicated or made to the Franchisor by the Franchisee. The Franchisor will give the Franchisee written notice within 15 business days thereafter which will state whether or not the Franchisor is interested in purchasing the Business Assets according to the proposed new terms. The Franchisee's obligations under this Agreement including, but not limited to, its obligations to pay the Continuing Fees and to operate the business as a Business in accordance with this Agreement will in no way be affected or changed because of the Franchisor's nonacceptance of the Franchisee's written offer to purchase the Business Assets, and as a consequence, the terms and conditions of this Agreement will remain in full force and effect. Moreover, if the Franchisor does not exercise the rights granted to it pursuant to this provision and if the Franchisee complies with [Article 16](#) and Transfers the Business Assets to a third party, then both the Franchisee and the third-party purchaser will be required to comply in all respects with the terms and conditions of this Agreement and the Transfer of the Business Assets will not relieve the Franchisee of its obligations under this Agreement. The Franchisor's decision not to exercise the rights granted to it pursuant to this provision will not, in any way, be deemed to grant the Franchisee the right to terminate this Agreement and will not affect the term of this Agreement.

15.3 SALE OF OWNERSHIP INTERESTS BY FRANCHISEE'S OWNERS

The Ownership Interests of the Franchisee owned by the Franchisee's Owners may not be Transferred by the Franchisee's Owners until the Ownership Interests offered for Transfer have first been offered to the Franchisor in writing under the same terms and conditions offered to any third party. In the event the Franchisee's Owners desire to Transfer any Ownership Interests, then the Franchisee's Owners will first offer them to the Franchisor in writing under the same terms and conditions being offered to any third party. The Franchisor will have 20 business days within which to accept any Owner's offer to Transfer the Ownership Interests. Notwithstanding the terms of this Article, the Franchisee's Owners may bequeath or Transfer their Ownership Interests to their spouse or children or to the other registered Owners of the Franchisee without first offering it to the Franchisor, provided that each proposed transferee Owner who will be involved in the operations or management of the Business is, in the Franchisor's reasonable judgment, qualified from a managerial and financial standpoint to operate the Business in an economic and businesslike manner. The Franchisee and the Franchisee's Owners must give the Franchisor prior written notice of all proposed Transfers, and the proposed transferee Owners must agree to be personally liable under this Agreement and enter into a written agreement where they agree to perform all the terms and conditions of this Agreement. All certificates evidencing Ownership Interests issued by the Franchisee to its Owners must bear the following legend:

The Ownership Interest represented by this certificate is subject to a written Franchise Agreement which grants Jet-Black International, Inc. the right of first refusal to purchase this Ownership Interest from the Owner. Any person acquiring the Ownership Interest represented by this certificate will be subject to the terms and conditions of the Franchise Agreement between the company named on this certificate and Jet-Black International, Inc., which includes covenants not to compete that apply to all Owners.

15.4 ACKNOWLEDGMENT OF RESTRICTIONS

The Franchisee acknowledges and agrees that the restrictions imposed by the Franchisor on the transfer of the Business Assets are reasonable and necessary to protect the goodwill associated with the Business System and the Marks, as well as the Franchisor's reputation and image, and are for the protection of the Franchisor, the Franchisee and all other franchisees that own and operate Jet-Black® businesses. Any Transfer of the Business Assets permitted by this Article will not be effective until the Franchisor receives fully executed copies of all documents relating to the Transfer, and the Franchisor has consented in writing to the Transfer.

15.5 SELLING OWNERS SUBJECT TO COVENANT NOT TO COMPETE

Any Owner of the Franchisee that Transfers any of his or her Ownership Interests in the Franchisee will be subject to the provisions of Article [20.3](#) of this Agreement after the Transfer, which provision specifically survives the transfer.

15.6 RIGHT OF THE FRANCHISOR TO PURCHASE FRANCHISE ASSETS

If this Agreement expires or is terminated by either the Franchisor or the Franchisee for any reason whatsoever, or if the Franchisee at any time ceases to do business within the Franchised Territories as a Business, then the Franchisor will have the right, but not the obligation, to purchase all or part of the Franchisee's Business, including the then-usable trucks, trailers, supplies, inventory and equipment, and all other assets that are required by the Franchisor for a standard Business and owned by the Franchisee in its Business and to acquire any lease or other contract rights of the Franchisee (hereinafter referred to in this provision as the "Franchise Assets"). The Franchisor will not purchase any assets from the Franchisee that are not part of the standard Business. Within two business days after this Agreement expires or is terminated by either party, wrongfully terminated by the Franchisee or the Franchisee ceases to do business as a Business, the Franchisee must give the Franchisor written notice listing the original cost, depreciated value and asking price for each of the Franchise Assets. If the Franchisee fails to give the Franchisor this notice and/or if the Franchisor and the Franchisee cannot agree on the price of the Franchise Assets, then either party will have the right to demand that the price of the Franchise Assets be determined by Arbitration as provided for in [Article 26](#). The Arbitrator will not consider any value for goodwill associated with the name "Jet-Black®" in determining the fair market value of the Franchise Assets. If the Arbitrator is unable to determine the fair market value of any of the Franchise Assets, then they will be valued at book value (cost less depreciation). The Franchisor will have the right, but not the obligation, to purchase any or all of the Franchise Assets from the Franchisee for cash within 20 days after the fair market value of the Franchise Assets has been established by the Arbitrator in writing. Nothing in this provision may be construed to prohibit the Franchisor from enforcing the terms and conditions of this Agreement, including the covenants not to compete contained in [Article 20](#).

ARTICLE 16 TRANSFER

16.1 TRANSFER BY FRANCHISOR

This Agreement may be unilaterally Transferred by the Franchisor without the approval or consent of the Franchisee, and will inure to the benefit of the Franchisor's successors and assigns. The Franchisor will give the Franchisee written notice of any such Transfer, and the assignee will be required to fully perform the Franchisor's obligations under this Agreement.

16.2 TRANSFER BY FRANCHISEE TO OWNED OR CONTROLLED ENTITY

In the event the Franchisee is an individual or partnership, this Agreement may be Transferred by the Franchisee, without first offering it to the Franchisor pursuant to [Article 15](#), to a corporation or other entity which is owned or controlled by the Franchisee without paying any transfer fee, provided that: (a) the Franchisee and the Owners who own a majority (51% or greater) of the voting Ownership Interests of the transferee entity sign or have signed a personal guaranty in the form contained in this Agreement; (b) the Franchisee furnishes prior written proof to the Franchisor substantiating that the transferee entity will be financially able to perform all of the terms and conditions of this Agreement; and (c) none of the Owners owns, operates, franchises, develops, manages or controls any Competing Business. The Franchisee will give the Franchisor 30 days' written notice prior to the proposed date of Transfer of this Agreement to an entity owned or controlled by the Franchisee; however, the Transfer of this Agreement will not be valid or effective until the Franchisor has received the documents its attorneys deem reasonably necessary to properly and legally document the Transfer of this Agreement to the entity as provided for herein.

16.3 TRANSFER BY INDIVIDUAL FRANCHISEE IN EVENT OF DEATH OR PERMANENT DISABILITY

If the Franchisee is an individual, then in the event of the death or permanent disability of the Franchisee, this Agreement may be Transferred or bequeathed by the Franchisee to any designated person or beneficiary without first offering the Franchisor the right to acquire this Agreement pursuant to [Article 15](#) of this Agreement and without the payment of any transfer fee. However, the Transfer of this Agreement to the transferee or beneficiary of the Franchisee will be subject to the applicable provisions of Article [16.4](#), and will not be valid or effective until the Franchisor has received the properly executed legal documents which its attorneys deem necessary to properly and legally document the Transfer or bequest of this Agreement. Furthermore, the transferee or beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of the Franchisee's obligations under this Agreement.

16.4 APPROVAL OF TRANSFER

Subject to the provisions of Article [16.2](#) and [16.3](#), this Agreement or the Business Assets, as defined in Article [15.1](#), may be Transferred by the Franchisee only with the prior written approval of the Franchisor. The Franchisor will not unreasonably withhold its consent to any Transfer of this Agreement, provided the Franchisee and/or the transferee comply with the following conditions:

- (a) The Franchisee has complied in all respects with the applicable provisions of [Article 15](#) of this Agreement; and
- (b) All of the Franchisee's monetary obligations due to the Franchisor have been paid in full, and the Franchisee is not otherwise in default under this Agreement; and
- (c) The Franchisee has executed a written agreement, in a form satisfactory to the Franchisor, in which the Franchisee agrees to observe all applicable provisions of this Agreement, including the provisions with obligations and covenants that continue beyond the expiration or termination of this Agreement which includes the covenants not to compete contained in [Article 20](#) of this Agreement;
- (d) The Franchisee and each of the Owners have executed a general release of all claims relating to or arising out of this Agreement, the Business or the parties business relationship in the form designated by the Franchisor; and
- (e) The transferee is not and does not intend to own, operate or be involved in a Competing Business; and
- (f) The transferee has demonstrated to the Franchisor's satisfaction that the transferee meets the Franchisor's managerial, financial and business standards for new franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to operate the Business in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise); and
- (g) The transferee and all parties having a legal or beneficial interest in the transferee, including, if applicable, the transferee's Owners as required by the Franchisor, execute the Franchisor's then-current standard Franchise Agreement for a new seven-year term and such other ancillary agreements as the Franchisor may require for the transfer of the Franchisee's Business. The transferee will not be required to pay any Initial Fee, and will pay the monthly Continuing Fees to the Franchisor at the rate specified in this Agreement. However, the transferee will be required to pay the initial inventory of marketing materials and business supplies, the initial inventory of products, and the Minimum Annual Continuing Fees at the then-current rates charged by the Franchisor. In addition: (i) the transferee will be required to pay all additional fees and to comply with all other provisions not specified or provided for in this Agreement but which are required pursuant to the terms of the then-current standard Franchise Agreement, (ii) demographic changes may have occurred in the geographic area defined as the Franchised Territory(ies) in [Article 2.1](#) of this Agreement during the term of this Agreement, with a resulting change in the number of Franchised Territories in that area determined in accordance with the Franchisor's then-current standards for determining the size or composition of a franchised territory, and as a result, the number of Franchised Territories covered by the Franchisor's then-current Franchise Agreement to be signed by the transferee for acquisition of the franchise may be increased or decreased with resulting modifications in the fees payable by the transferee; and (iii) the transferee will make such repairs, replacements or updates to the trucks, trailers, supplies, and equipment used in the Business as are reasonably required to comply with the Franchisor's then-current standards; and
- (h) The transferee and all parties having a legal or beneficial interest in the transferee, including, if applicable, the Owners, explicitly agree to honor the Franchisee's work up to Franchisor's standards for the duration of the warranties Franchisee granted during the term of the Agreement; and
- (i) Prior to the date of transfer, the transferee and its General Manager must successfully complete the training program prescribed by the Franchisor and the transferee must pay the Training Expenses for the transferee and all other persons sent to the Franchisor's training program.

