

FRANCHISE DISCLOSURE DOCUMENT



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

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

The total investment necessary to begin operation of a Surface Experts Business is ~~\$139,340~~140,840 to ~~\$225,227~~,475. This includes ~~\$78,740~~80,240 to ~~\$141,116~~,575 that must be paid to the franchisor or affiliate.

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

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

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

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

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

Issuance date: April ~~3, 2023~~19, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F 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 Surface Experts 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 Surface Experts franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Washington. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Washington than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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 the 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 terms 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 six (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 or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or 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 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 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES ...	1
Item 2 BUSINESS EXPERIENCE	2
Item 3 LITIGATION	2
Item 4 BANKRUPTCY	3
Item 5 INITIAL FEES	3
Item 6 OTHER FEES	4
Item 7 ESTIMATED INITIAL INVESTMENT	8
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	10
Item 9 FRANCHISEE’S OBLIGATIONS	13
Item 10 FINANCING	14
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	14
Item 12 TERRITORY	20
Item 13 TRADEMARKS	22
Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	23
Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	24
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	25
Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	25
Item 18 PUBLIC FIGURES	30
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS	31
Item 20 OUTLETS AND FRANCHISEE INFORMATION	31
Item 21 FINANCIAL STATEMENTS	39
Item 22 CONTRACTS	39
Item 23 RECEIPTS	39
Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES ...	2
Item 2 BUSINESS EXPERIENCE	3
Item 3 LITIGATION	3
Item 4 BANKRUPTCY	4
Item 5 INITIAL FEES	4
Item 6 OTHER FEES	5
Item 7 ESTIMATED INITIAL INVESTMENT	9
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
Item 9 FRANCHISEE’S OBLIGATIONS	14
Item 10 FINANCING	15
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	15
Item 12 TERRITORY	21
Item 13 TRADEMARKS	23
Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	24

<u>Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS</u>	<u>26</u>
<u>Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL</u>	<u>27</u>
<u>Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION</u>	<u>27</u>
<u>Item 18 PUBLIC FIGURES</u>	<u>31</u>
<u>Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS</u>	<u>32</u>
<u>Item 20 OUTLETS AND FRANCHISEE INFORMATION</u>	<u>32</u>
<u>Item 21 FINANCIAL STATEMENTS</u>	<u>40</u>
<u>Item 22 CONTRACTS</u>	<u>40</u>
<u>Item 23 RECEIPTS</u>	<u>41</u>

EXHIBITS

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement ~~(with~~
Attachment 1-Ownership Information
~~Attachment 2-Guaranty and Non-Compete Agreement)~~
- C. Form of General Release
- D. Financial Statements
- E. Franchise Operations Manual Table of Contents
- F-1. Current Franchisees
- F-2. Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Franchise Agreement
- I. Information About Area Representatives
- J. Automated Clearing House Payment Authorization Form
- K. State Effective Dates
- L. Receipt

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

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

The Franchisor, Any Parents, Predecessors, and Affiliates

We are a Washington limited liability company formed on July 20, 2018. Our principal business address is 159 South Lincoln St., Suite 321, Spokane, WA 99201.

We do not have any parents or predecessors.

We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

We do business under our entity name and “Surface Experts.”

Exhibit A contains our agents for service of process.

We have offered Surface Experts franchises since 2018. We have not conducted a business of the type a franchisee will operated.

We also previously offered Area Representative rights to act as our sales and support agent for Surface Experts in certain territories under a separate Franchise Disclosure Document from October 2018 to December 2019.

As of December 31, 2021, we had three Area Representative franchisees. Area Representatives do not have management responsibility related to the franchise but instead identify potential unit franchisees to potentially recruit through this disclosure document. Nonetheless, we include a list of our current area representative franchisees as Exhibit I to this disclosure document.

We do not have any other business activities. Except as provided above, we have not offered franchises in other lines of business.

The Business You Will Conduct

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

If you purchase a standard size territory, you will start your Surface Experts Business with one wrapped Surface Experts vehicle. You must hire one full-time “Lead Technician” and one full-time “Business Development” person when you start your Surface Experts Business. This is

not a semi-absentee business model and you must devote your sole and full-time efforts to the Surface Experts Business.

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

Market and Competition

The general market for interior surface repairs encompasses both residential and commercial clients. This market is well developed and competitive. Sales are year-round.

Your franchised business may have to compete with other businesses offering services and products similar to those that you will offer, including franchised operations, national chains, and other independently owned companies.

Laws and Regulations

In some jurisdictions, you will need a general contractor license, a “handyman’s license,” or other governmental permits. The requirements to obtain such a license or permit vary, and may include an application to a state licensing board, coursework, and/or passing an examination. You should investigate the application of these laws further.

Item 2 BUSINESS EXPERIENCE

Jacob Grady – CEO. Jacob Grady has served as our Chief Executive Officer in Spokane, WA since our inception in July 2018. From 2009 to April 2017, he served as Founder and President of The Detail Difference in Portland, OR. ~~From May 2017 to July 2018 Mr. Grady was not employed.~~

Greg Hess – COO. Greg Hess has served as our Chief Operations Officer since September 2022. From September 2019 to September 2022, Greg Hess served as our Controller. From April 2007 to April 2019, Greg Hess served as Director of Affiliate Marketing for Cashcrate LLC in Spokane, WA.

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

~~Otis Laney Ben Downing~~ – Director of Technical Development. ~~Otis Laney Ben Downing~~ has served as our Director of Technical Development in Spokane, WA since ~~August 2018. He performed Inside Sales for Predator Software in Beaverton, OR from March 2018 to August 2018. February 2024.~~ From ~~April 2014 to March 2018, Otis~~ February 2010 to February 2024, Ben Downing was a Repair Technician for The Detail Difference the Owner and Director of Repairs for Surface Artists in Portland, OR. ~~He was owner of Otis Laney Contracting in Portland, OR from October 2012 to April 2018.~~

Dennis Mulgannon – Director of Franchising. Dennis Mulgannon has served as our Director of Franchising in El Dorado Hills, CA since July 2018. He has also been ~~as~~ Director of Franchising for GTN Capital Group in Guilford, Connecticut since February 2017 and Director of Franchising for TFL Franchise Systems, LLC in Boston, Massachusetts since April 2015.

Sean Hansen – Franchise Development Manager. Sean Hansen has served as our Franchise Development Manager in El Dorado Hills, CA, since August 2018. He Sean Hansen has also served as the COO of Bin Masters Franchising USA Inc. in El Dorado Hills, CA since April 2022. Mr. ~~been a Hansen has been~~ Franchise Development Manager for ~~CAC—Children’s Art Classes in El Dorado Hills-Vertica Fitness Franchising~~California, since January 2020; has been an Area Representative for NerdsToGo in El Dorado Hills, CA, since ~~May 2017;~~February 2022 and has been an Area Representative and Franchise Developer for WaveMAX ~~Franchise LLC in El Dorado Hills, CA~~Laundry since November 2016. Mr. Hansen was a Director for Kiefer Consulting, Inc. in Folsom, CA from August 2011 to July 2017. Sean served as the Franchise Development Manager for GTN Capital Croup in El Dorado Hills, CA, from May 2017 through October 2020 and was an Area Representative for GTN Capital Group from May 2017 until April 2023.

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

Item 3 LITIGATION

No litigation is required to be disclosed in this Item.

Item 4 BANKRUPTCY

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

Item 5 INITIAL FEES

Initial Franchise Fee

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

Initial Items You Purchase Through Us

You will purchase certain initial equipment, safety gear, toolbox, tools, and inventory from us, including supplies that should serve for approximately three months of operations. Your cost will be approximately ~~\$34,000~~ to ~~\$35,500~~.

You will also purchase initial marketing materials (such as brochures, handouts, giveaways, and promotional material) and staff uniforms (including shirts, jackets, and t-shirts) from us. We do not mark up the cost of these items. Your cost will be approximately \$500 to \$800.

ExpertNet and Technology Fees

You will pay us a monthly fee for our “ExpertNet” operations portal. This fee is currently \$240 per month and includes our field service management software for their team, access to Office 365 for the owner, salesperson and technician, the voice-over-IP (VOIP) phone system with one telephone number, a job placement software for hiring, and website and SEO management. Additional email addresses are ~~\$56~~ per month. You will begin paying this fee approximately 2-3 weeks before opening. We estimate you will pay \$240 to \$275 before you open.

Refundability of Initial Fees

Each of the initial fees listed above is uniformly imposed and fully earned and nonrefundable as paid.

Item 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	Greater of 8% of your “Gross Sales” ⁽¹⁾ or the minimum royalty of \$1,600 per month (beginning after your first year).	Monthly, on the 5 th day of month (for the preceding month)	See Notes 1, 2 and 3. If you purchase a larger territory with more than 500,000 people, we will increase the minimum royalty to \$1,800 per month after 18 months.
Local Advertising	Actual amount spent on Business Development person	Monthly	You must maintain a full time Business Development person other than yourself to promote your Franchised Business pursuant to our guidelines.
Brand Fund Contribution	Up to 2% of your Gross Sales; currently, none.	Monthly, on the 5 th day of the following month	We have the right to create a “Brand Fund” in the future and to require you to contribute.
Local and Regional Advertising Cooperatives	Established by cooperative members (at least 1% of Gross Sales)	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. Item 11 contains more information about advertising cooperatives.

Type of Fee	Amount	Due Date	Remarks
Market Cooperative Contribution	As determined by co-op. Currently, none.	Monthly, at same time as the royalty fee	We have the right to establish local or regional advertising cooperatives. The maximum contribution to the co-op will not exceed 4% of Gross Sales unless all members of the co-op unanimously agree to a higher contribution.
Support Center Services Fee	4% of your Gross Sales up to \$80,000 per month of Gross Sales, then 2% of your Gross Sales in excess of \$80,000 in a month.	Monthly, at same time as the royalty fee	We (or a third party we designate) will operate a "Support Center" on your behalf.
Replacement / Additional Training fee	Currently, none.	Prior to attending training	If you send your Lead Technician or other employee to our training program after you open, we have the right to charge a training fee. Currently, we do not charge this fee, but any replacement Lead Technician must attend our regularly-scheduled class.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Technology fees	Currently, \$240 per month. Additional email addresses are \$56 per month, additional mobile app licenses are \$22 per month, and additional web licenses are \$96 per month.	Monthly, at same time as the royalty fee	This fee is payment for our "ExpertNet" and includes our field operations portal, field service management software, access to Office 365 for the owner, salesperson, and tech, the voice-over-IP (VOIP) phone system with one phone number, a job placement software for hiring, and website and SEO management. These prices are subject to change. We may modify ExpertNet and its functionality in the future. We collect this fee monthly and pay the respective software providers for your use.
Non-compliance fee	\$500	On demand	We may charge you \$500 if your Surface Experts Business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance. If your non-compliance is a failure to make any required report to us when due, we may charge the non-compliance fee immediately rather than give you 30 days prior notice and opportunity to cure.
Reimbursement	Amount that we spend on your behalf, plus 10%.	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.

Type of Fee	Amount	Due Date	Remarks
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law).	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs.	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Breach of territory fee	\$500 per job.	On demand	If you serve a customer outside of your territory without our prior written permission, we impose this fee.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Customer complaint resolution	Our expenses.	As incurred	We may take any action we deem appropriate to resolve a customer complaint about your Surface Experts Business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records audit	Our actual cost.	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported Gross Sales by more than 3% for any month.
Special evaluation fee	Currently \$600, plus our out-of-pocket costs.	On demand	Payable only if we conduct an in-person evaluation of your Surface Experts Business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%.	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Renewal fee	\$5,000	Upon renewal	Payable if you enter into a successor franchise agreement at the end of your agreement term.

Type of Fee	Amount	Due Date	Remarks
Transfer fee	\$10,000 plus any broker fees and other out-of-pocket costs we incur.	When transfer occurs	Payable if you sell your Surface Expert Business.
Professional fees and expenses	Will vary under circumstances.	As incurred	You must reimburse us for any legal, accounting or other professional fees (“Professional Fees”) that we incur as a result of any breach or termination of your Franchise Agreement or as a result of your indemnity obligations. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Indemnification	Will vary under circumstances.	As incurred	You must indemnify and reimburse us for any expenses or losses, including Professional Fees, that we or our representatives incur related in any way to your Surface Experts Business or franchise.
Prevailing party’s legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party.	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party’s attorney fees, court costs and other expenses.

All fees are payable only to us. All fees are imposed by us and collected by us. All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You are required to complete the ACH authorization (in the form attached to this Franchise Disclosure Document in Exhibit J.

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

Notes

1. The term “Gross Sales” means the revenues you receive from the sale of all goods, products and services sold at, from, or through your Surface Experts Business and all other income, revenue and consideration of every kind and nature related to the Surface Experts Business, whether for cash or credit, and regardless of collection in the case of credit, including the full redemption value of any gift certificate or coupon sold for use in the Surface Experts Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from this calculation), and all proceeds from any business interruption insurance, but not including: (a) any sales taxes or other taxes you collect from customers for, and paid directly to, the appropriate taxing authority; and (b) any bona fide refunds you make to customers.

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

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial franchise fee (Note 1)	\$75,000	\$110,000	Lump Sum	Upon signing the franchise agreement	Us
One Surface Experts Car, including Vehicle Wrap (Note 2)	\$5,000	\$30,000	As Incurred	Upon purchase	Vendor
Equipment, Tools, Supplies and Inventory (Note 3)	\$3,000 <u>\$4,500</u>	\$3 <u>\$5,500</u>	As Incurred	When purchased	Us
Sander/Vacuum	\$1,100	\$1,100	As Incurred	When purchased	Vendor
ExpertNet and technology fees (Note 4)	\$240	\$275	As Incurred	Before opening for business	Us
Rent, Utilities, and Leasehold Improvements (Note 5)	\$0	\$1,500	As Incurred	Not applicable	Not applicable
Office Furniture	\$0	\$500	As Incurred	As incurred	Vendors and suppliers
Office Supplies	\$0	\$300	As Incurred	As incurred	Vendors and suppliers
Computer Systems and Software	\$500	\$2,000	As Incurred	As incurred	Vendors and suppliers
Insurance (Note 6)	\$1,500	\$4,000	As Incurred	Upon ordering	Insurance company
Signage	\$0	\$250	As Incurred	Upon ordering	Vendor
Licenses and Permits	\$500	\$1,250	As Incurred	Upon application	Government
Professional Fees (lawyer, accountant, etc.)	\$3,500	\$5,000	As Incurred	As incurred or when billed	Professional service firms
Marketing Materials and Uniforms (Note 7)	\$500	\$800	As Incurred	Upon ordering	Us
Travel, lodging and meals for initial training	\$3,500	\$5,000	As Incurred	As incurred	Third Parties

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Additional funds (for first 3 to 6 months) (Note 8)	\$45,000	\$60,000	As Incurred	Varies	Third Parties
Total	\$139,340 140,840.00	\$225 227,475.00			

Notes

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

2. Vehicle Lease. You will begin your Surface Experts franchise with one vehicle dedicated to your Surface Experts Business. The vehicle must ~~be a new white Nissan Kick or Hyundai Kona, and it must have~~meet our ~~required~~approved vehicle ~~graphics~~list. Due to the vehicle shortage during COVID, Surface Experts is more flexible on the type of vehicles, but it must be approved before purchase. The low-end estimate assumes that you lease your vehicle, with a down payment, first month’s payment, and payment towards the vehicle wrap due when you sign the lease. The high-end estimate assumes you purchase your vehicle. We have an optional arrangement with Enterprise under which you would lease/purchase your vehicle with a down-payment of approximately \$5,000.

3. Equipment, Tools, Supplies and Systems. We will sell to you a package with most of the equipment, tools, supplies, and inventory you need to equip a technician. You must also purchase a specific palm sander / vacuum tool from a third-party vendor. You will also need some disposables (such as paper towels) that you may purchase from any source. The estimated initial investment includes \$60 for the Tech Selection Kit.

4. ExpertNet and Technology Fees: You will pay us a monthly fee for our “ExpertNet” operations portal. This fee is currently \$240 per month and includes our field service management software for their team, access to Office 365 for the owner, salesperson and technician, a job placement software for hiring, and website and SEO management. Additional email addresses are \$6 per month. You will begin paying this fee approximately 2-3 weeks before opening. We estimate you will pay \$240 to \$275 before you open.

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

from home, we reserve the right to require you to lease an appropriate office space in the future. The high initial investment estimate assumes you rent office space in a commercial building.

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

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

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

Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

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

Our confidential operations manual (“Franchise Operations Manual”) states our standards, specifications and guidelines for all products and services we require you to obtain in establishing and operating your Surface Experts Business and approved vendors for these products and services. We will notify you of new or modified standards, specifications and guidelines through periodic amendments or supplements to the Operations Manual or through other written communication (including electronic communication such as email or through a system-wide intranet).

Specific Obligations

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

A. Vehicle. You must lease or purchase your Surface Experts Business vehicle pursuant to our specifications, which may include a vendor designation. The vehicle must be wrapped with our required graphics. You and your staff must use this vehicle for all Surface Experts Business work, and only for Surface Experts Business work.

B. Equipment, Tools, and Supplies. We will sell you a package with most of the equipment, tools, and supplies you need to equip a technician. The supplies will last approximately

three months. We are the only approved supplier of these items. You must also purchase a palm sander / vacuum tool that we specify, from an independent vendor.

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

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

E. Insurance. You must obtain insurance as described in the Franchise Agreement and in our “Franchise Operations Manual” (See Item 8), which includes (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (iii) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

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

G. Support Center. We will operate a centralized call service on your behalf. The Support Center will provide services such as inbound customer inquiries, scheduling service calls, setting appointments with customers, dispatching technicians to customers, routing service calls to the technicians, assisting the customers, and assisting the technicians throughout the process to ensure a positive customer experience.

Us or our Affiliates as Supplier

We are currently an approved supplier of goods and services that we source and supply to you, including initial equipment, uniforms, ExpertNet portal, marketing materials and Support Center. We reserve the right to be a supplier (or the sole supplier) of additional goods or services in the future.

Ownership of Suppliers

Our officers, Jacob ~~and~~ Grady, Jack Grady, Dennis Mulgannon, Sean Hansen, Erin Oranen, own an equity interest in us, an approved supplier.

Alternative Suppliers

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

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

Issuing Specifications and Standards

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

Revenue to Us and Our Affiliates

We derive revenue from the required purchases and leases by franchisees. In our last fiscal year ending December 31, ~~2022~~2023, we earned \$~~754,218~~953,249 in revenue from required purchases and leases from franchisees representing ~~20.65~~17.96% of our total revenue of \$~~3,653,047~~5,307,421 in our last fiscal year.

We do not have any affiliates and hence we do not have an affiliate which derives revenue from required purchases or leases by franchisees.

Proportion of Required Purchases and Leases

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

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

Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees, but we may receive such payments in the future. Suppliers have the opportunity to sponsor our national conference, but is not required.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

Where possible, we seek to negotiate bulk discounts on items we order for franchisees.

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

Benefits Provided to You for Purchases

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

Item 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	§ 6.1	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.8, 8.5, 10.5, 11.2, 11.3, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.7, 7.9 – 7.13, 7.15, 9.1, 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8

Obligation	Section in agreement	Disclosure document item
m. Maintenance, appearance, and remodeling requirements	§§ 7.12, 7.13, 15.2	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Items 6 and 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

**Item 10
FINANCING**

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

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

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

Our Pre-Opening Obligations

Before you open your Surface Expert Business:

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

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

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

C. *Franchise Operations Manual.* We will give you access to our Franchise Operations Manual (Section 5.1). Exhibit E contains the Table of Contents of our Franchise Operations Manual, with the number of pages devoted to each subject. The Franchise Operations Manual contains 222 pages.

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

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

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

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

Site Selection

The Surface Experts Business is primarily a mobile operation and typically home-based. Some franchisees choose to rent a small office space. We do not assist you in (i) locating your site or an office space, if you elect to have one, negotiating the purchase or lease of the site, (ii) conforming the premises to local ordinances and building codes and obtaining any required permits, or (iii) constructing, remodeling, or decorating the premises. You are solely responsible for selecting the location of your Surface Expert Business and we do not need to approve of the site or the area. Because we don't require you to have an office space outside of your home, there is no approval process or time frame for doing so. We generally do not own sites and lease them back to our franchisees.

Length of Time to Open

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

Our Post-Opening Obligations

After you open your Surface Experts Business:

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

B. *Employees.* We will provide you with suggested guidelines for finding employees (Section 5.2), and operational instructions in the Franchise Operations Manual which you can use as part of training new employees (Section 5.3). You will be responsible for hiring, training, directing, scheduling and supervising your employees and independent contractors in the day-to-day operations of the Surface Expert Business.

C. *Ongoing support.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your Surface Experts Business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5).