The Franchisor may expand upon, and provide more details related to, the conditions for transfer and the Franchisor's consent as described in this Article 16.4, and may do so in the Manuals or otherwise in writing.

16.5 TRANSFER TO COMPETITOR PROHIBITED

The Franchisee will not Transfer this Agreement or any of the Business Assets to any person, partnership, corporation or entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any Competing Business.

16.6 ACKNOWLEDGMENT OF RESTRICTIONS

The Franchisee acknowledges and agrees that the restrictions imposed by the Franchisor on the transfer of the Business Assets are reasonable and necessary to protect the goodwill associated with the Business System and the Marks, as well as the Franchisor's reputation and image, and are for the protection of the Franchisor, the Franchisee and all other franchisees that own and operate Businesses. Any Transfer of the Business Assets permitted by this [Article 16](#) will not be effective until the Franchisor receives fully executed copies of all documents relating to the Transfer, and the Franchisor has consented in writing to the Transfer.

16.7 TRANSFER FEE

If, pursuant to the terms of this [Article 16](#), this Agreement is Transferred to another person or entity, or if the Franchisee's Owners transfer in the aggregate controlling interest in the Franchisee to a third party, then the Franchisee will pay the Franchisor a transfer fee of \$~~3,000~~5,000 multiplied by the number of Franchised Territories being Transferred for the costs incurred by the Franchisor for training the transferee and its General Manager, attorneys' fees, accountants' fees, out-of-pocket expenses, ~~long distance telephone calls~~, administrative costs and the time of its employees and officers. The transfer fee must be paid by the Franchisee to the Franchisor on or before the date of closing on the Transfer.

~~16.8 — FRANCHISE RESALE FEE~~

~~If, pursuant to the terms of this , this Agreement is Transferred to a person or entity identified as a potential purchaser by the Franchisor, then in addition to the transfer fee payable pursuant to Article the Franchisee will pay the Franchisor a franchise resale fee equal to 8% of the selling price for the Franchisee's Business. The franchise resale fee must be paid by the Franchisee to the Franchisor on or before the date of closing on the Transfer.~~

ARTICLE 17 FRANCHISOR'S TERMINATION RIGHTS; DAMAGES

17.1 CONDITIONS OF BREACH

In addition to its other rights of termination contained in this Agreement, the Franchisor will have the right to terminate this Agreement if: (a) the Franchisee fails to open and commence operations of its Business within 60 days from the date of this Agreement; (b) the Franchisee violates any material provision, term or condition of this Agreement including, but not limited to, failure to timely report and pay any Continuing Fees, any Minimum Annual Continuing Fee, any Minimum Annual Advertising Amount or any other monetary obligations or fees due to the Franchisor; (c) the Franchisee or any of its General Managers, Estimators, partners, directors, officers or majority stockholders are convicted of, or plead guilty to or no contest to, a charge of violating any law relating to the Business, or any felony; (d) the Franchisee fails to conform to the Business System; (e) the Franchisee fails to timely pay any of its uncontested obligations or liabilities due and owing to its employees, suppliers, banks, purveyors and other creditors, or to the Franchisor; (f) the Franchisee is determined to be insolvent within the meaning of any state or federal law, any involuntary petition for bankruptcy is filed against the Franchisee, or the Franchisee files for bankruptcy or is adjudicated a bankrupt under any state or federal law; (g) the Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (h) any check issued by the Franchisee is dishonored because of insufficient funds (except where the check is dishonored because of an error in bookkeeping or accounting) or closed

accounts; (i) the Franchisee fails to purchase the trucks, trailers, supplies and equipment required for its Business prior to commencing business; (j) the Franchisee voluntarily or otherwise Abandons its Business; (k) the Franchisee is involved in any act, conduct, or inaction which materially impairs the goodwill associated with the name “Jet-Black®,” any other Marks or the Business System; (l) the Franchisee fails to timely file any required federal, state or other income or sales tax return or fails to timely pay any taxes when due; (m) the Franchisee fails to report Gross Revenues into the STARS System within seventhree days of receiving the Gross Revenues; (n) the Franchisee does not maintain a reliable computer and Internet connection to the STARS System for longer than ten consecutive days; or (o) the Franchisee is in default under any other agreement between the Franchisor and the Franchisee or its affiliates.

17.2 NOTICE OF BREACH

The Franchisor will not have the right to terminate this Agreement unless and until: (a) written notice setting forth the alleged breach in detail has been given to the Franchisee by the Franchisor; and (b) the Franchisee fails to correct the alleged breach within the period of time specified by applicable law. In the event that applicable law does not specify a time period to correct an alleged breach, then the Franchisee will have 30 days after the date of the written notice to correct the alleged breach, except where the written notice states that the Franchisee is delinquent in the payment of any Continuing Fees or other amounts payable to the Franchisor pursuant to this Agreement, in which case the Franchisee will have 15 days after the date of the written notice to correct the breach by making full payment (including interest as provided for herein) to the Franchisor. If the Franchisee fails to correct the alleged breach set forth in the written notice within the applicable period of time, then this Agreement may be terminated by the Franchisor as provided for in Paragraph 17.4. For the purposes of this Agreement, an alleged breach of this Agreement by the Franchisee will be deemed to be “corrected” if both the Franchisor and the Franchisee agree in writing that the alleged breach has been corrected.

17.3 NOTICE OF TERMINATION

If the Franchisee has not corrected the alleged breach set forth in the written notice within the time period specified in this Agreement, then the Franchisor will have the absolute right to terminate this Agreement by giving the Franchisee written notice that this Agreement is terminated. The effective date of termination of this Agreement will be the date of the written notice of termination.

17.4 FRANCHISOR’S IMMEDIATE TERMINATION RIGHTS

Notwithstanding any provision in this Article 17 to the contrary, the Franchisor will have the absolute right and privilege, unless precluded by applicable law, to immediately terminate this Agreement if: (a) the Franchisee or any of its General Managers, Estimators, partners, directors, officers or majority Owners are convicted of, or plead guilty to or no contest to a charge of violating any law relating to the Franchisee’s Business, or any felony; (b) the Franchisee is determined to be insolvent within the meaning of any state or federal law, any involuntary petition for bankruptcy is filed against the Franchisee, or the Franchisee files for bankruptcy or is adjudicated a bankrupt under any state or federal law; (c) the Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (d) the Franchisee voluntarily or otherwise Abandons its Business; (e) the Franchisee fails or refuses to permit the Franchisor to audit the Franchisee’s financial records or fails or refuses to produce its financial records for audit by the Franchisor in accordance with Article 14.5, (f) the Franchisee transfers or attempts to transfer or assign this Agreement, the Franchisee’s Business, the Business Assets or Ownership Interests without complying with all applicable provisions of this Agreement; (g) any other franchise agreement (or any other agreement of a similar nature) between the Franchisor and the Franchisee is terminated by the Franchisor for any reason, or wrongfully terminated by the Franchisee; (h) the Franchisee or any of its General Managers, directors, officers or majority Owners is involved in any act or conduct which materially impairs the goodwill associated with the Franchisor’s Marks or the Business System, (i) the Franchisee knowingly withholds reporting of Gross Revenues into the STARS

System within 7 days of receiving the Gross Revenues, or the Franchisee commits any other fraudulent act in connection with Gross Revenues reporting or the STARS System, or (j) the Franchisee breaches this Agreement, resulting in a Notice of Breach by Franchisor, on three (3) or more occasions for the same or a similar breach , within any 36-month period.

17.5 NOTICE OF IMMEDIATE TERMINATION

If this Agreement is terminated by the Franchisor pursuant to Article 17.4 above, then this Agreement will automatically terminate on the first minute of the 25th hour after the Franchisee's receipt of the written notice of immediate termination if the Franchisee fails to correct the alleged breach within 24 hours after receipt of the notice of immediate termination. For the purposes of this Agreement, an alleged breach of this Agreement by the Franchisee will be deemed to be "corrected" if both the Franchisor and the Franchisee agree in writing that the alleged breach has been corrected.

17.6 DAMAGES

In the event this Agreement is terminated by the Franchisor pursuant to this Article 17, or if the Franchisee breaches this Agreement by a wrongful termination or a termination that is not in accordance with the terms and conditions of this Agreement, then the Franchisor will be entitled to recover from the Franchisee all damages that the Franchisor has sustained and will sustain in the future as a result of the Franchisee's breach of this Agreement, taking into consideration the Continuing Fees and other amounts that would have been payable by the Franchisee for the remaining term of this Agreement.

17.7 OTHER REMEDIES

Nothing in this Article 17 shall preclude the Franchisor from seeking other remedies or damages under state or federal laws, common law, or under this Agreement against the Franchisee including, but not limited to, attorneys' fees and injunctive relief.

17.8 EFFECT OF OTHER LAWS

The provisions of any valid, applicable law or regulation present by permissible grounds, cure rights or minimum periods of notice for termination of this Agreement will supersede any provision of this Agreement that is less favorable to Franchisee than such law or regulation.

ARTICLE 18 FRANCHISEE'S TERMINATION RIGHTS

18.1 CONDITIONS OF BREACH

The Franchisee will have the right to terminate this Agreement, as provided herein, if: (a) the Franchisor violates any material provision, term or condition of this Agreement; or (b) the Franchisor fails to timely pay any material uncontested obligations due and owing to the Franchisee.

18.2 NOTICE OF BREACH

The Franchisee will not have the right to terminate this Agreement or to commence any action, lawsuit or Arbitration proceeding against the Franchisor for breach of this Agreement, injunctive relief, violation of any state, federal or local law (including alleged violations of franchise laws), violation of common law (including allegations of fraud and misrepresentation), rescission, general damages, or termination, unless: (a) written notice setting forth the alleged breach or violation in detail has been given to the Franchisor by the Franchisee; and (b) the Franchisor fails to correct the alleged breach or violation within 60 days after the date of the written notice. If the Franchisor fails to correct the alleged breach or violation, as provided for herein, within 60 days after written notice of the alleged breach, then this Agreement may be terminated by the Franchisee as provided for in this Agreement. For the purposes of this Agreement, an alleged breach or violation of this Agreement by the Franchisor will be deemed to be "corrected" if both the Franchisor and the Franchisee agree in writing that the alleged breach or violation has been corrected.

18.3 WAIVER

The Franchisee must give the Franchisor immediate written notice of any alleged breach or violation of this Agreement after the Franchisee has actual or constructive knowledge of, believes, determines or is of the opinion that there has been an alleged breach or violation of this Agreement by the Franchisor. If the Franchisee fails to give written notice to the Franchisor of any alleged breach or violation of this Agreement within one year from the date that the Franchisee has knowledge of, believes, determines or is of the opinion that there has been an alleged breach or violation by the Franchisor, then the alleged breach or violation by the Franchisor will be deemed to be condoned, approved and waived by the Franchisee, the alleged breach or violation by the Franchisor will not be deemed to be a breach or violation of this Agreement by the Franchisor, and the Franchisee will be barred from terminating this Agreement or commencing any Arbitration or other action against the Franchisor for that alleged breach or violation.

18.4 INJUNCTIVE RELIEF AVAILABLE TO FRANCHISOR

Notwithstanding any of the foregoing provisions, if the Franchisee gives the Franchisor any notice of an alleged breach or violation of this Agreement or of any laws that give rise to damages and/or the termination of this Agreement by the Franchisee, then the Franchisor will have the absolute right to immediately commence legal action against the Franchisee to enjoin and prevent the termination of this Agreement by the Franchisee until the matter has been heard by the court without regard to any waiting period that may be contained in this Agreement. If the Franchisor commences such legal action against the Franchisee, then the Franchisee will not have the right to terminate this Agreement unless and until the court has determined that the Franchisor has breached this Agreement in the manner alleged by the Franchisee, and then only if the Franchisor fails to correct the breach or violation within 60 days after final judgment has been entered against the Franchisor and all time for appeals by the Franchisor has expired. If the Franchisor commences any legal action against the Franchisee as contemplated by this provision, then the Franchisor will not be required to post any bond or security whatsoever in such legal action.

ARTICLE 19 FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

19.1 TERMINATION OF USE OF MARKS; OTHER OBLIGATIONS

In the event this Agreement is terminated for any reason or this Agreement expires without the Franchisee reacquiring the franchise for the Franchised Territories, then the Franchisee will: (a) within five days after termination, pay all fees and other amounts due and owing to the Franchisor under this Agreement; (b) immediately return to the Franchisor by first class prepaid United States mail all Manuals, advertising materials and all other printed materials pertaining to the Business or any Confidential Information, including all Customer Data; (c) immediately inform its suppliers in writing of the termination of the Franchisee's right to operate a franchised Business; and (d) comply with all other applicable provisions of this Agreement. Upon termination or expiration of this Agreement for any reason, the Franchisee's right to use the name "Jet-Black®," the other Marks and the Business System will terminate immediately. The Franchisee agrees and acknowledges that its continued use of the Marks after the expiration or termination of this Agreement will be without the Franchisor's consent and will constitute an "exceptional case" under federal trademark law (15 U.S.C. §1117) entitling the Franchisor to recover treble damages, costs and attorneys' fees.

19.2 ALTERATION OF FRANCHISEE'S VEHICLES

If this Agreement expires or is terminated for any reason or if the Franchisee ever ceases operating as a Business, then the Franchisee will immediately, at its expense, completely remove the Jet-Black® signs and the Marks from all vehicles and other equipment used by the Franchisee in its Business.

19.3 TRANSFER OF TELEPHONE DIRECTORY LISTINGS

Upon termination or expiration of this Agreement, the Franchisor must immediately assign to Franchisor all telephone numbers associated with the Franchisee's Business, including cellular phone numbers. The Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and all classified and other directory listings under the "Jet-Black®" name and to authorize the telephone company and all listing agencies to transfer to the Franchisor or its assignee all telephone numbers and directory listings for the Franchisee's Business. The Franchisee acknowledges that the Franchisor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks, and the Franchisee hereby authorizes the Franchisor to direct the telephone company and all listing agencies to transfer the Franchisee's telephone numbers and directory listings to the Franchisor or the Franchisor's assignee if this Agreement expires or is terminated for any reason whatsoever. The telephone company and all listing agencies will have the right to accept this Agreement as evidence of the exclusive rights of the Franchisor to such telephone numbers and directory listings and this Agreement will constitute the authority from the Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to the Franchisor. The Franchisee will not make any claims or commence any action against the telephone company and the listing agencies for complying with this provision. The Franchisor will not assume any liability for outstanding amounts due to the telephone company and listing agencies at the time the telephone companies or listing agencies assign the telephone numbers and directory listings to Franchisor.

ARTICLE 20 FRANCHISEE'S COVENANTS NOT TO COMPETE

20.1 CONSIDERATION

The Franchisee and the Owners acknowledge that they will receive specialized training and Confidential Information from the Franchisor pertaining to the Business System and the operation of the Business. In consideration for the receipt of training and the use and license of the Confidential Information, the Franchisee and the Owners will comply in all respects with the provisions of this Article.

20.2 IN-TERM COVENANT NOT TO COMPETE

The Franchisee acknowledges that this Article is a material provision of this Agreement, and that the Franchisor will not sell a Jet-Black® franchise to any person or entity that does or intends to own, operate or be involved in a Competing Business. Consequently, the Franchisee and the Owners will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business, except with the prior written consent of the Franchisor.

20.3 POST-TERM COVENANT NOT TO COMPETE

The Franchisee and the Owners will not, for a period of two years after the termination or expiration of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any Competing Business which is located or operates within the Franchised Territories, within the territory of any other Business operated by the Franchisor or any of its franchisees, or within any exclusive area granted to any other person or entity by the Franchisor pursuant to a development agreement, subfranchise agreement or other agreement. The Franchisee and the Owners expressly agree that the time and geographical limitations set forth in this provision are reasonable and necessary to protect the Franchisor and the Franchisor's franchisees if this Agreement expires or is terminated by either party for any reason,

and that this covenant not to compete is necessary to protect the Franchisor's goodwill and permit the Franchisor the opportunity to resell and/or develop a new Business at or in the area near the Franchised Territories.

20.4 INJUNCTIVE RELIEF

The Franchisee and the Owners agree that the provisions of this Article are necessary to protect the legitimate business interests of the Franchisor and the Franchisor's franchisees including, without limitation, prevention of the unauthorized dissemination of Confidential Information to competitors of the Franchisor and the Franchisor's franchisees, protection of the Franchisor's trade secrets, goodwill, and the integrity of the Franchisor's franchise system, and prevention of the duplication of the Business System by unauthorized third parties. The Franchisee and the Owners also agree that damages alone cannot adequately compensate the Franchisor if there is a violation of this Article by the Franchisee or the Owners, and that injunctive relief against the Franchisee and the Owners is essential for the protection of the Franchisor and the Franchisor's franchisees. The Franchisee and the Owners agree therefore, that the Franchisor will have the right to enforce this Article by injunctive relief against the Franchisee and the Owners, in addition to all other remedies that may be available to the Franchisor. The Franchisor will not be required to post a bond or other security in any injunctive proceeding to enforce this Article.

ARTICLE 21 INDEPENDENT CONTRACTORS

Franchisee understands and agrees that the Franchisor and the Franchisee are each independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture, joint employer, or employee of the other. There is no employer-employee or principal-agent relationship between the Franchisor and the Franchisee, and this Agreement does not reflect or create a fiduciary relationship or relationship of special trust or confidence. Neither party will independently obligate the other to any third parties or represent any right to do so. Neither the Franchisor nor the Franchisee will be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties. All contracts for Jobs will be between the Franchisee and the customer. The Franchisee will take all reasonable steps necessary to inform the public, customers, suppliers, lenders and other business establishments that the Franchisee's Business is independently owned and operated by the Franchisee pursuant to a franchise from the Franchisor.

ARTICLE 22 INDEMNIFICATION

22.1 INDEMNIFICATION

The Franchisor will not be obligated to any person or entity for any damages arising out of, from, in connection with, or as a result of the Franchisee's or its employee's negligence, the Franchisee's wrongdoing, or the operation of the Franchisee's Business. Therefore, the Franchisee will indemnify and hold the Franchisor harmless against, and will reimburse the Franchisor for, all damages for which the Franchisor is held liable and for all costs reasonably incurred by the Franchisor in the defense of any claim or action brought against the Franchisor arising from, in connection with, arising out of, or as a result of the Franchisee's (or its employee's) negligence, wrongdoing, actions, inaction, or the operation of the Franchisee's Business including, without limitation, attorneys' fees, investigation expenses, court costs, deposition expenses, travel and living expenses, and interest. The Franchisee will indemnify the Franchisor, without limitation, for all claims arising from: (a) any personal injury, property damage, commercial loss or environmental contamination resulting from any act or omission of the Franchisee or its employees, agents or representatives; (b) any failure on the part of the Franchisee to comply with any requirement of any governmental authority; (c) any failure of the Franchisee to pay any of its obligations; or (d) any failure of the Franchisee to comply with any requirement or condition of this Agreement or any other agreement with the Franchisor or any affiliate of the Franchisor. The Franchisor will have the right to defend any claim

made against it arising as a result of, in connection with or from the Franchisee's negligence or wrongdoing or the operation of the Franchisee's Business.

22.2 ATTORNEYS' FEES AND OTHER COSTS

The Franchisee will pay all attorneys' fees, costs, expenses and interest incurred by the Franchisor in enforcing any term, condition or provision of this Agreement or in seeking to enjoin any violation of this Agreement by the Franchisee. In any action brought pursuant to this Agreement where the Franchisor prevails against the Franchisee, the Franchisee will indemnify the Franchisor for all costs that it incurs in any lawsuit or proceeding arising under this Agreement including, without limitation, attorneys' fees, expert witness fees, costs of investigation, court costs, litigation expenses, travel and living expenses, interest, and all other costs incurred by the Franchisor.