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

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

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

G. *Support Center Services.* We will operate a centralized support center on your behalf. The support center will provide services such as inbound customer inquiries, scheduling service calls, setting appointments with customers, dispatching technicians to customers, routing service calls to the technicians, assisting the customers, and assisting your technicians throughout the process to ensure a positive customer experience. Upon request, the Support Center will also call on Accounts Receivables and help with basic bookkeeping. (Section 5.5).

Advertising

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

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

Advertising Cooperatives. We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per

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

Brand Fund. If we start a Brand Fund, then you and all other franchisees must contribute to our Brand Fund. Your contribution will be an amount we determine, not to exceed 2% of Gross Sales per month. Your Brand Fund Contribution will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Surface Experts Businesses owned by us will contribute to the Brand Fund on the same basis as franchisees.

The Brand Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Fund will be in a separate bank account, commercial account or savings account.

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the Surface Experts system or the Surface Experts brand. For example, we may use the Brand Fund for: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and accounting for Brand Fund Contributions; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) conducting quality assurance programs and other reputation management functions; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities.

We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We may use the fund for local, regional or national marketing, and any other purpose to promote the Surface Experts brand. We will not use the Brand Fund Contributions for advertising that is principally a

solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund. Any unused funds that were collected in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. Upon your written request, we will make available an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year.

We did not raise or spend any Brand Fund Fees in our most recently concluded fiscal year ending December 31, ~~2022~~2023.

Required Local Advertising. After you open, you must maintain a full time Business Development person other than yourself to promote your Franchised Business pursuant to our guidelines.

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

Computer Systems

You will need an office computer for your main office, and a smartphone for each driver. Your payment of technology fees provides you with access for six users to the ExpertNet software package. The package currently includes Vonigo management software, Office 365, an e-mail address, an applicant tracking system (Careerplug) and a VOIP phone number through Goto. The system is designed to provide you with daily management systems and infrastructure as it relates to management, financials and daily transactions. It coordinates scheduling, dispatch, management and execution of work that occurs in the field, with additional functions such as work order management, route planning and optimization, payments systems, marketing, and fleet management. It generates and stores data on employees, sales, work orders, key performance indicators, and other metrics. We require you to use Vonigo to track and complete work orders, sales activity, and invoices.

You must use QuickBooks Online for your accounting and bookkeeping. Vonigo integrates with QuickBooks.

We estimate the initial cost to purchase or lease the computer hardware and software described above as \$500 - \$2,000, which will vary based upon what items you may already have.

Technology Fee. The technology fee for the ExpertNet software package is currently \$240 per month. Currently, additional email addresses are \$5 per month. We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be \$2,800 to \$3,000.

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

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

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

Training Program

Our training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
OWNER			
Accounting, Reports, Payroll, Invoicing	4	-	Spokane, WA
Scheduling, Work Order and Support Center support	6	-	Spokane, WA
Compliance, Insurance and Safety	2	-	Spokane, WA
Sales Training 1: Property Management Sales Cycle	10	-	Spokane, WA
Sales Training 2: Hotels, Moving Companies, home owners and more	10	-	Spokane, WA
Hiring and Team Building	4	-	Spokane, WA
TOTALS:	36	-	
LEAD TECHNICIAN			
Lead Tech Initial Training	36	-	Spokane, WA
Virtual Tech Training (on request)	-	10	Virtual Training
TOTALS:	36	10	

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

training program based on the experience and skill level of any individual attending the initial training program.

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

Franchise owner training classes will be held by Jacob Grady, Erin Oranen, Greg Hess, ~~Otis Laney~~Brandon Chanley, Mike Johnson, and ~~Russ Ward~~Ben Downing.

Jacob Grady has ~~17~~17 years of experience in our industry, and 5 years of experience with us or our affiliates. Erin Oranen has ~~5~~6 years of experience in our industry, and 5 years of experience with us or our affiliates. Greg Hess has ~~4~~5 years of experience in our industry and ~~4~~5 years of experience with us or our affiliates. Otis Laney has 9 years of experience in our industry, and 5 years of experience with us or our affiliates. ~~Russ Ward has 25~~Brandon Chanley has 1 year of experience in our industry and 1 year of experience with us or our affiliates. Mike Johnson has 2 years of experience in our industry and 2 years of experience with us or our affiliates. Ben Downing has 14 years of experience in our industry and 1 year of experience with us or our affiliates.

We do not charge franchisees or their teams for training in Spokane. You must pay the travel and living expenses of people attending training.

You, or if you are an entity, your franchise owner or representative, must attend the franchise owner training. You must employ a full-time sales and development person, who must attend training in Spokane, Washington described in the chart above. You may send any additional people to training that you want. You must complete training to our satisfaction at least one week before opening your Surface Experts Business. If you fail to complete training to our satisfaction we may terminate the Franchise Agreement.

In addition to the franchise owner training program described above, we also have a Lead Technician training program which your Lead Technician must complete. This program is held by ~~Otis Laney. He has 4 years of experience with us and 8 years of experience in the subjects taught.~~Ben Downing.

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

Item 12 TERRITORY

Your Location

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

Grant of Territory

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

Relocation; Establishment of Additional Outlets

You may relocate your Surface Experts Business headquarters anywhere in your territory.

You do not have the right to establish additional franchised outlets or expand into additional territory. If you desire to do so, you must (1) meet our then-current criteria for new franchisees, (2) be in compliance with your franchise agreement at all times since opening your Surface Experts Business, (3) have demonstrated your capability to operate a multi-territory franchise successfully, (4) have met any market saturation, Brand Compliance, and Quality Assurance criteria then in effect, and (5) obtain our agreement.

Options to Acquire Additional Franchises

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

Non-Exclusive Territory

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

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

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

the franchise agreement does not prohibit us from soliciting or accepting orders from inside your territory, we do not pay any compensation to you.

Soliciting by You Outside Your Territory

You cannot solicit or market to potential customers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. And solicitations or marketing which are primarily targeted inside the territory and which incidentally reach potential customers outside of the territory are also permitted.

You cannot serve customers outside of your territory without our prior written permission. We may withdraw permission at any time. If you serve a customer outside your territory without our prior written permission, we may impose a Breach of Territory Fee of \$500 per job, as a reasonable estimate of our internal costs of addressing your breach.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer but we reserve the right to do so.

**Item 13
TRADEMARKS**

Principal Trademarks

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	<u>Serial or Registration Number</u>	Principal or Supplemental Register of the USPTO	Registration Date
	6046904	Principal	May 5, 2020
<u>SURFACE EXPERTS</u>	<u>7352199</u>	<u>Principal</u>	<u>April 9, 2024</u>

We have filed all required affidavits and renewals.

Determinations

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

Litigation

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

Agreements

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

Protection of Rights

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

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

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

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

Superior Prior Rights and Infringing Uses

WeUsers who may have prior right to a mark similar to or identical to our Marks in their geographical location are 1) Surface Experts in Largo, FL and 2) All Surface Experts Co. in Palm Bay, FL.

Other than as disclosed above, we do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Item 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Operations Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Operations Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your Surface Experts Franchise, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Surface Experts Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Surface Experts Franchises and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Surface Experts Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Surface Experts Franchises during the term of the Franchise Agreement.

You must notify us within three business days after you learn about another’s use of language, a visual image or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets,

which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets.

No patents or patents pending are material to us at this time.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Participation

If you are the sole owner of the business, then you are deemed the “Principal Executive”. If the business is owned through a corporation or limited liability company, you must designate one person as your “Principal Executive.” The Principal Executive is the executive primarily responsible for your Surface Experts Business and has decision-making authority on behalf of the business. The Principal Executive must work full-time in the Surface Experts Business and own at least 50% of the equity. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings. The Principal Executive is required to participate personally in the direct operation of your Surface Experts Business. The Principal Executive must devote their full-time efforts to the business for a minimum of 3 full years. You must also hire one full-time Lead Technician and one Business Development person.

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

“On-Premises” Supervision

When your Surface Experts Business performs services for a customer, you are not required to personally conduct “on-premises” supervision of your Surface Experts Business.

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

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

Restrictions on Your Manager

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

Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees, and may vary depending on the operating season and geographic location of your Surface Experts Business or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services, at our discretion, with prior notice to you. If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. There are no limitations on our rights to make changes to the required products and services offered by you. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not establish an account or participate in any social networking sites or blogs or mention or discuss the Surface Experts Franchise, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of our trademarks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. You may service customers located outside of your territory. Otherwise, we place no restrictions upon your ability to serve customers, provided you do so from the location of your Surface Experts Business in accordance with our policies.

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	§ 3.1	10 years from date of franchise agreement.
b. Renewal or extension of the term	§ 3.2	You may obtain a successor franchise agreement for up to two additional 5-year terms.
c. Requirements for franchisee to renew or extend	§ 3.2	<p>For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.</p> <p>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; conform your Surface Experts Business to then-current standards for new franchisees; sign then-current form of franchise agreement and related documents (including personal guaranty); pay renewal fee; sign general release (unless prohibited by applicable law).</p> <p>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or deem you to have renewed your agreement for a 5-year term and collect the renewal fee.</p>
d. Termination by franchisee	§ 14.1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.

Provision	Section in franchise or other agreement	Summary
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§ 14.2	We may terminate your franchise agreement for cause, subject to any applicable notice and cure opportunity.
g. “Cause” defined--curable defaults	§ 14.2	Non-payment by you (10 days to cure); violate franchise agreement (including Brand Standards or other aspects of the Operations Manual) other than non-curable default (30 days to cure).
h. “Cause” defined--non-curable defaults	§ 14.2	Misrepresentation when applying to be a franchisee; knowingly submitting false information; insolvency; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our audit or evaluation; cease operations for more than 15 consecutive days; three defaults in 12 months; cross-termination; charge, conviction of, or plea to a felony, commit or be accused of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
i. Franchisee’s obligations on termination/non-renewal	§§ 14.3 – 14.6	Pay all amounts due; return Franchise Operations Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
j. Assignment of agreement by franchisor	§ 15.1	Unlimited

Provision	Section in franchise or other agreement	Summary
k. “Transfer” by franchisee - defined	Article 1	For you (or any owner of your Surface Experts Business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	§ 15.2	No transfers without our approval.
m. Conditions for franchisor’s approval of transfer	§ 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release (subject to state law); business complies with then-current system specifications.
n. Franchisor’s right of first refusal to acquire franchisee’s business	§ 15.5	If you want to transfer your Surface Experts Business (other than to your co-owner or to your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	§ 14.6	When your franchise agreement expires or is terminated, we will have the right to purchase any or all of the assets of your Surface Experts Business.
p. Death or disability of franchisee	§§ 2.4, 15.4	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months.
q. Non-competition covenants during the term of the franchise	§ 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be engaged or employed by, any competitor.

Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	§ 13.2	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, a competitor operating in your former territory or the territory of any other Surface Experts Business operating on the date of termination.
s. Modification of the agreement	§ 18.4	No modification or amendment of the franchise agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Franchise Operations Manual or system specifications.
t. Integration/merger clause	§ 18.3	Only the terms of the franchise agreement and other written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	§§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Spokane, Washington) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	§ 18.8	The laws of the state where the Surface Experts Business is located applies (subject to applicable state law).

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

Item 18 PUBLIC FIGURES

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

Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, ~~2023~~~~2022~~, we had ~~5870~~ franchised Surface Experts Businesses (each a “Franchised Location”). The tables below provide information for the ~~3453~~ Franchised Locations that were open and operating for at least 12 months as of the end of the ~~2023~~~~2022~~ calendar year (“Reporting Group”).

The Franchised Locations whose results are presented in this Item 19 were located in territories with a population ranging from ~~329,846~~~~331,015~~ – ~~1,464,596~~~~505,332~~.

The information in the tables below is a historical financial performance representation for the ~~2023~~~~2022~~ calendar year for the Reporting Group (the “Reporting Period”). The financial information was prepared from internal accounting records and reports.

FPR #1

Franchised Outlets’ ~~2023~~~~2022~~ Annual Gross Revenue (by Performance Tier)

The following table presents Annual Gross Revenue information for our franchised outlets during the ~~2023~~~~2022~~ calendar year. Each of the outlets included in the tables below had been open for at least a year and operated for the entire reporting year. In 2022, we had ~~3453~~ franchised outlets that operated the entire year. Here, we set forth the Gross Revenue of those ~~3453~~ franchised outlets, sorting the outlets by their Average Annual Gross Revenue.

Performance Tier	Number of Outlets in the Quartile	Average Lowest Gross Revenue for in the Quartile	# (and %) of outlets in the Quartile that attained or surpassed Average Median Gross Revenue for the Quartile	Highest Average Gross Revenue in for the Quartile	Lowest Highest Gross Revenue in for the Quartile	Median# (and %) of outlets in the Quartile that attained or surpassed Average Gross Revenue for the Quartile
Top 25%	<u>813</u>	<u>\$770,754.04</u> <u>685,669.50</u>	<u>3</u> (<u>37.5%</u>)	<u>\$912,878.72</u>	<u>\$1,368,843.50</u> <u>34,352.45</u>	<u>\$533,182.53</u> <u>2,421,814.90</u> (<u>38.46%</u>)
Second 25%	<u>914</u>	<u>\$444,525.46</u> <u>392,844.78</u>	<u>5</u> (<u>55.6%</u>)	<u>\$531,513.98</u>	<u>\$512,902.69</u> <u>509,256.23</u>	<u>\$345,772.15</u> <u>651,598.59</u> (<u>57.14%</u>)
Third 25%	<u>913</u>	<u>\$248,296.86</u> <u>282,971.89</u>	<u>4</u> (<u>44.4%</u>)	<u>\$353,969.42</u>	<u>\$338,130.85</u> <u>388,899.00</u>	<u>\$191,894.02</u> <u>343,790.05</u> (<u>61.54%</u>)
Bottom 25%	<u>813</u>	<u>\$128,410.27</u> <u>145,316.05</u>	<u>4</u> (<u>50.0%</u>)	<u>\$188,421.75</u>	<u>\$180,324.50</u> <u>280,575.00</u>	<u>\$81,068.75</u> <u>202,570.12</u> (<u>30.77%</u>)

In the table above, the territory population ranges in each quartile above are as shown in the following table:

Performance Tier	Population of Territory with Lowest Population in This Tier	Median Population in This Tier	Average Population in This Tier	Population of Territory with Highest Population in This Tier
Top 25%	<u>464,475</u> <u>480,205</u>	<u>648,831</u>	<u>804,981</u>	<u>1,464,596</u> <u>505,332</u>
Second 25%	<u>361,351</u> <u>341,221</u>	<u>593,488</u> <u>469,789</u>	<u>480,566</u>	<u>849,441</u>
Third 25%	<u>329,846</u> <u>343,227</u>	<u>835,902</u> <u>486,087</u>	<u>496,022</u>	<u>677,757</u>
Bottom 25%	<u>353,740</u> <u>331,015</u>	<u>846,502</u> <u>546,341</u>	<u>545,179</u>	<u>1,146,782</u>

FPR #2
Selected Revenue and Expenses for the Reporting Group
During the ~~2023~~2022 Reporting Period

<u>3453</u> Franchised Locations in 2023 2022		Average	Median	# and % that met or exceeded average
Income – Key Indicators	Gross Revenue Per Job ¹	<u>\$368.70</u> <u>413.40</u>	<u>\$250</u> <u>275.00</u>	<u>14 / 41.18</u> <u>27 / 50.94%</u>
	Revenue Per Repair	<u>\$207.60</u> <u>223.36</u>	<u>\$180</u> <u>199.00</u>	<u>18 / 52.94</u> <u>26 / 49.06%</u>
Expenses – Key Indicators ⁶	Monthly Rent ²	<u>(\$356.76)</u> <u>372.63</u>	<u>(\$161.69)</u> <u>191.73</u>	<u>13 / 38.24</u> <u>35 / 67.31%</u>

	Cost of Goods Sold Per Job ³	(\$25.00) 29.56	(\$23.0477)	14 / 41.1832 / 61.54%
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Notes Applicable to both FPR's

The information is based on information generated from monthly reports that were provided to us by the franchisees for the periods cited.

1. For purposes of this Item 19, "Gross Revenue" means the revenue received from services performed at, from, or through the Surface Experts Business. "Gross Revenue Per Job" is the total Gross Revenue received from a single job. "Revenue Per Repair" is the revenue received from a single repair. There may be more than one repair on any given job. The highest Gross Revenue Per Job was ~~\$760.58~~694.49 and the lowest was ~~\$218.24~~210.55.
2. "Monthly Rent" is the cost of rent for office space. Some franchises have a home office while others have a commercial office space.
3. Cost of goods sold per job is calculated as the value of product (filler, paint, etc.) and other materials used up in the performance of each job. It is based on the value of product or cost of goods sold as reported to us by franchisees.
4. The financial performance representations in Table 1 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.
5. Expenses not shown in Table 1 do not include royalties, support center fees, technology fees, accounting expenses, bank fees, uniforms, marketing expenses, tools, compliance costs, interest expense, meals and entertainment, advertising, cell phone, automobile, insurance, repair and maintenance, federal taxes, depreciation and amortization.
6. We had ~~34~~52 franchisees report Rent and COGS information to us. We averaged those responses to compile the Expenses results shown in Table 2.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll sell as much.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Surface Experts Franchising LLC does not make any financial performance representations. We also do not

authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jacob Grady, 159 South Lincoln St., Suite 321, Spokane, WA 99201, and 509-381-5884, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For Years ~~2020—2021 - 2023~~2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021 2020	1322	2234	+912
	2021 2022	2234	3458	+1224
	2023 2022	3458	5870	+2412
Company-Owned	2021 2020	0	0	0
	2022 2021	0	0	0
	2022 2023	0	0	0
Total Outlets	2021 2020	1322	2234	+912
	2022 2021	2234	3458	+1224
	2022 2023	3458	5870	+2412

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years ~~2020-2022~~2021 - 2023

State	Year	Number of Transfers
California Missouri	2021 2020	0
	2022	<u>0</u>
	2023	<u>1</u>
<u>Georgia</u>	2021	4 <u>0</u>
	2022	0
Ohio	2020 <u>2023</u>	1
<u>Missouri</u>	2021	0 <u>1</u>
	2022	0
	2023	<u>0</u>
Washington	2021 2020	0 <u>1</u>
	2021	<u>1</u>
	2022	0
	2023	<u>0</u>
Totals	2021 2020	4 <u>2</u>
	2021	<u>2</u>
	2022	0
	2023	<u>2</u>

Table No. 3

Status of Franchise Outlets
For Years ~~2020-2022~~2021 - 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2021 2020	0 <u>2</u>	2 <u>0</u>	0	0	0	0	2
	2022 2021	2	0	0	0	0	0	2
	2022 <u>2023</u>	2	0	0	0	0	0	2
Arizona	2021 2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2021 2020	1	4 2	0	0	0	4 0	4 3
	2021	4	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>
Colorado	2021 2020	0 2	2 1	0	0	0	0	2 3
	2021	2	1	0	0	0	0	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>
Connecticut	2021 2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Florida	2020 2023	3 1	4 0	4 0	0	0	4 0	2 1
<u>Florida</u>	2021	2	2	0	0	0	0	4
	2022	4	2	0	0	0	0	6
	<u>2023</u>	<u>6</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
Georgia	2021 2020	2 4	2 0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Illinois	2020 2023 (Note 1)	0 5	1	0	0	0	0 1	4 5
<u>Illinois</u>	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	<u>2023</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Indiana	2021 2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Iowa	2020 2023	0 1	0	0	0	0	0	0 1
<u>Iowa</u>	2021	0	1	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>
Kansas	2021 2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	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>

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Kentucky	2021 2020	0 <u>1</u>	0 <u>0</u>	0	0	0	0	1
	2021	1 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	1 <u>0</u>
	2022	1	0	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Maryland	2021 2020	0	0	0	0	0	0	0
	<u>2022</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Massachusetts	2021	0	0	0	0	0	0	0
	2022	0	0 <u>0</u>	0	0	0	0	0 <u>0</u>
	<u>2023</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Michigan	2021 2020	0	0	0	0	0	0	0
	2021	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>
	2022	0	1	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Missouri	2021 2020	1	0 <u>1</u>	0	0	0	0	1 <u>2</u>
	2021	1 <u>0</u>	1 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>2</u>
	2022	2	0	0	0	0	0	2
	<u>2023</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Minnesota	2021 2020	0 <u>1</u>	0 <u>0</u>	0	0	0	0	1
	2021	1 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	1 <u>0</u>
	2022	1	1	0	0	0	1	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
New Jersey	2021 2020	0 <u>1</u>	0 <u>0</u>	0	0	0	0	1
	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
New York	2021	0 <u>0</u>	0	0	0	0	0 <u>0</u>	
	2022	0 <u>0</u>	0	0	0	0	0 <u>0</u>	
	<u>2023</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
North Carolina	2021 2020	1	1	0	0	0	0	1 <u>2</u>
	2021	1 <u>0</u>	1 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>0</u>	0 <u>2</u>
	2022	2	2	0	0	0	0	4
Ohio	2020 <u>2023</u>	2 <u>4</u>	0 <u>1</u>	0	0	0	0	2 <u>5</u>
Ohio	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	<u>2023</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Pennsylvania	2021 2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	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>
South Carolina	2020 2021	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>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Tennessee	2020 2021	0 1	1	0	0	0	0	1 2
	2021	1	1	0	0	0	0	2
	2022	2	2 3	0	0	0	0	4 5
Texas	2020 2023	1 5	1 0	0	0	0	1 0	1 5
<u>Texas</u>	2021	1	2	0	0	0	0	3
	2022	3	3	0	0	0	0	6
Utah	2020 2023	0 6	0 1	0 1	0	0	0	0 6
<u>Utah</u>	2021	0	1	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>
Virginia	2020 2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	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>
Washington	2020 2021	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>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	2020 2021	1 3 2	13	1	0	0	3 0	2 2 3 4
	2021	2	1 3	1	0	0	0	3 4
	2022	34	25	0	0	0	1	58
	<u>2023</u>	<u>58</u>	<u>15</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>70</u>

*Note 1- Georgia-2023: A franchisee in Georgia acquired the neighboring franchisee's territory and merged it into his own. A Georgia outlet did not really cease operations, but continued operations under an existing outlet.