22.3 CONTINUATION OF OBLIGATIONS

The indemnification and other obligations contained herein will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 23 DISCLAIMERS; ACKNOWLEDGMENTS

23.1 NO FINANCIAL PROJECTIONS

The Franchisor expressly disclaims the making of any representations, estimates, projections, warranties or guaranties, expressed or implied, regarding potential sales, Gross Revenues, income, profits or earnings, expenses, value, or the financial or business success of the Franchisee's Business, except as set forth in the Franchisor's Franchise Disclosure Document, a copy of which has been provided to the Franchisee.

23.2 NO INCOME OR REFUND WARRANTIES

The Franchisor does not warrant or guarantee to the Franchisee: (a) that the Franchisee will derive income or profit from the Business; or (b) that the Franchisor will refund all or part of the Initial Fee or the price paid for the Franchisee's Business or repurchase any of the trucks, trailers, products, supplies or equipment supplied or sold by the Franchisor or an approved supplier if the Franchisee is unsatisfied with its Business.

23.3 ACKNOWLEDGEMENTS BY FRANCHISEE

The Franchisee acknowledges that it has conducted an independent investigation of the Business and recognizes that the business venture contemplated by this Agreement involves business and economic risks and that the financial and business success of the Franchisee's Business will be primarily dependent upon the personal efforts of the Franchisee, its management and its employees. The Franchisee acknowledges that it has not received any express or implied representations or warranties described in Article [23.1](#) or Article [23.2](#) from the Franchisor or any of the Franchisor's officers, employees or agents that were not contained in the Franchise Disclosure Document received by the Franchisee (hereinafter referred to in this provision as "Representations"). The Franchisee further acknowledges that if it had received any such Representations, it would not have executed this Agreement, and that it would have: (a) promptly notified the President of the Franchisor in writing of the person or persons making such Representations; and (b) provided to the Franchisor a specific written statement detailing the Representations made.

23.4 OTHER FRANCHISEES

The Franchisee acknowledges that other franchisees of the Franchisor have or will be granted franchises at different times different locations, under different economics and in different situations, and further acknowledges that the economics and terms and conditions of such franchises may vary substantially in form and in substance from those contained in this Agreement.

23.5 RECEIPT OF AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT

The Franchisee acknowledges that if Franchisor materially altered the provisions of this Agreement (except as a result of negotiations Franchisee initiated), Franchisee received a copy of this Agreement with all material blanks fully completed at least seven calendar days prior to the date that this Agreement was executed by the Franchisee. The Franchisee further acknowledges that it has received a copy of the Franchisor's Franchise Disclosure Document Circular at least 14 calendar days prior to the date on which this Agreement was executed or any payment was made to the Franchisor, by the Franchisee, with respect to the franchise.

ARTICLE 24 FRANCHISEE'S LEGAL COUNSEL

The Franchisee acknowledges that the Franchisor has strongly recommended that the Franchisee should retain an attorney or other advisor to: review the Franchisor's Franchise Disclosure Document, including the Franchisor's financial statements and this Agreement; to review all leases, contracts and other legal documents relating to the Business; to review the economics, operations and other business aspects of the Business; to advise the Franchisee on tax issues, financing matters, insurance matters, employee matters, health and safety laws, motor vehicle laws, environmental laws, licensing laws, laws relating to the application or use of coal tar emulsions, additives, and crack sealants, and other applicable state and federal laws; to determine compliance with franchising and other applicable laws; to advise the Franchisee on the structure of its Business and other business matters; and to advise the Franchisee as to the terms, conditions and obligations of this Agreement and the potential economic benefits and risks of loss relating to this Agreement and the Business. The name, address and telephone number of the Franchisee's attorney or other advisor is: _____

_____, telephone number (____) _____.

ARTICLE 25 ENFORCEMENT

25.1 INJUNCTIVE RELIEF

Notwithstanding the provisions of Article 26 of this Agreement, the Franchisor will have the right to petition a court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (a) the Franchisor's Marks and the Business System; (b) the obligations of the Franchisee upon termination or expiration of this Agreement; (c) the Transfer of this Agreement, the Franchisee's Business, the Business Assets or the Ownership Interests of the Franchisee; (d) Confidential Information and covenants not to compete; and (e) any act or omission by the Franchisee or the Franchisee's employees that, (1) constitutes a violation of any applicable law, ordinance or regulation, (2) is dishonest or misleading to the clients or customers of the Franchisee's Business or other Businesses, (3) constitutes a danger to the employees, public, clients or customers of the Franchisee's Business, or (4) may impair the goodwill associated with the Franchisor's Marks and the Business System. The Franchisor will be entitled to injunctive relief against the Franchisee without posting a bond or other security. The Franchisee will indemnify the Franchisor for all costs that it incurs in any lawsuit or proceedings under this provision in accordance with Article [22.2](#).

25.2 WAIVER

The Franchisor and the Franchisee may, by written instrument signed by the Franchisor and the Franchisee, waive any obligation of or restriction upon the other under this Agreement. Acceptance by the Franchisor of any payment by the Franchisee and the failure, refusal or neglect of the Franchisor to exercise any right

under this Agreement or to insist upon full compliance by the Franchisee of its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure, will not constitute a waiver by the Franchisor of any provision of this Agreement.

25.3 PAYMENTS TO FRANCHISOR

The Franchisee's payment obligations under this Agreement are absolute and unconditional. The Franchisee will not for any reason withhold payment of any Continuing Fees or any other fees or payments due the Franchisor pursuant to this Agreement or pursuant to any other contract, agreement or obligation to the Franchisor. The Franchisee will not have the right to "offset" any liquidated or unliquidated amounts, damages or other funds allegedly due to the Franchisee by the Franchisor against any Continuing Fees or any other fees or payments due to the Franchisor under this Agreement or under any other agreement or contract.

25.4 CUMULATIVE RIGHTS

The rights of the Franchisor hereunder are cumulative and no exercise or enforcement by the Franchisor of any right or remedy hereunder will preclude the exercise or enforcement by the Franchisor of any other right or remedy hereunder or which the Franchisor is entitled by law to enforce.

25.5 VENUE AND JURISDICTION

Unless provided by this Agreement or applicable law to the contrary, all Arbitration hearings, litigation, lawsuits, hearings, proceedings and other actions initiated by either party against the other will be venued in Minneapolis, Minnesota, Hennepin County District Court or the United States District Court for the District of Minnesota. The Franchisor also has the right to file any such action against the Franchisee in the federal or state court where the Franchisee's Business is located. The Franchisee acknowledges that the Franchisee and its Owners, officers, Directors and employees have had substantial business and personal contacts with the Franchisor in the State of Minnesota and the federal and state court where the Franchisee's Business is located, and do hereby waive personal jurisdiction and venue in such courts for the purposes of any suit, proceeding or Arbitration hearing brought to enforce or construe the terms of this Agreement or to resolve any dispute or controversy arising under, as a result of, or in connection with this Agreement, the Franchised Territories, the Franchisee's Business, or the relationship between the parties.

25.6 BINDING AGREEMENT

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

25.7 NO ORAL MODIFICATION

No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made except by a written agreement signed by duly authorized officers or partners of the Franchisee and the President or a Vice President of the Franchisor. The Franchisee and the Franchisor will not have the right to amend or modify this Agreement orally or verbally, and any attempt to do so will be void in all respects.

25.8 ENTIRE AGREEMENT

This Agreement, including any addenda, exhibits, related acknowledgments and amendments, supersedes and terminates all prior agreements, either oral or in writing, between the parties and therefore any representations, inducements, promises or agreements alleged by either the Franchisor or the Franchisee that are not contained in this Agreement will not be enforceable. The recitals are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Franchisor and the Franchisee relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations Franchisor made in the franchise

disclosure document that Franchisor furnished to Franchisee, which Franchisee acknowledges they received at least fourteen (14) days before signing this Agreement or paying any money to Franchisor.

25.9 JOINT AND SEVERAL LIABILITY

If the Franchisee consists of more than one individual, then the liability of all such individuals under this Agreement will be deemed to be joint and several.

25.10 HEADINGS; TERMS

The headings of the Articles are for convenience only and do not in any way define, limit or construe the contents of such Articles. The term “Franchisee” as used herein is applicable to one or more individuals, a corporation or a partnership, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to “Franchisee,” “assignee” and “transferee” which are applicable to an individual or individuals will mean the principal owner or owners of the equity or operating control of the Franchisee or any such assignee or transferee if the Franchisee or such assignee or transferee is a corporation or partnership. If the Franchisee consists of more than one individual, then all individuals will be bound jointly and severally by the terms and conditions of this Agreement.

25.11 PERSONAL GUARANTY

Each Owner must execute the Personal Guaranty attached to this Agreement. Any person or entity that at any time after the Effective Date becomes an Owner must, as a condition of becoming an Owner, sign the Personal Guaranty.

25.12 NOTICE OF POTENTIAL PROFIT

The Franchisor hereby advises the Franchisee that the Franchisor and/or the Franchisor’s affiliates may from time to time make available to the Franchisee Products or Services for use in the Franchisee’s Business on the sale of which the Franchisor and/or the Franchisor’s affiliates may make a profit. The Franchisor further advises the Franchisee that the Franchisor and/or the Franchisor’s affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of Products or Services to the Franchisee or in consideration of services rendered or rights licensed to such persons. The consideration may or may not be related to services performed. The Franchisee agrees that the Franchisor and/or the Franchisor’s affiliates shall be entitled to those profits and/or consideration.

25.13 WAIVER OF PUNITIVE DAMAGES

THE FRANCHISEE AND THE FRANCHISOR AND THEIR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

25.14 WAIVER OF JURY TRIAL

THE FRANCHISOR AND THE FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

ARTICLE 26 ARBITRATION

26.1 DISPUTES SUBJECT TO ARBITRATION

Except as expressly provided to the contrary in this Agreement, any and all disputes arising under, as a result of, or in connection with this Agreement, the relationship between the parties, the Franchised Territories, the Franchisee's Business or the Personal Guaranty and Agreement to be Bound Personally by the Terms and Conditions of the Franchise Agreement, including allegations of fraud, misrepresentation or violation of any state or federal laws or regulations, will be resolved exclusively by Arbitration in Minneapolis, Minnesota in accordance with the Code of Procedure of the National Arbitration Forum.

26.2 NOTICE OF DISPUTE

The party alleging the dispute must provide the other party with written notice setting forth the alleged dispute in detail. The party who receives written notice alleging the dispute will have 30 days to resolve the dispute, unless the written notice alleges that the Franchisee is delinquent in the payment of any fees or other payments payable to the Franchisor, in which case the Franchisee will have 15 days to make full payment (including interest as provided for herein) to the Franchisor.

26.3 DEMAND FOR ARBITRATION

If the dispute alleged by either party has not been resolved, settled or compromised within the time period provided for in this Article, then either party may demand Arbitration by giving the other party written notice demanding Arbitration. Within ten days after a written demand for Arbitration has been made, either party will have the right to request that the office of the National Arbitration Forum in Minneapolis, Minnesota initiate procedures necessary to appoint a three Arbitrator panel in accordance with the Code of Procedure of the National Arbitration Forum. The Arbitrators will be appointed within 60 days after a written demand for Arbitration has been made in accordance with the Code of Procedure of the National Arbitration Forum. All Arbitration hearings will take place exclusively in Minneapolis, Minnesota and will be scheduled by the Arbitrators within 90 days after the Arbitrators have been selected.

26.4 POWERS OF ARBITRATORS

The authority of the Arbitrators will be limited to making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement. The Arbitrators have no authority to add to, delete or modify the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the Arbitrators will be limited to the dispute set forth in the written demand for Arbitration, and the Arbitrators have no authority to decide any other issues. The Arbitrators do not have the right or authority to award punitive damages to anyone, including the Franchisor, to the Franchisee or to the Franchisee's officers, directors or Owners. All findings, judgments, decisions and awards by the Arbitrators will be in writing, will be made within 30 days after the Arbitration hearings have been completed, and will be final and binding on the Franchisor, the Franchisee, the Franchisee's officers, directors and Owners. The written decision of the Arbitrators will be deemed to be an order, judgment and decree and may be entered as such in any Court of competent jurisdiction by either party.

26.5 DISPUTES NOT SUBJECT TO ARBITRATION

The following disputes between the Franchisor and the Franchisee will not be subject to Arbitration: (a) any dispute involving the Marks or which arises under or as a result of Article 4 of this Agreement; (b) any dispute involving immediate termination of this Agreement by the Franchisor pursuant to Article 17.5 and 17.6 of this Agreement; (c) any dispute involving enforcement of the Confidential Information provisions set forth in Article 8 of this Agreement; (d) any dispute involving enforcement of the covenants not to compete contained in Article 20 of this Agreement; (e) any dispute involving the sale, transfer or assignment of this Agreement, the Franchisee's Business, the Business Assets or Ownership Interest; (d)

any dispute involving the renewal of this Agreement; and (f) any dispute involving the Franchisor's rights under Articles 15 or 16 of this Agreement.

26.6 NO COLLATERAL ESTOPPEL OR CLASS ACTIONS

All Arbitration findings, judgments and awards made by the Arbitrators will be final and binding on the Franchisor, the Franchisee and the Franchisee's officers, directors and Owners; however, such Arbitration findings, judgments and awards may not be used: (1) to collaterally estop any party to the arbitration from raising any like or similar issue in any other or subsequent arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees, or (2) by any third party or other franchisee to establish any fact, action, finding or violation, in any arbitration, litigation, court hearing or other proceeding involving the Franchisor or the Franchisee. It is the intent of the parties that any arbitration proceeding between the Franchisor and Franchisee will be of their individual claims and that no claims subject to arbitration will be arbitrated on a class-wide basis. No party except the Franchisor, the Franchisee, and the Franchisee's officers, directors and Owners will have the right to join in any demand for Arbitration and, therefore, the Arbitrators are not authorized to permit class actions or to permit any other party to be joined or impleaded in any Arbitration. The Franchisee and the Franchisee's Officers, Directors and Owners, and the Franchisor agree that no party will be entitled to punitive damages. Thus, the Arbitrators do not have the right to award punitive damages to any party and all parties expressly waive their rights to allege or claim punitive damages.

26.7 CONFIDENTIALITY.

All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any Arbitration hearing between the Franchisor and the Franchisee will be secret and confidential in all respects. The Franchisor and the Franchisee will not disclose the decision or award of the Arbitrators and will not disclose any evidence, testimony, records, documents, findings, orders, or other matters from the Arbitration hearing to any person or entity except as required by law.

26.8 DE NOVO ACTION ON MERITS.

If the Arbitrators award either the Franchisor or the Franchisee damages (including actual damages, costs and attorneys' fees) in excess of \$100,000 in any Arbitration proceeding commenced pursuant to this Agreement, then the party who has been held liable by the Arbitrators will have the right to a de novo action on the merits by commencing an action in a court of competent jurisdiction in accordance with Article 25.6. If the party held liable by the Arbitrators commences a court action as provided for herein, then neither party will have the right to introduce the Arbitrators' decision or findings in any such court action and the Arbitrators' decision and findings will be of no force and effect and will not be final or binding on either the Franchisor or the Franchisee. If the party who has been held liable by the Arbitrators for over \$100,000 in damages fails to commence a court action within 30 days after the Arbitrators issue their award in writing, then the Arbitrators' findings, judgments, decisions and awards will be final and binding on the Franchisor and the Franchisee and may be entered as a final judgment in any court of competent jurisdiction by any party to the arbitration.

26.9 PERFORMANCE DURING ARBITRATION OF DISPUTES

The Franchisor and the Franchisee will perform their respective obligations pursuant to this Agreement during arbitration of any dispute.

26.10 FEDERAL ARBITRATION ACT.

This Agreement and any issue regarding arbitration arising under this Agreement will be governed by the Federal Arbitration Act and the federal common law of arbitration.

ARTICLE 27
GOVERNING LAW; STATE MODIFICATIONS; SEVERABILITY

27.1 GOVERNING LAW

Subject to our rights under the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) and the parties' rights under the Federal Arbitration Act, this Agreement and the relationship between the Franchisor and the Franchisee will be governed by the laws of the state in which the Franchised Territories is located, irrespective of any conflict of laws. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by the Franchisee and the Franchisor. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. Franchisee waives, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

27.2 REASONABLE BUSINESS JUDGMENT

Whenever this Agreement provides that the Franchisor has a certain right, that right is absolute and the parties intend that the Franchisor's exercise of that right will not be subject to any limitation or review. The Franchisor has the right to operate, administrate, develop, and change the Business System in any manner that is not specifically precluded by the provisions of this Agreement. Whenever the Franchisor reserves or is deemed to have reserved discretion in a particular area or where the Franchisor agrees or is deemed to be required to exercise its rights reasonably or in good faith, the Franchisor will satisfy its obligations whenever it exercises Reasonable Business Judgment in making its decision or exercising its rights. A decision or action by the Franchisor will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if the Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the Jet-Black® franchise system generally even if the decision or action also promotes a financial or other individual interest of the Franchise. Examples of items that will promote or benefit the Jet-Black® franchise system include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Jet-Black® franchise system. Neither Franchisee nor any third party (including, without limitation, a trier of fact), shall substitute its judgment for Franchisor's Reasonable Business Judgment.

27.3 SEVERABILITY

It is the desire and intent of the parties to this Agreement, including the Owners, that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. If any provision of this Agreement is adjudicated to be invalid or unenforceable, then such provision will be deemed amended to modify or delete that portion thus adjudicated to be invalid or unenforceable. Such modification or deletion will apply only

with respect to the operation of such provision in the particular jurisdiction in which the adjudication is made. Further, to the extent any provision of this Agreement is deemed unenforceable by virtue of its scope or limitation, the parties to this Agreement, including the Owners, agree that the scope and limitation provisions will, nevertheless, be enforceable to the fullest extent permissible under the applicable laws and public policies applied in such jurisdiction where enforcement is sought.

**ARTICLE 28
NOTICES**

All notices to the Franchisor will be in writing and will be made by personal service upon an officer or Director of the Franchisor or sent by prepaid registered or certified mail addressed to the Franchisor at 12445 Boone Avenue South, Savage, MN 55378, or such other address as the Franchisor may designate in writing, with a copy to Michael Gray, Esq., Lathrop GPM LLP, 500 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402. All notices to the Franchisee will be made by personal service upon the Franchisee (or, if applicable, upon an officer or Director of the Franchisee) or sent by prepaid registered or certified mail addressed to the Franchisee at the Franchisee’s Office, or such other address as the Franchisee may designate in writing. Notice may also be made through delivery by a recognized delivery service that requires a written receipt signed by the addressee. Notice by mail is effective upon depositing the same in the mail in the manner provided above, notice by personal service is effective upon obtaining service, and notice by overnight delivery service is effective upon delivery (as confirmed by written receipt) by such delivery service.

WITNESS WHEREOF, the Franchisor, the Franchisee and the Franchisee’s Owners have respectively signed this Agreement effective as of the day and year first above written.

“FRANCHISOR”

In the Presence of:

JET-BLACK INTERNATIONAL, INC.

By: _____
Its: _____

In the Presence of:

“FRANCHISEE”

By: _____
Its: _____

By: _____
Its: _____

The undersigned Owners of the Franchisee hereby agree to be bound by the terms and conditions of this Agreement.

In the Presence of:	OWNERS	PERCENTAGE OF OWNERSHIP
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %

EXHIBIT A TO THE FRANCHISE AGREEMENT
PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT

In consideration of the execution of this Agreement by the Franchisor, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions in this Agreement, to be paid, kept and performed by the Franchisee.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Agreement and agree that this PERSONAL GUARANTY should be construed as though the undersigned and each of them executed an Agreement containing the identical terms and conditions of this Agreement.

If any default should at any time be made therein by the Franchisee, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to the Franchisor all monies due and payable to the Franchisor under the terms and conditions of this Agreement.

In addition, if the Franchisee fails to comply with any other terms and conditions of this Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of this Agreement for and on behalf of the Franchisee.