Table No. 4

Status of Company-Owned Outlets
For Years ~~2020-2022~~2021 - 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
<u>Total Outlets All States</u>	2020 2021	0	0	0	0	0	0
	2022 2021	0	0	0	0	0	0
	2022 2023	0	0	0	0	0	0
<u>Total Outlets</u>	<u>2021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Table No. 5

Projected Openings as of
December 31, ~~2022~~2023

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
California	0	2 1	0
<u>Colorado</u>	<u>1</u>	<u>1</u>	<u>0</u>
Florida	0	1	0
Georgia	+0	0 1	0
Illinois	0	1	0
Louisiana	0	1	0
Maryland	0	1	0
Massachusetts	+0	0 1	0
Michigan	1	1	0
Nebraska <u>Missouri</u>	0 1	1	0
New York	0	1	0
North Carolina	0	1	0
Ohio	0	1	0
Pennsylvania	0	1	0
Tennessee	+0	0 1	0
Texas	0 1	2 1	0
Virginia	0	1	0
Washington	0	1	0
TOTALS	4	17 19	0

Current Franchisees

Exhibit F-1 contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Former Franchisees

Exhibit F-2 contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

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

Confidentiality Clauses

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

Franchisee Organizations

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

Item 21 FINANCIAL STATEMENTS

Exhibit D contains our audited financial statements for the fiscal years ending December 31, 2023, 2022, and 2021, ~~and 2020~~.

Item 22 CONTRACTS

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

- B. Franchise Agreement ~~(with Guaranty and Non-Compete Agreement)~~
Attachment 1-Ownership Information
Attachment 2-Guaranty and Non-Compete Agreement
- C. Form of General Release
- H. State Addenda to Franchise Agreement

Item 23
RECEIPTS

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

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	The Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500

State	State Administrator	Agent for Service of Process (if different from State Administrator)
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue Building 68-2 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, Wisconsin 53705 (608) 266-0448	Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, Wisconsin 53705 (608) 261-7577

EXHIBIT B
FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

SUMMARY PAGE

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

TABLE OF CONTENTS

Section	Page
1. DEFINITIONS.....	1
2. GRANT OF LICENSE	3
3. TERM	5
4. FEES	6
5. ASSISTANCE	8
6. LOCATION, DEVELOPMENT, AND OPENING	10
7. OPERATIONS.....	10
8. SUPPLIERS AND VENDORS	15
9. MARKETING.....	16
10. RECORDS AND REPORTS	18
11. FRANCHISOR RIGHTS	20
12. MARKS	21
13. COVENANTS	22
14. DEFAULT AND TERMINATION	23
15. TRANSFERS	26
16. INDEMNITY	28
17. DISPUTE RESOLUTION	28
18. MISCELLANEOUS	30
19. CERTIFICATION OF FRANCHISOR’S COMPLIANCE	31

EXHIBITS

ATTACHMENTS

Attachment 1-Ownership Information
Attachment 2-Guaranty and Non-Compete Agreement

FRANCHISE AGREEMENT

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

Background Statement:

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

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

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

1. DEFINITIONS

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

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

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

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

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

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

“**Franchise Operations Manual**” means Surface Experts Franchising’s confidential operations manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media (including electronic communication such as email or through a system-wide

intranet). The Franchise Operations Manual states Surface Experts Franchising's standards, specifications and guidelines for all products and services Surface Experts Franchising requires franchisees to obtain or use and approved vendors for these products and services.

“Gross Sales” means the revenues Franchisee receives from the sale of all goods, products and services sold at, from, or through Franchisee's Surface Experts Business and all other income, revenue and consideration of every kind and nature related to the Surface Experts Business, whether for cash or credit, and regardless of collection in the case of credit, including the full redemption value of any gift certificate or coupon sold for use in the Surface Experts Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from this calculation), and all proceeds from any business interruption insurance, but not including: (a) any sales taxes or other taxes you collect from customers for, and paid directly to, the appropriate taxing authority; and (b) any bona fide refunds you make to customers.

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

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

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

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

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

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

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

systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

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

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

2. GRANT OF LICENSE

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

2.2 Protected Territory.

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

(b) Service. Franchisee shall not serve customers outside of the Territory without Surface Experts Franchising’s prior written permission. Surface Experts Franchising may withdraw permission at any time. If Franchisee serves a customer outside of the Territory without Surface Experts Franchising’s prior written permission, Surface Experts Franchising may impose a fee equal to \$500 per job. This fee is a reasonable estimate of Surface Experts Franchising’s internal cost of personnel time attributable to addressing Franchisee’s breach of this Section, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. This fee is in addition to all of Surface Experts Franchising’s other rights and remedies. If Surface Experts Franchising permits Franchisee to serve a customer outside of the Territory, Surface Experts Franchising may at any time sell the territory where such customer is located to another franchisee, and Surface Experts Franchising may require Franchisee to transfer the customer to the franchisee.

(c) Non-Exclusive Territory. Surface Experts Franchising shall not establish, nor license the establishment of, another business within the Territory or which serves customers located in the Territory selling the same or similar goods or services under the same or similar trademarks or service marks as a Surface Experts business. However, Franchisee may face competition from other franchisees, from outlets that Surface Experts Franchising owns, or from other channels of distribution or competitive brands that Surface Experts Franchising controls. Surface Experts Franchising retains the right to:

- (i) serve (or authorize other franchisees to serve) customers in the Territory if Franchisee is in default, or if Franchisee is incapable of meeting customer demand in the Territory (in Surface Experts Franchising’s reasonable opinion);

- (ii) serve (or authorize other franchisees to serve) a particular customer in the Territory if Franchisee fails to properly serve such customer, or if Surface Experts Franchising reasonably believes that Franchisee will not properly serve such customer;
- (iii) establish and license others to establish and operate Surface Experts businesses outside the Territory;
- (iv) operate and license others to operate businesses anywhere that do not sell the same or similar goods or services under the same or similar trademarks or service marks as a Surface Experts business; and
- (v) sell and license others to sell Surface Experts products and services to customers in the Territory through alternative channels of distribution (including the internet) so long as such products and services are not provided through a Surface Experts outlet in the Territory, and are different from the products and services provided by Franchisee (Franchisee agrees that it may not sell products through alternative channels of distribution such as wholesale, Internet or mail order sales).

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

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

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

2.4 Principal Executive. Franchisee agrees that the person designated as the "Principal Executive" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 50% ownership interest in Franchisee. The Principal Executive must participate in the direct operation of the Business and must devote full-time and attention to the Business during normal business hours for a minimum of 3 full years. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive

primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to Surface Experts Franchising's reasonable approval.

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

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

3. TERM

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

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

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

4. FEES

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

4.2 Royalty Fee. In Franchisee's first year of operation, Franchisee shall pay Surface Experts Franchising a monthly royalty fee (the "Royalty Fee") equal to 8% of Gross Sales. Thereafter, the monthly Royalty Fee will equal the greater of (i) 8% of Gross Sales or (ii) \$1,600 (the "Minimum Royalty") (provided that if Franchisee purchase a larger Territory with more than 500,000 people, Surface Experts Franchising will increase the Minimum Royalty to \$1,800 per month after 18 months). The Royalty Fee for any given month is due on the 5th day of the following month.

4.3 Brand Fund Contribution.

(a) Brand Fund Contribution. If Surface Experts Franchising establishes a Brand Fund (the "Brand Fund") for marketing, developing and promoting the System, Marks and Surface Experts businesses, then Franchisee shall pay Surface Experts Franchising a contribution to the Brand Fund (the "Brand Fund Contribution") in an amount or percentage determined by Surface Experts Franchising, not to exceed 2% of Franchisee's Gross Sales per month. Franchisee will pay the Brand Fund Contribution at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative not to exceed 4% of Franchisee's Gross Sales per month (the "Market Cooperative Contribution"). Franchisee will pay the Marketing Cooperative Contribution at the same time as the Royalty Fee.

4.4 Support Center Services Fee. Franchisee shall pay Surface Experts Franchising a monthly fee (the "Support Center Services Fee") equal to 4% of Gross Sales for this service up to \$80,000 per month of Gross Sales, then 2% of your Gross Sales in excess of \$80,000 in a month, in exchange for the support center services described in Section 5.5(f), unless Surface Experts Franchising in its discretion permits Franchisee to operate its own call center. Franchisee will pay the Support Center Services Fee at the same time as the Royalty Fee.

4.5 Technology Fee. Franchisee shall pay Surface Experts Franchising a monthly fee (the "Technology Fee") in the then-current amount (currently \$250 per month) in exchange for up to six users of the "ExpertNet" operations portal, field service management software for up to five persons, access to Office 365 for the owner and salesperson, the voice-over-IP (VOIP) phone system with one telephone number, a job placement software for hiring, and website and SEO management. Additional email addresses and additional persons shall be subject to additional charges. Surface Experts Franchising may modify ExpertNet and its functionality in the future. Surface Experts Franchising has sole discretion to determine the software included with the ExpertNet package.

4.6 Replacement / Additional Training Fee. If Franchisee sends an employee to Surface Experts Franchising's training program after opening, Surface Experts Franchising may charge its then-current training fee. As of the date of this Agreement, there is not training fee for a

replacement Lead Technician, so long as the Lead Technician attends a regularly-scheduled training class.

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

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

4.9 Payment Terms.

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

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to Surface Experts Franchising by the 5th day of the following month. If Franchisee fails to report monthly Gross Sales, then Surface Experts Franchising may withdraw estimated Royalty Fees and Brand Fund Contributions equal to 125% of the last Gross Sales reported to Surface Experts Franchising, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Surface Experts Franchising has the right to remotely access Franchisee's software systems to calculate Gross Sales.

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

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

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

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

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

5. ASSISTANCE

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

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

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

5.4 Pre-Opening Assistance.

(a) Operating Items. Surface Experts Franchising will sell the following to Franchisee (1) equipment, tools and supplies for approximately three months of operations, (2) Tech Selection Kit with certain tools and supplies, (3) initial marketing materials, and (4) staff uniforms. Franchisee must order and pay for these items at least three weeks before attending the initial training program. All payments for the foregoing are mandatory, uniform and not refundable. Franchisee acknowledges the packages do not contain all equipment and supplies needed to operate the Business.

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

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

(d) Pre-Opening Training for Principal Executive and Lead Technician. Surface Experts Franchising shall make available its standard pre-opening Franchise Owner Training to the Principal Executive and its standard Lead Technician Training program to the Lead Technician, at Surface Experts Franchising's headquarters and/or at a Surface Experts business

designated by Surface Experts Franchising. Surface Experts Franchising shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. Surface Experts Franchising reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

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

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

5.5 Post-Opening Assistance.

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

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

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

(d) Marketing. Surface Experts Franchising shall manage the Brand Fund.

(e) Internet. Surface Experts Franchising shall maintain a website for Surface Experts.

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

6. LOCATION, DEVELOPMENT, AND OPENING

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

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

6.3 Pre-Opening Training.

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

(b) Franchisee’s Lead Technician must complete Surface Experts Franchising’s training program for lead technicians to Surface Experts Franchising’s satisfaction at least one week before the Business opens. The Lead Technician must attend the training program at the same time as the Principal Executive.

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

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

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

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

7. OPERATIONS

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

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

7.3 Products and Services. Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by Surface Experts Franchising in the Franchise Operations Manual or otherwise in writing. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Surface Experts Franchising may change or add to its required products and services, at its discretion, with prior notice to Franchisee. If Surface Experts Franchising changes or adds to its required products and services, the changes or additions will remain in permanent effect, unless Surface Experts Franchising specifies otherwise. The amount Franchisee must pay for the changes or additions will depend upon the nature and type of changes or additions. There are no limitations on Surface Experts Franchising's rights to make changes to the required products and services offered by franchisees. Franchisee must discontinue selling and offering for sale any products and services that Surface Experts Franchising disapproves. Surface Experts Franchising reserves the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions. Authorized products may differ among franchisees, and may vary depending on the operating season and geographic location of the Business or other factors. You must follow all policies, procedures, methods and techniques set forth by Surface Experts Franchising. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that Surface Experts Franchising may require.

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

7.5 Personnel.

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

(b) Sales and Business Development Requirement. Franchisee must at all times have at least one employee (working at least $\frac{3}{4}$ time) in the role of sales and business development who has completed the Sales and Business Development Training Program. If Franchisee's Salesperson leaves employment for any reason, Franchisee must have a replacement Salesperson employed and trained with 45 days.

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

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

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

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

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

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

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

7.10 Payment Systems. Franchisee must pay all fees and other amounts due to Surface Experts Franchising or its affiliates via electronic funds transfer ("EFT") or other similar means approved of and/or designated by Surface Experts Franchising. Franchisee is required to complete the ACH authorization in the form attached to the Franchise Disclosure Document in Exhibit J. Franchisee

shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Surface Experts Franchising. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

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

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

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

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

7.15 Insurance.

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

- (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form

in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;

- (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000; and
- (iii) Workers Compensation coverage as required by state law.

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

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

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

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

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

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

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

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

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

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

8. SUPPLIERS AND VENDORS

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

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

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

8.4 Alternate Input Approval. If Surface Experts Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Surface Experts Franchising. Surface Experts Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

8.5 Purchasing. Surface Experts Franchising may negotiate prices and terms with vendors on behalf of the System. Surface Experts Franchising may receive rebates, payments, or other consideration from vendors in connection with purchases by franchisees. Surface Experts Franchising has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor, and to impose a reasonable markup or charge for

administering the payment program. Surface Experts Franchising may implement a centralized purchasing system. Surface Experts Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Surface Experts Franchising may determine.

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

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

9. MARKETING

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

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

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

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

(b) Use. Surface Experts Franchising shall use the Brand Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as Surface Experts Franchising reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search

engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Brand Fund (including the compensation of Surface Experts Franchising's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Brand Fund).

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

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

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

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

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

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by Surface Experts Franchising. Surface Experts Franchising may require the Market Cooperative to adopt bylaws or regulations prepared by Surface Experts Franchising. Unless otherwise specified by Surface Experts Franchising, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Surface Experts Franchising will be entitled to attend and participate in any meeting of a Market Cooperative. Any Surface Experts business owned by Surface Experts Franchising in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise

agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, Surface Experts Franchising may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

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

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

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

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

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

9.5 Required Local Advertising. After you open, you must maintain a full time Business Development person other than yourself to promote your Franchised Business pursuant to our guidelines.

10. RECORDS AND REPORTS

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

10.2 Reports.

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

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each month;

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

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

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

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

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

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

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

11. FRANCHISOR RIGHTS

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

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

11.3 Surface Experts Franchising’s Right to Cure. If Franchisee breaches or defaults under any provision of this Agreement, Surface Experts Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse Surface Experts Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

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

11.5 Business Data. All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by Surface Experts Franchising. Surface

Experts Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

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

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

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

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

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

11.11 System Variations. Surface Experts Franchising may vary or waive any System Standard for any one or more Surface Experts franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

12. MARKS

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

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

12.3 Infringement.

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

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

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

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

13. COVENANTS

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

13.2 Covenants Not to Compete.

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

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly

or indirectly own or operate, any Competitor operating in any of Franchisee's Territory or the territory of any other Surface Experts business operating on the date of expiration, termination or transfer, as applicable.

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

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

14. DEFAULT AND TERMINATION

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

14.2 Termination by Surface Experts Franchising.

(a) Subject to 10-Day Cure Period. Surface Experts Franchising may terminate this Agreement if Franchisee does not make any payment to Surface Experts Franchising when due, or if Franchisee does not have sufficient funds in its account when Surface Experts Franchising attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Surface Experts Franchising gives notice to Franchisee of such breach.

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

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

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;

- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to Surface Experts Franchising;
- (iii) the Franchisee is insolvent, meaning unable to pay bills as they become due in the ordinary course of business;
- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vi) Franchisee abandons or ceases operation of the Business for more than 15 consecutive days;
- (vii) Franchisee or any Owner slanders or libels Surface Experts Franchising or any of its employees, directors, or officers;
- (viii) Franchisee refuses to cooperate with or permit any audit or evaluation by Surface Experts Franchising or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2.
- (ix) the Business is operated in a manner which, in Surface Experts Franchising's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from Surface Experts Franchising or otherwise);
- (x) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xi) Surface Experts Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate);
- (xii) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony;
- (xiii) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in Surface Experts Franchising's opinion is reasonably likely to materially and unfavorably affect the Surface Experts brand, or is charged with, pleads guilty to, or is convicted of a felony; or
- (xiv) Franchisee or any Owner fails to complete initial training to our satisfaction.

14.3 Effect of Termination. Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to

non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

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

14.4 Remove Identification. If Franchisee operates from a Location other than Franchisee's home, then within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Surface Experts business, to the reasonable satisfaction of Surface Experts Franchising. Franchisee shall comply with any reasonable instructions and procedures of Surface Experts Franchising for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Surface Experts Franchising may enter the Location to remove the Marks and de-identify the Location. In this event, Surface Experts Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Surface Experts Franchising.

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

14.6 Purchase Option. When this Agreement expires or is terminated, Surface Experts Franchising will have the right (but not the obligation) to purchase any or all of the assets related to the Business. To exercise this option, Surface Experts Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that Surface Experts Franchising elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If

the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. Surface Experts Franchising's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. Surface Experts Franchising may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by Surface Experts Franchising. If Surface Experts Franchising exercises the purchase option, Surface Experts Franchising may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts which Surface Experts Franchising paid or will pay to third parties to satisfy indebtedness owed by Franchisee to third parties. If any of the assets are subject to a lien, Surface Experts Franchising may pay a portion of the purchase price directly to the lienholder to pay off such lien. Surface Experts Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. Surface Experts Franchising may assign this purchase option to another party.

15. TRANSFERS

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

15.2 By Franchisee. Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Surface Experts Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Surface Experts Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining Surface Experts Franchising's consent. In granting any such consent, Surface Experts Franchising may impose conditions, including, without limitation, the following:

- (i) Surface Experts Franchising receives a transfer fee equal to \$10,000 plus any broker fees and other out-of-pocket costs incurred by Surface Experts Franchising;
- (ii) the proposed assignee and its owners have completed Surface Experts Franchising's franchise application processes, meet Surface Experts Franchising's then-applicable standards for new franchisees, and have been approved by Surface Experts Franchising as franchisees;
- (iii) the proposed assignee is not a Competitor;
- (iv) the proposed assignee executes Surface Experts Franchising's then-current form of franchise agreement and any related documents, which form may contain

materially different provisions than this Agreement (provided, however, that the proposed assignee will not be required to pay an initial franchise fee);

- (v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to Surface Experts Franchising and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to Surface Experts Franchising or its affiliates;
- (vii) the proposed assignee and its owners and employees undergo such training as Surface Experts Franchising may require;
- (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of Surface Experts Franchising in a form satisfactory to Surface Experts Franchising; and
- (ix) the Business fully complies with all of Surface Experts Franchising's most recent System Standards.

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

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

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

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

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

16. INDEMNITY

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

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

17. DISPUTE RESOLUTION

17.1 Arbitration.

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

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

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

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

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

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

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

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

17.4 Time Limitation. Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

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

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

18. MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

19. CERTIFICATION OF FRANCHISOR’S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in Surface Experts Franchising’s Disclosure Document.
- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee’s skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee’s control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, and the marketplace.
- (3) That no person acting on Surface Experts Franchising’s behalf made any statement or promise regarding the costs involved in operating a Surface Experts franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.