In addition, should the Franchisee at any time be in default on any obligation to pay monies to the Franchisor or any subsidiary or affiliate of the Franchisor, whether for merchandise, products, supplies, furniture, fixtures, equipment or other goods purchased by the Franchisee from the Franchisor or any subsidiary or affiliate of the Franchisor, or for any other indebtedness of the Franchisee to the Franchisor or any subsidiary or affiliate of the Franchisor, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from the Franchisee to the Franchisor or any subsidiary or affiliate of the Franchisor upon default by the Franchisee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this PERSONAL GUARANTY will inure to the benefit of the successors and assigns of the Franchisor.

All disputes or controversies arising under, as a result of, or in connection with this PERSONAL GUARANTY will be resolved in accordance with the terms and conditions of the Franchise Agreement. Except as precluded by applicable law, all arbitration, litigation, actions or proceedings pertaining to this PERSONAL GUARANTY will be brought and venued in accordance with Article [25.5](#) of the Franchise Agreement.

PERSONAL GUARANTORS

Signature

Signature

Print Name

Print Name

Address

Address

City State Zip Code

City State Zip Code

Telephone

Telephone

EXHIBIT B TO THE FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT

_____ 20____

In consideration of employment with _____ (the "Employer"), a Franchisee of Jet-Black International, Inc., it is hereby agreed that the undersigned employee (the "Employee") will, during the term of his or her employment and thereafter, treat the Manuals and any other materials (including, but not limited to, videotapes, films, drawings, diagrams, and computer programs) created for or approved for use in the operation of a Business, and the information contained therein, as secret and confidential and as the sole and absolute property of Jet-Black International, Inc. and will use all reasonable means to keep such materials and information secret and confidential. The undersigned Employee will not:

- (1) Communicate, divulge or use for the benefit of any other person or entity, any information contained in the Manuals or other materials copyrighted or deemed confidential by Jet-Black International, Inc. or the Employer.
- (2) Copy, duplicate, videotape, photograph, record or otherwise reproduce the Manuals or any other materials, in whole or in part. Neither the Manuals nor other materials created for or used in the Employer's business will be borrowed or removed from the Employer's Office by the under-signed Employee without the express written approval of the Employer. The Employee will not make any copyrighted or confidential materials available to any unauthorized person or entity, or allow them access to the Manuals or other materials.
- (3) Use any copyrighted or confidential materials or any information, knowledge, methods or techniques contained or described herein for any purpose other than the performance of his or her duties as an employee of the Employer. The undersigned Employee will respect the confidentiality of the Manuals and all other materials as it relates to concurrent and future employment.
- (4) Notwithstanding any other provision of this Agreement or the Manuals, Employee may, in accordance with any applicable law which includes but is not limited to the federal Defend Trade Secrets Act, disclose certain confidential information (a) in confidence, to federal, state, or local government officials, or to its attorney of, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure.

The undersigned Employee and Employer understand and accept the obligations set forth herein and agree to be bound by them effective as of the date set forth above.

EMPLOYEE:

EMPLOYER:

By: _____

Its: _____

EXHIBIT C TO THE FRANCHISE AGREEMENT

BLACK DAWG SEALCOAT® ADDENDUM

This Black Dawg Sealcoat® Addendum (the “Addendum”) is made and entered into as of this ____ day of _____, 20__ (the “Effective Date”), among Jet-Black International, Inc., (“we,” “us,” or “Franchisor”), and _____ (“you” or “Franchisee”), _____ and _____ (collectively, “Guarantors”).

INTRODUCTION

A. Instead of operating a Jet-Black® business, you desire to operate a Black Dawg Sealcoat® business in _____, _____ (“Business”).

B. We and you are, on this day, entering into a Jet-Black® franchise agreement (“Franchise Agreement”), pursuant to which we are granting you the right to operate a Black Dawg Sealcoat® Business.

C. Due to the different nature of the Black Dawg Sealcoat® Business, you and we desire to modify the Franchise Agreement under the terms in this Addendum as follows:

AGREEMENTS

In consideration of the foregoing, the parties agree as follows:

1. References. All references through the Franchise Agreement to “Jet-Black®” are changed to “Black Dawg Sealcoat®.”

2. Exclusivity. Section 2.2 of the Franchise Agreement is deleted in its entirety and replaced with the following:

“Exclusive,” for the purposes of this Article, means that the Franchisor will not own or operate, or authorize any other person to own or operate, a Black Dawg Sealcoat® Business within the Franchised Territories during the term of this Agreement without the prior consent of the Franchisee, except as qualified below. The Franchisor will have the absolute and unconditional right, without paying any compensation to the Franchisee, at any location or in any area outside the boundaries of the Franchised Territories, to: (a) grant other franchisees the right to use the name “Black Dawg Sealcoat®,” the other Marks and the Business System, and (b) operate company owned businesses under the name “Black Dawg Sealcoat®,” the other Marks and the Business System. The Franchisor will have the absolute and unconditional right, without paying any compensation to the Franchisee, at any location or in any area within or outside the boundaries of the Franchised Territories to grant other franchisees or operate company owned businesses under the name “Jet-Black®,” “Yellow Dawg Striping®,” “Blue Dawg Power Wash®” or any mark other than the Marks. During the term of this Agreement and thereafter, the Franchisor has the right, without paying any compensation to the Franchisee, anywhere in the world (including within the Franchised Territories) to directly or indirectly advertise and/or sell any proprietary products that have been or may be developed by or for the Franchisor, to any persons, businesses or entities, through methods of distribution other than Black Dawg Sealcoat® Businesses, including without limitation sales through wholesale outlets, retail stores, or by mail order, electronic commerce or any other direct sales method. Further, if the Franchisee does not offer certain Optional Services (such as driveway installation) or if the Franchisee does not have the equipment to handle certain

jobs (such as a commercial spray applicator), the Franchisor or other Black Dawg® franchisees may perform those services in the Franchised Territories without paying any compensation to the Franchisee. In no way does Franchisee’s subcontracting of Optional Services constitute “offering” the Optional Services for purposes of maintaining exclusivity.

3. Website. Section 12.5 of the Franchise Agreement is amended to delete www.jet-black.com and replace it with “www.blackdawgsealcoat.com.”

4. Franchisee Home Page. Section 12.23 of the Franchise Agreement is amended to add “www.blackdawgsealcoat.com.”

5. Construction. In all other respects, the Franchise Agreement will continue in full force and effect. Any capitalized terms not defined in this Addendum will have the meaning described in the Franchise Agreement. If any provision of this Addendum is inconsistent with applicable law, the applicable law will apply.

The parties have signed this Addendum as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

JET-BLACK INTERNATIONAL, INC.

By: _____

By: _____

Its: _____

Its: _____

EXHIBIT D TO THE FRANCHISE AGREEMENT

YELLOW DAWG STRIPING® ADDENDUM

This Yellow Dawg Striping® Addendum (the “Addendum”) is made and entered into as of this ___ day of _____, 20__ (the “Effective Date”), among Jet-Black International, Inc., (“we,” “us,” or “Franchisor”), and _____ (“you” or “Franchisee”), _____ and _____ (collectively, “Guarantors”).

INTRODUCTION

A. Instead of operating a Jet-Black® business, you desire to operate a Yellow Dawg Striping® business in _____, _____ (“Business”).

B. We and you are, on this day, entering into a Jet-Black® franchise agreement (“Franchise Agreement”), pursuant to which we are granting you the right to operate a Yellow Dawg Striping® Business.

C. Due to the different nature of the Yellow Dawg Striping® Business, you and we desire to modify the Franchise Agreement under the terms in this Addendum as follows:

AGREEMENTS

In consideration of the foregoing, the parties agree as follows:

1. References. All references through the Franchise Agreement to “Jet-Black®” are changed to “Yellow Dawg Striping®.”

2. ~~Products and Services. Section 1.10 of the Franchise Agreement is deleted in its entirety and replaced with the following:~~

~~“Products and Services” will mean products and services relating to pavement marking and parking lot striping of residential and commercial customers, and other related or ancillary products and services. “Products and Services” will not mean sealcoating, crack repair, patchwork, or other products and services generally provided by Jet-Black® or Black Dawg Sealcoat® franchisees.~~

3. Franchised Territories. Section 2.1 of the Franchise Agreement amended to delete “at least 30,000 single family residences” and replace it with “at least 60,000 single family residences.”

4. Exclusivity. Section 2.2 of the Franchise Agreement is deleted in its entirety and replaced with the following:

“Exclusive,” for the purposes of this Article, means that the Franchisor will not own or operate, or authorize any other person to own or operate, a Yellow Dawg Striping® Business within the Franchised Territories during the term of this Agreement without the prior consent of the Franchisee, except as qualified below. The Franchisor will have the absolute and unconditional right, without paying any compensation to the Franchisee, at any location or in any area outside the boundaries of the Franchised Territories, to: (a) grant other franchisees the right to use the

name “Yellow Dawg Striping®,” the other Marks and the Business System, and (b) operate company owned businesses under the name “Yellow Dawg Striping®,” the other Marks and the Business System. The Franchisor will have the absolute and unconditional right, without paying any compensation to the Franchisee, at any location or in any area within or outside the boundaries of the Franchised Territories to grant other franchisees or operate company owned businesses under the name “Jet-Black®,” “Blue Dawg Sealcoat®” or any mark other than the Marks. During the term of this Agreement and thereafter, the Franchisor has the right, without paying any compensation to the Franchisee, anywhere in the world (including within the Franchised Territories) to directly or indirectly advertise and/or sell any proprietary products that have been or may be developed by or for the Franchisor, to any persons, businesses or entities, through methods of distribution other than Yellow Dawg Striping® Businesses, including without limitation sales through wholesale outlets, retail stores, or by mail order, electronic commerce or any other direct sales method. Further, if the Franchisee does not offer certain Optional Services or if the Franchisee does not have the equipment to handle certain jobs, the Franchisor or other Yellow Dawg Striping® franchisees may perform those services in the Franchised Territories without paying any compensation to the Franchisee. In no way does Franchisee’s subcontracting of Optional Services constitute “offering” the Optional Services for purposes of maintaining exclusivity.