- (4) That no person acting on Surface Experts Franchising's behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in the Disclosure Document.
- (5) That no person acting on Surface Experts Franchising's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue a Surface Experts franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (6) That no person acting on Surface Experts Franchising's behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document.
- (7) Franchisee understands that this Agreement contains the entire agreement between Surface Experts Franchising and Franchisee concerning the Surface Experts franchise, which means that any oral or written statements not set out in this Agreement will not be binding. In deciding to enter into this Agreement, Franchisee is not relying on any statement, promise, claim, or representation not expressly set forth in this Agreement or in the Disclosure Document.
- (8) This Certification does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[Signatures on next page]

Agreed to by:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

[if an individual:]

Name: _____

Date: _____

[if an entity:]

By: _____

Name: _____

Title: _____

Date: _____

Attachment 1 to Franchise Agreement

OWNERSHIP INFORMATION

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

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

State: _____

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

Name	Shares or Percentage of Ownership

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

Name	Title

Attachment 2 to Franchise Agreement

GUARANTY AND NON-COMPETE AGREEMENT

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

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

Guarantor agrees as follows:

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

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

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

3. Covenants Not to Compete.

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

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

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

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

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

Agreed to by:

Name: _____
Address: _____

Date: _____

Name: _____
Address: _____

Date: _____

Name: _____
Address: _____

Date: _____

EXHIBIT C

FORM OF GENERAL RELEASE

THIS RELEASE is made and given by _____,
 (“Releasor”) with reference to the following facts:

1. Releasor and Surface Experts Franchising LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”); or

_____ Releasor’s consent to Releasee’s transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor’s consent to Releasee’s assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee’s guarantors, members, officers, directors, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively “Released Parties”) from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the

release, which if known by him or her must have materially affected his or her settlement with the debtor.

- 6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

- 7. Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

Releasor:

Releasee:
Surface Experts Franchising LLC

By: _____

By: _____
Jacob Grady, CEO

Printed Name: _____

Date: _____

TITLE: _____

EXHIBIT D
FINANCIAL STATEMENTS

SURFACE EXPERTS FRANCHISING, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
with
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

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



INDEPENDENT AUDITORS' REPORT

To the Members Surface Experts Franchising, LLC

We have audited the accompanying financial statements of Surface Experts Franchising, LLC (the "Company"), which comprise the balance sheet as of December 31, 2022, 2021 and 2020 and the related statements of operations and members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021 and 2020, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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 of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 can arise from fraud or error and 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.

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271 17th Street, NW | Suite 1600 | Atlanta, GA 30363

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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Smith and Howard PC

March 29, 2023

SURFACE EXPERTS FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2022, 2021 AND 2020

ASSETS			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets			
Cash	\$ 445,986	\$ 639,468	\$ 346,530
Accounts receivable, net	610,721	88,074	72,882
Inventory	45,243	-	-
Prepaid expenses	80,505	-	-
Notes receivable, current portion	34,135	40,351	-
Franchise agreement assets, current portion	<u>503,267</u>	<u>723,680</u>	<u>289,310</u>
Total Current Assets	1,719,857	1,491,573	708,722
Property and Equipment, Net	3,492	4,888	6,844
Non-Current Assets			
Notes receivable, net of current portion	103,106	137,241	-
Right of use asset	100,532	-	-
Franchise agreement assets, net of current portion	<u>3,742,362</u>	<u>3,070,124</u>	<u>1,632,845</u>
Total Non-Current Assets	<u>3,946,000</u>	<u>3,207,365</u>	<u>1,632,845</u>
	<u>\$ 5,669,349</u>	<u>\$ 4,703,826</u>	<u>\$ 2,348,411</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)			
Current Liabilities			
Accounts payable and accrued expenses	\$ 323,397	\$ 293,025	\$ 183,448
Operating lease liability, current portion	60,077	-	-
Franchise agreement liability, current portion	587,690	432,091	257,922
Paycheck protection program loan	<u>-</u>	<u>-</u>	<u>50,360</u>
Total Current Liabilities	971,164	725,116	491,730
Non-Current Liabilities			
Operating lease liability, net of current portion	41,606	-	-
Franchise agreement liability, net of current portion	4,329,852	3,360,189	2,048,816
Accrued commissions	<u>72,150</u>	<u>98,386</u>	<u>-</u>
Total Non-Current Liabilities	4,443,608	3,458,575	2,048,816
Members' Equity (Deficit)	<u>254,577</u>	<u>520,135</u>	<u>(192,135)</u>
	<u>\$ 5,669,349</u>	<u>\$ 4,703,826</u>	<u>\$ 2,348,411</u>

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

SURFACE EXPERTS FRANCHISING, LLC
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue			
Franchise fees	\$ 561,480	\$ 345,461	\$ 805,304
Training fees	459,639	785,551	178,833
Royalties and call center fees	1,805,979	708,330	159,664
Other	<u>817,856</u>	<u>392,609</u>	<u>331,062</u>
	3,644,954	2,231,951	1,474,863
 Operating Expenses	 <u>3,839,923</u>	 <u>1,629,782</u>	 <u>1,601,083</u>
 Income (Loss) from Operations	 (194,969)	 602,169	 (126,220)
 Other Expense (Income)			
Depreciation and amortization	1,396	1,955	2,737
Interest income	(8,086)	(2,208)	-
Payroll protection program income	<u>-</u>	<u>(109,848)</u>	<u>-</u>
	<u>(6,690)</u>	<u>(110,101)</u>	<u>2,737</u>
 Net Income (Loss)	 (188,279)	 712,270	 (128,957)
 Members' Equity (Deficit), Beginning of Year	 520,135	 (192,135)	 (43,187)
 Distributions to Members	 <u>(77,279)</u>	 <u>-</u>	 <u>(19,991)</u>
 Members' Equity (Deficit), End of Year	 <u>\$ 254,577</u>	 <u>\$ 520,135</u>	 <u>\$ (192,135)</u>

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

SURFACE EXPERTS FRANCHISING, LLC
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:			
Net Income (Loss)	\$ (188,279)	\$ 712,270	\$ (128,957)
Adjustments to reconcile net income (loss) to net cash provided (required) by operating activities:			
Depreciation	1,396	1,956	2,737
Recognition of franchise agreement assets - deferred costs	508,513	281,912	646,183
Recognition of franchise agreement liability - deferred revenues	(561,480)	(323,413)	(805,303)
Operating lease expense	(17,831)	-	-
Payments on operating lease liability	18,982	-	-
Forgiveness of paycheck protection program loan	-	(50,360)	-
Changes in:			
Accounts receivable	(522,647)	(350,739)	(79,630)
Inventory	(45,243)	-	-
Prepaid expenses	(80,505)	-	-
Notes receivable	40,351	(177,592)	-
Franchise agreement assets	(960,338)	(1,818,014)	(624,152)
Franchise agreement liability	1,686,742	1,808,955	1,121,572
Accrued commissions	(26,236)	98,386	-
Accounts payable and accrued expenses	30,372	109,577	(177,082)
	<u>(116,203)</u>	<u>292,938</u>	<u>(44,632)</u>
Cash Flows from Financing Activities:			
Members' distributions	(77,279)	-	(19,991)
Proceeds from paycheck protection program loan	-	-	50,360
	<u>(77,279)</u>	<u>-</u>	<u>30,369</u>
Net Increase (Decrease) in Cash	(193,482)	292,938	(14,263)
Cash at Beginning of Year	639,468	346,530	360,793
Cash at End of Year	<u>\$ 445,986</u>	<u>\$ 639,468</u>	<u>\$ 346,530</u>

Supplemental Disclosure of Non-Cash Operating Activities:

On January 1, 2022, the Company adopted Accounting Standards Update ("ASU") 2016-02 Leases (Topic 842). The adoption of this ASU resulted in the recognition of an operating lease liability and corresponding right of use asset of approximately \$83,000, based on the present value of future minimum rental payments of this lease.

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

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

NOTE 1 – DESCRIPTION OF BUSINESS

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reclassifications

Certain balances in the 2021 and 2020 financial statements have been reclassified to conform with the 2022 financial statement presentation.

Use of Estimates

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

Accounts Receivable

Accounts receivable include franchise fees, royalty and call center fees charged by the Company. When necessary, the Company records an allowance for doubtful accounts based on specifically identified amounts that senior management believes to be uncollectible. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company had an allowance of \$69,121 and \$122,469 at December 31, 2022 and 2021, respectively. The Company determined no allowance was deemed necessary at December 31, 2020.

Revenue Recognition

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

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

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Management has allocated the transaction price of franchise fee based upon the standalone selling price of its underlying performance obligations of a training program and the rights to operate as a franchisee of the Company. No amount of the franchise is allocated to Royalty and Call Center Fees, as these are recognized on a monthly basis.

Following execution of the Franchise Agreement, the franchisee purchases equipment and completes a training program.

Revenues from the training program are included within franchise fees on the accompanying statement of operations. The training program is completed typically 90-120 days following execution of the Franchise Agreement. Upon completion of the training program, the franchisee begins operations in their designated territory. The right to operate within the territory represents the Company fulfilling its performance obligation over the Franchise Agreement. Revenues associated with the training program are recognized at the point in time where the franchisee has completed the training program. Total training fees for 2022, 2021, and 2020 were \$459,639, \$785,551, and \$178,833, respectively.

The Franchise Fee is based upon the fair value of the territory in which the franchisee is licensed to operate. Franchise Fees are recognized on a straight-line basis, beginning upon completion of the training program, over the term of the Franchise Agreement, which is 10 years. This is done on a straight-line basis, as the license to operate as a franchisee of the Company is of equal value across the term of the franchise agreement. Revenues associated with this license were \$561,480, \$345,461, and \$805,304 for 2022, 2021, and 2020, respectively.

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

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

Other revenues include sales of equipment in the form of supplies, tools and uniforms to franchisees as well as rental income from vehicles that are leased to franchisees. These revenues are recognized at the point in time which the franchisee takes delivery of the equipment. These leases are discussed further in Note 4.

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

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

Property and Equipment

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

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

	<u>Estimated Useful Life</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Furniture and fixtures	7 years	\$ 10,318	\$ 10,318	\$ 10,318
Less: accumulated depreciation		<u>(6,826)</u>	<u>(5,430)</u>	<u>(3,474)</u>
		<u>\$ 3,492</u>	<u>\$ 4,888</u>	<u>\$ 6,844</u>

Depreciation expense was \$1,396, \$1,955 and \$2,737 for the years ended December 31, 2022, 2021, and 2020, respectively.

Income Taxes

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

The Company annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Company takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In general, the Company is no longer subject to tax examinations for the years ending before December 31, 2019.

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program Loan

In April 2020, the Company obtained a Small Business Administration ("SBA") loan under the Paycheck Protection Program ("PPP") in the amount of \$50,360. The PPP loan bore interest at 1% was to follow the repayment terms outlined by the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act") and the Paycheck Protection Program Flexibility Act ("PPFPA"). In April of 2021 the Company applied for forgiveness and was notified that they received forgiveness for this loan.