54. Conditions. Section 2.3 of the Franchise Agreement is amended to include the following paragraph:

In addition, the Franchisee may not provide, nor may Franchisee sub-contract for another to provide asphalt and concrete maintenance, sealcoat, crack repair, patchwork, or other products and services generally provided by Jet-Black® or Black Dawg Sealcoat® franchisees, unless (1) the Franchisee receives prior written consent from the Franchisor and one of the following: (i) the Franchisee receives prior written consent from the Jet-Black® or Black Dawg Sealcoat® franchisee who has exclusive rights to the protected territory; or (ii) the Franchisee subcontracts the Jet-Black® or Black Dawg Sealcoat® franchisee who has exclusive rights to the protected territory. If Franchisee owns and sub-contracts with the Jet-Black® or Black Dawg Sealcoat® franchisee who has exclusive rights to the protected territory, Franchisee will only be charged one royalty fee.

65. Initial Fee. Section 5.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

The Franchisee will pay the Franchisor a non-refundable Initial Fee of ~~\$25,000~~30,000 for the first Franchised Territory, and ~~\$12,500~~10,000 for each additional Franchised Territory, on the date this Agreement is executed by the Franchisee.

76. Amount of Continuing Fees. Section 6.1 of the Franchise Agreement is amended to delete the phrases “other than those involving snow plowing services.”

87. Minimum Continuing Fees. Section 6.7 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Commencing with the first full calendar year following the date of this Agreement, and for each calendar year thereafter for the remaining term of this Agreement, the aggregate amount of Continuing Fees paid by the Franchisee to the Franchisor must meet or exceed the following amounts multiplied by the number of Franchised Territories purchased by the Franchisee: first

full calendar year – \$2,500; second full calendar year – \$3,500; third full calendar year through end of franchise term – \$5,000 (the “Minimum Annual Continuing Fees”). If the total of the Continuing Fees paid to the Franchisor by the Franchisee in any full calendar year pursuant to Article 6.1 is less than the Minimum Annual Continuing Fee amount set forth in this Article 6.7, then the Franchisee must pay to the Franchisor the difference between the Minimum Annual Continuing Fee and the Continuing Fees actually paid by the Franchisee. The payment of such amount will be made by pre-authorized bank transfer from the Franchisee’s account to the Franchisor’s account on or before January 31 of the year following the year in which the Franchisee has paid less than the applicable Minimum Annual Continuing Fee amount.

~~98.~~ 98. Website. Section 12.5 of the Franchise Agreement is amended to delete www.jet-black.com and replace it with “www.yellowdawgstriping.com.”

~~109.~~ 109. Maintenance of Trucks and Equipment. Section 12.8 of the Franchise Agreement is deleted in its entirety and replaced with the following:

The Franchisee will, at its expense, obtain at least one truck and one trailer for each Franchised Territory which meet the Franchisor’s requirements for appearance (including required decals) and equipment for use in connection with the Franchisee’s Business. The Franchisee will at all times repair and keep in good working order and appearance all trucks, trailers and equipment used in the Franchisee’s Business in accordance with the Franchisor’s quality standards. The Franchisee will replace all equipment, supplies, trucks and trailers as such items become worn-out or in disrepair with replacements which comply with the Franchisor’s then-current standards and specifications.

~~110.~~ 110. Construction. In all other respects, the Franchise Agreement will continue in full force and effect. Any capitalized terms not defined in this Addendum will have the meaning described in the Franchise Agreement. If any provision of this Addendum is inconsistent with applicable law, the applicable law will apply.

The parties have signed this Addendum as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

JET-BLACK INTERNATIONAL, INC.

By: _____

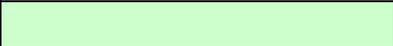
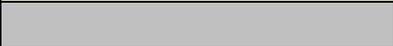
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Padding cell	

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EXHIBIT E
FRANCHISEE DISCLOSURE QUESTIONNAIRE

FRANCHISEE DISCLOSURE QUESTIONNAIRE

Do not sign this Questionnaire if you are a resident of Maryland or the business is to be operated in Maryland.

As you know, Jet-Black International, Inc. (the “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a Jet-Black®, Black Dawg Sealcoat® or Yellow Dawg Striping® franchised business (the “Franchise”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

QUESTION	YES	NO
1 Have you received and personally reviewed the Franchisor’s Franchise Disclosure Document (the “disclosure document”) provided to you?		
2 Did you sign a receipt for the disclosure document indicating the date you received it?		
3 Do you understand all of the information contained in the disclosure document?		
4 Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5 Did you receive a copy of the Franchise Agreement at least seven calendar days before signing?		
6 Do you understand the terms of and your obligations under the Franchise Agreement?		
7 Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8 Do you understand the risks associated with operating the Franchise?		
9 Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10 Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the disclosure document?		
11 Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the disclosure document?		
12 Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the disclosure document?		
13 Has any employee or other person speaking on behalf of the Franchisor		

QUESTION	YES	NO
made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the disclosure document?		
14 Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the disclosure document?		
15 Do you acknowledge and agree that the Franchise may be impacted by many risks, including those outside Franchisor's or your control, such as economic, political or social disruption, including epidemics or pandemics or similar events ("Events")?		

If you answered "Yes" to any of questions 10 through 14, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them.

Your representations in this Questionnaire are not intended to, and will not act as, a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

Do not sign this Questionnaire if you are a Maryland resident, or the franchise is to be located in Maryland.

FRANCHISE APPLICANT

FRANCHISE APPLICANT

Dated: _____, 20____

Dated: _____, 20____

EXHIBIT F
STATE AGENCY EXHIBIT

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236
New York (Agent)	Attn: New York Secretary of State New York Department of State	One Commerce Plaza 99 Washington Ave., 6th Floor Albany, NY 12231-0001 518-473-2492
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT G
STATE ADDENDA

ADDENDUM TO
JET-BLACK®
DISCLOSURE DOCUMENT FOR THE
STATE OF ILLINOIS

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987. Item numbers correspond to those in the main body.

Item 12

Jet-Black also reserves the right to charge you for or require you to pay commissions in connection with national or regional accounts. This fee is in addition to the Continuing Fees imposed by Franchisor on Franchisee.

Item 17

Illinois law governs the Franchise Agreement.

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

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

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

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.

ADDENDUM TO
JET-BLACK®
DISCLOSURE DOCUMENT FOR THE
STATE OF MARYLAND

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability 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.

ADDENDUM TO
JET-BLACK®
DISCLOSURE DOCUMENT FOR THE
STATE OF MINNESOTA

The following information applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body.

Item 17

1. Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this disclosure document, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

2. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit Jet-Black 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.

3. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota, provided, that this part will not bar the voluntary settlement of disputes.

4. 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.

Exhibit E - Franchise Disclosure Questionnaire

Exhibit E of this disclosure document is amended to delete Question 15.

ADDENDUM TO
JET-BLACK®
DISCLOSURE DOCUMENT FOR THE
STATE OF NEW YORK

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Disclosure Document for Jet-Black International, Inc. for use in the State of New York shall be amended as follows:

1. The following information ~~applies to franchises and franchisees subject to New York statutes and regulations. Item numbers correspond to those in~~ is added to the ~~main body~~ cover page. ~~Additional~~ of the Franchise Disclosure Document.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT F OR YOUR PUBLIC LIBRARY FOR ~~SOURCES OF SERVICES OR~~ INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS ~~FRANCHISE~~ DISCLOSURE DOCUMENT. IF YOU LEARN ~~THAT~~ ANYTHING IN ~~THE FRANCHISE~~ THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND ~~NEW YORK~~ THE APPROPRIATE STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271 OR PROVINCIAL AUTHORITY.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE ~~FRANCHISE DISCLOSURE DOCUMENT~~ PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS ~~WHICH~~ THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS ~~FRANCHISE DISCLOSURE DOCUMENT~~ PROSPECTUS.

~~Item 3~~

~~Except as described below, neither Jet Black, Jet Black's affiliates or any person identified in Item 2 of this disclosure document:~~

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

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

Item 4

~~Neither Jet Black, Jet Black's affiliates or any officers identified in Item 2 of this disclosure document has, during the 10 year period preceding the date of this disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U. S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U. S. Bankruptcy Code or that obtained a discharge of its debts under the U. S. Bankruptcy Code during or within one year after the officer of franchisor held this position in the company.~~

Item 5

~~The Initial Fee constitutes part of Jet Black's general operating funds and will be used as such in Jet Black's discretion.~~

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17-e and 17-m(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections ~~687.4~~687(4) and ~~687.5~~687(5) be satisfied.

Item 17 j

~~However, no assignment will be made by Jet Black, except to an Assignee who, in Jet Black's good faith judgment, is willing and able to assume Jet Black's obligations under the Franchise Agreement.~~

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

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

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon ~~Jet Black or upon you~~ the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO
JET-BLACK®
DISCLOSURE DOCUMENT FOR THE
STATE OF VIRGINIA

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

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

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.

ADDENDUM TO
JET-BLACK®
FRANCHISE AGREEMENT FOR THE
STATE OF ILLINOIS

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

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

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

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

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.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

FRANCHISOR:

Jet-Black International, Inc.

By: _____

By: _____

Its: __ Its: __

ADDENDUM TO JET-BLACK®
FRANCHISE AGREEMENT FOR THE
STATE OF MARYLAND

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise 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.

Sections 23.1 – 23.5 of the Franchise Agreement are hereby deleted in their entirety.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISEE:

By: _____

Its: __ Its: __

FRANCHISOR:

Jet-Black International, Inc.

By: _____

ADDENDUM TO
JET-BLACK®
FRANCHISE AGREEMENT FOR THE
STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Agreement, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 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 nonrenewal of the franchise agreement.

2. No release language set forth in the Franchise Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota, provided, that this part will not bar the voluntary settlement of disputes.

3. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

By: _____

Its: _____

FRANCHISOR:

Jet-Black International, Inc.

By: _____

Its: _____

ADDENDUM TO
JET-BLACK®
FRANCHISE AGREEMENT FOR THE
STATE OF NEW YORK

~~To~~In recognition of the extent requirements of the New York General Business Law, Article 33, ~~§§ Sections 680 through 695 applies, the terms of this Addendum apply and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Jet-Black International, Inc. Franchise Agreement (the “Agreement”)~~ agree as follows:

~~1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

~~Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 through 695 may not be enforceable.~~

~~Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim~~

1. Section 2.2.6 of the Agreement, under the heading “Term; Successor Franchise Agreements,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

2.2.6 You and all of your Owners must execute and deliver to us a general release, in a form we require, of any and all claims against us, our affiliates, and our past, present and future officers, directors, shareholders and employees arising out of or relating to your Franchised Business; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Section 14.3.5 of the Agreement, under the heading “Transfers by You,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

14.3.5 You and all Owners must execute a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

3. Section 12 of the Agreement, under the heading “Confidential Information,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

During and after the term of this Agreement, you may not communicate, divulge, or use for any purpose other than the operation of the Franchised Business any confidential information, knowledge, trade secrets or know-how that may be communicated to you or that you may learn by virtue of your relationship with us and the System (“Confidential Information”). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate the Franchised Business. You must not make any Confidential Information supplied by us available to any unauthorized person. All Confidential Information is deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your employees, and any other person or entity to whom you wish to disclose any Confidential Information, to execute (and deliver to us upon our request) agreements, in the form provided in Appendix G or H (as appropriate) to this Agreement or as we may otherwise require in writing, that they will maintain the confidentiality of the disclosed information. If you do not obtain execution of the covenants required by this Section 12 and, upon our request, deliver those signed agreements to us, that will constitute a default under Section 15.2.12 below. You acknowledge and agree that any failure to comply with the requirements of this Section 12 will cause irreparable injury to us, and you agree to pay all court costs and reasonable attorneys’ fees we incur in obtaining specific performance of, or seeking an injunction against violation of, the requirements of this Section 12.

4. Section 25.8 of the Agreement, under the heading “Disputes,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

25.8 Our Right to Injunctive Relief. Nothing in this Agreement bars our right to seek injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond or other security in seeking injunctive relief (both preliminary and permanent) and/or specific performance.

5. Section 25 of the Agreement, under the heading “Disputes,” shall be amended by the addition of the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee ~~may have under~~by New York General Business Law, ~~Article 33~~, Sections 680-695.

~~The New York Franchise Law shall govern any claim arising under that law.~~

~~2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.~~

~~3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.~~

~~This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply~~

6. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective Franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISEE:

By: _____

Its: _____

FRANCHISOR:

Jet-Black International, Inc.

By: _____

Its: _____

ADDENDUM TO
JET-BLACK®
FRANCHISE AGREEMENT FOR THE
STATE OF VIRGINIA

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISEE:

By: _____

Its: _____

FRANCHISOR:

Jet-Black International, Inc.

By: _____

Its: _____

ADDENDUM TO
JET-BLACK®
FRANCHISE AGREEMENT FOR THE
STATE OF WISCONSIN

This Addendum pertains to franchisees in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, Article 17.2 of the Agreement pertaining to “Franchisor’s Immediate Termination Rights” is extended as follows:

The Franchisor will provide the Franchisee at least 90 days’ prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that the Franchisee has 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, the Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Franchisee and the Franchisor inconsistent with the Law.

3. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

By: _____

Its: _____

FRANCHISOR:

Jet-Black International, Inc.

By: _____

Its: _____

EXHIBIT H
GENERAL RELEASE OF CLAIMS FORM

FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, Jet-Black International, Inc. (“Franchisor”), _____ (“Franchisee”) and _____ (“Guarantors”) enter into this Release of Claims (“Agreement”).

RECITALS

A. Franchisor and Franchisee entered into a Jet-Black® Franchise Agreement dated _____, ____.

B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims.** Franchisee hereby releases Franchisor, its current and former officers, directors, shareholders, and agents, and their respective past and present successors, assigns, heirs, and personal representatives, from all debts, representations, agreements, liabilities, actions, and causes of action of every kind and nature arising out of or relating to the Franchise Agreement between Franchisor and Franchisee, the offer and sale of that franchise and the franchise relationship between the parties.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of _____ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

FRANCHISEE:

JET-BLACK INTERNATIONAL, INC.

BY: _____

BY: _____

ITS: _____

ITS: _____

DATE: _____

DATE: _____

PERSONAL GUARANTORS:

EXHIBIT I
PROMISSORY NOTE

JET-BLACK INTERNATIONAL, INC. SECURED PROMISSORY NOTE

\$ _____

Date: _____, 20__

The undersigned (“Franchisee”), for value received, jointly and severally promise to pay to Jet-Black International, Inc., a Minnesota corporation (“Franchisor”), at 12445 Boone Avenue South, Savage, MN 55378 or at such other place as the holder of this Promissory Note (“Note”) periodically may designate in writing, the principal sum of \$ _____, together with interest computed at a rate of 9% per annum on the unpaid balance of the principal, beginning as of the date hereof, until fully paid. Principal and interest are due and payable in 60 consecutive monthly installments of \$ _____. Installments will commence on _____ and will continue on the _____ day of each month thereafter until _____.

Franchisee acknowledges that the principal amount of this Note arose under and remains due under the Jet-Black® Franchise Agreement between Franchisor and Franchisee, dated _____, 20__ (the “Franchise Agreement”), and that Franchisor’s acceptance of this Note does not represent a cure, satisfaction, or discharge of any of Franchisee’s obligations under the Franchise Agreement, and does not represent a waiver or relinquishment of any rights or remedies that Franchisor may have under the Franchise Agreement.

Franchisee may prepay this Note in whole at any time or in part from time to time, in multiples of \$100.00 without penalty, provided that such prepayments be made on dates when installments are due. Each such prepayment will be applied first against accrued interest and the balance, if any, to the reduction of principal. Franchisor’s failure or delay to exercise any right or remedies hereunder or afforded by applicable law will not operate as a waiver thereof. Such failure or delay will not be construed as a bar to or waiver of such right or remedy on a future occasion.

Franchisee agrees to pay all costs of collecting or enforcing payment or performance under this Note, together with reasonable attorneys’ fees and legal expenses at any time paid or incurred by the holder hereof, whether suit be brought or not.

Franchisee waives presentment, protest and demand, delinquency, notice of protest, demand and dishonor, and any other notice otherwise required to be given by law in connection with the delivery, acceptance, performance, default, enforcement or collection of this Note, and expressly agrees that this Note, or any payment hereunder, may periodically be extended or subordinated, without affecting the liability of Franchisee.

Any default by Franchisee under the Franchise Agreement after the date of this Note will constitute a default under this Note. Any default under this Note will constitute a default under the Franchise Agreement. At Franchisor’s option, the entire unpaid principal balance and all accrued but unpaid interest under this Note will be immediately due and payable as a balloon payment upon the earlier of: (a) Franchisee’s failure to cure any default under this Note or the Franchise Agreement under the terms thereof; or (b) the occurrence of a “Transfer” (as defined in the Franchise Agreement). Upon any acceleration of the principal balance under this Note due to a default under the Note or the Franchise Agreement, interest will accrue on all unpaid amounts from the date of acceleration at a rate of 18% per annum or the maximum rate permitted by law, whichever is less, until the entire principal balance and all accrued but unpaid interest is paid.

To secure Franchisee’s payment of the Note and Franchisee’s performance of its obligations hereunder, Franchisee grants to Franchisor a security interest in and to Franchisee’s inventory, chattel paper, equipment, general intangibles, furniture, fixtures, machinery, accounts receivable, deposit accounts, investment properties, commercial tort claims, and all other business assets; whether owned now or

acquired later; and all additions, located at or arising from transactions related to the Sealcoat Business, all policies of insurance covering such assets and all proceeds thereof.

This Note may not be amended or modified, and no waiver of any provision hereof will be effective, except by an instrument in writing signed by the party against whom enforcement of any amendment, modification, or waiver is sought. If Franchisee consists of two or more individuals, the liability of each individual will be joint and several.

This Note is governed by the laws of the State of Minnesota. Any claims, controversies or disputes arising from the payment or non-payment of this Note will be brought in the Minneapolis, Minnesota, Hennepin County District Court or the United States District Court for the District of Minnesota. Franchisee irrevocably consents to the jurisdiction of such courts.

Franchisee has caused this Note to be made and executed as of the date first above written.

FRANCHISEE:

_____, Individually

_____, Individually

or

[Name of Franchisee Entity]

By: _____

Its: _____

Each of the undersigned jointly and severally, personally and unconditionally guarantee to Franchisor, and its successors and assigns, that Franchisee will timely pay and perform each and every undertaking, agreement and covenant stated in this Note; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in this Note. The undersigned waive any requirement that Franchisor proceed or exhaust its recourses against Franchisee or any other party, pursue any other remedy whatsoever or enforce any security before any demand under this personal guaranty.

GUARANTORS:

_____, Individually

_____, Individually

EXHIBIT J
STATE EFFECTIVE DATES

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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

State	Effective Date
Illinois	June 16, 2023 Pending
Maryland	August 15, 2023 Pending
Michigan	May 11, 2023 Pending
Minnesota	July 14, 2023 Pending
New York	July 31, 2023 Pending
Virginia	July 5, 2023 Pending
Wisconsin	May 3, 2023 Pending

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.

EXHIBIT K
RECEIPTS

Receipt

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

If Jet-Black offers you a franchise, Jet-Black must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Jet-Black 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 those state administrators listed on Exhibit F.

The franchisor is Jet-Black International, Inc. located at 12445 Boone Avenue South, Savage, MN 55378. Its telephone number is (952) 212-0410.

Issuance Date: ~~May 2~~June 14, 2023~~2024~~

Our franchise sellers involved in offering and selling the franchise to you are ~~Andy Hoiland~~, Nick Kelso, and Luke Urbaniak, 12445 Boone Avenue South, Savage, MN 55378, (888) 538-2525, or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____

Jet-Black authorizes the respective state agencies identified on Exhibit F to receive service of process for it in the particular state.

I have received a disclosure document dated ~~May 2~~June 14, 2023~~2024~~, that included the following Exhibits:

- | | |
|--|-----------------------------------|
| A. Standard Operating Manual Table of Contents | F. State Agency Exhibit |
| B. List of Franchisees | G. State Addenda |
| C. Financial Statements | H. General Release of Claims Form |
| D. Franchise Agreement | I. Promissory Note |
| E. Franchisee Disclosure Questionnaire | J. State Effective Dates |
| | K. Receipts |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for Franchisee

Receipt

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| E. | Franchisee Disclosure Questionnaire | J. | State Effective Dates |
| | | K. | Receipts |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for Jet-Black Franchise Group

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and

mail one copy (this page) to the address listed on the front page or send by email to nick@jet-black.com or by fax to (952) 465-3212.