In February 2021, the Organization obtained an additional SBA loan under the second round of PPP in the amount of \$59,488. The second PPP loan bore interest at 1% and was to follow the same repayment terms as the first PPP loan. During 2021 the Company applied for forgiveness and was notified that they received forgiveness for this loan.

Adoption of New Accounting Policy

Effective January 1, 2022, the Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain ~~information about lease arrangements. The Company adopted ASU 2016-02 using the modified~~ retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment to equity recognized upon adoption, if necessary. Adoption of ASU 2016-02 did not result in changes to the Company's beginning equity balance. Additionally, upon adoption, the Company elected to use risk-free discount rate (United States Treasury Yield Curve Rate), an option only available to private entities, when calculating the present value of future lease payments and has made an accounting policy election to not recognize lease assets and lease liabilities for leases with terms of 12 months or less.

Adoption of this ASU resulted in the Company recording a right-of-use ("ROU") asset and corresponding operating lease liability of \$82,701 on January 1, 2022 which represents the present value of future lease payments on the Company's office lease further detailed in Note 4 at the date of adoption. Operating lease expense continues to be recorded on a straight-line basis throughout the lease term and the ROU asset and corresponding operating lease liability are reduced as lease payments are made.

Subsequent Events

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

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

NOTE 3 – FRANCHISE AGREEMENT ASSETS AND LIABILITIES

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

	<u>Opening</u> <u>January 1, 2020</u>	<u>Opening</u> <u>January 1, 2021</u>	<u>Opening</u> <u>January 1, 2022</u>	<u>Closing</u> <u>December 31, 2022</u>
Franchise Agreement Assets:				
Franchise agreement receivables, net	\$ 444,631	\$ 85,559	\$ 335,547	\$ -
Deferred costs	<u>1,042,247</u>	<u>1,836,596</u>	<u>3,458,257</u>	<u>4,245,629</u>
	<u>\$ 1,486,878</u>	<u>\$ 1,922,155</u>	<u>\$ 3,793,804</u>	<u>\$ 4,245,629</u>
Franchise Agreement Liabilities:				
Deferred revenues	<u>\$ 1,990,469</u>	<u>\$ 2,306,738</u>	<u>\$ 3,792,280</u>	<u>\$ 4,917,542</u>

Deferred Revenues

Deferred revenues within the accompanying balance sheet represent Franchise Fees for franchisees who have not yet completed their training program as well as revenues that are being deferred over the term of the Franchise Agreement of 10 years.

Deferred Costs

GAAP requires the Company to evaluate incremental costs required to obtain a contract as well as costs associated with fulfilling a contract. These costs include commissions paid to brokers, salaries and travel costs associated with training of franchisees. These costs are amortized on a straight-line basis over the term of the Franchise Agreement of 10 years.

Below is the activity that occurred within deferred costs and deferred revenues for the years ending December 31:

	<u>Deferred</u> <u>Costs</u>	<u>Deferred</u> <u>Revenues</u>
Balance, December 31, 2019	\$ 1,042,247	\$ 1,990,469
New contracts revenues and associated costs	1,440,532	1,121,572
Annual amortization	(152,746)	(196,305)
Contract cancellations	<u>(493,437)</u>	<u>(608,998)</u>
Balance, December 31, 2020	1,836,596	2,306,738
New contracts revenues and associated costs	1,903,573	1,808,955
Annual amortization	<u>(281,912)</u>	<u>(323,413)</u>
Balance, December 31, 2021	3,458,257	3,792,280
New contracts revenues and associated costs	1,295,885	1,686,742
Annual amortization	<u>(508,513)</u>	<u>(561,480)</u>
Balance, December 31, 2022	<u>\$ 4,245,629</u>	<u>\$ 4,917,542</u>

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

NOTE 3 – FRANCHISE AGREEMENT ASSETS AND LIABILITIES (Continued)

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

	Deferred Costs	Deferred Revenues	
2023	\$ 503,267	\$ 587,690	
2024	503,267	587,690	
2025	503,267	587,690	
2026	503,267	587,690	
2027	503,267	587,690	
Thereafter	<u>1,729,294</u>	<u>1,979,092</u>	
	<u>\$ 4,245,629</u>	<u>\$ 4,917,542</u>	

NOTE 4 – COMMITMENTS

The Company has one non-cancelable office space operating lease which expires in 2024. As detailed in Note 2, the Company adopted ASU 2016-02, *Leases*, on January 1, 2022 and has recorded a ROU asset and operating lease liability which represents the present value of future lease payments using a discount rate of 1.04%, the three year treasury rate effective January 2022.

At December 31, 2022, the Company's operating lease liability was comprised of the following:

Gross operating lease liability	\$ 103,312	
Less: Imputed interest	(1,629)	
Present value of operating lease liability	<u>101,683</u>	
Less: current portion of operating lease liability	(60,077)	
Long-term operating lease liability	<u>\$ 41,606</u>	

Future minimum lease payments for the leases are as follows for the years ending December 31:

2023	\$ 60,852	
2024	42,460	
	<u>103,312</u>	
Less: present value discount	(1,629)	
	<u>\$ 101,683</u>	

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020**

NOTE 4 – COMMITMENTS (Continued)

The Company also has entered into a master lease agreement which allows for its franchisees to lease vehicles to be used in connection with the franchisee's business. The Company bears risk of loss in these lease agreements and charges rent monthly to the franchisees for these vehicles and remits payments to the lessor. This rental income is reflected in Other Revenues within the accompanying statement of operations and members' equity (deficit). These leases expire at various dates in 2024.

Lease expenses in 2022, 2021, and 2020 approximated \$33,000, \$33,000, and \$30,000, respectively.

SURFACE EXPERTS FRANCHISING, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021
with
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
BALANCE SHEETS	5
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-13



INDEPENDENT AUDITORS' REPORT

To the Members Surface Experts Franchising, LLC

We have audited the accompanying financial statements of Surface Experts Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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 of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 can arise from fraud or error and 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.

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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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Smith and Howard

Atlanta, GA
March 13, 2024

SURFACE EXPERTS FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2023, 2022, AND 2021

ASSETS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets			
Cash	\$ 526,315	\$ 445,986	\$ 639,468
Accounts receivable, net	682,773	366,244	88,074
Inventories	75,094	45,243	-
Prepaid expenses	139,208	80,505	-
Notes receivable, current portion	35,874	34,135	40,351
Franchise agreement assets, current portion	<u>763,846</u>	<u>747,744</u>	<u>723,680</u>
Total Current Assets	2,223,110	1,719,857	1,491,573
Property and Equipment, Net	2,494	3,492	4,888
Non-Current Assets			
Notes receivable, net of current portion	67,233	103,106	137,241
Right of use assets	40,156	100,532	-
Franchise agreement assets, net of current portion	<u>4,330,476</u>	<u>3,742,362</u>	<u>3,070,124</u>
Total Non-Current Assets	<u>4,437,865</u>	<u>3,946,000</u>	<u>3,207,365</u>
	\$ 6,663,469	\$ 5,669,349	\$ 4,703,826
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	\$ 442,654	\$ 323,397	\$ 293,025
Operating lease liabilities, current portion	41,337	60,077	-
Franchise agreement liability, current portion	<u>704,681</u>	<u>587,690</u>	<u>432,091</u>
Total Current Liabilities	1,188,672	971,164	725,116
Non-Current Liabilities			
Operating lease liabilities, net of current portion	-	41,606	-
Franchise agreement liability, net of current portion	4,972,176	4,329,852	3,360,189
Accrued commissions	<u>45,913</u>	<u>72,150</u>	<u>98,386</u>
Total Non-Current Liabilities	5,018,089	4,443,608	3,458,575
Members' Equity	<u>456,708</u>	<u>254,577</u>	<u>520,135</u>
	\$ 6,663,469	\$ 5,669,349	\$ 4,703,826

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

SURFACE EXPERTS FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue			
Franchise fees	\$ 725,891	\$ 561,480	\$ 345,461
Training fees	219,419	459,639	785,551
Royalties and call center fees	3,277,237	1,805,979	708,330
Other	1,084,874	817,856	392,609
	<u>5,307,421</u>	<u>3,644,954</u>	<u>2,231,951</u>
Operating Expenses	<u>4,983,662</u>	<u>3,839,923</u>	<u>1,629,782</u>
Income (Loss) from Operations	323,759	(194,969)	602,169
Other (Income) Expense			
Depreciation and amortization	998	1,396	1,955
Interest income	(12,716)	(8,086)	(2,208)
Payroll protection program income	-	-	(109,848)
	<u>(11,718)</u>	<u>(6,690)</u>	<u>(110,101)</u>
Net Income (Loss)	335,477	(188,279)	712,270
Members' Equity (Deficit), Beginning of Year	254,577	520,135	(192,135)
Distributions to Members	<u>(133,346)</u>	<u>(77,279)</u>	<u>-</u>
Members' Equity, End of Year	<u>\$ 456,708</u>	<u>\$ 254,577</u>	<u>\$ 520,135</u>

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

SURFACE EXPERTS FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:			
Net Income (Loss)	\$ 335,477	\$ (188,279)	\$ 712,270
Adjustments to reconcile net income (loss) to net cash provided (required) by operating activities:			
Depreciation	998	1,396	1,955
Recognition of franchise agreement assets - deferred costs	642,399	508,513	281,912
Recognition of franchise agreement liability - deferred revenues	(945,259)	(561,480)	(323,413)
Operating lease expenses	60,376	20,133	-
Payments on operating lease liabilities	(60,346)	(18,982)	-
Forgiveness of paycheck protection program loan	-	-	(50,360)
Changes in:			
Accounts receivable	(316,529)	(278,170)	(350,738)
Inventories	(29,851)	(45,243)	-
Prepaid expenses	(58,703)	(80,505)	-
Notes receivable	34,134	40,351	(177,592)
Franchise agreement assets	(1,246,615)	(1,204,815)	(1,818,014)
Franchise agreement liability	1,704,574	1,686,742	1,808,955
Accrued commissions	(26,237)	(26,236)	98,386
Accounts payable and accrued expenses	119,257	30,372	109,577
Net Cash Provided (Required) by Operating Activities	<u>213,675</u>	<u>(116,203)</u>	<u>292,938</u>
Cash Flows from Financing Activities:			
Members' distributions	<u>(133,346)</u>	<u>(77,279)</u>	<u>-</u>
Net Cash Required by Financing Activities	<u>(133,346)</u>	<u>(77,279)</u>	<u>-</u>
Net Increase (Decrease) in Cash	80,329	(193,482)	292,938
Cash at Beginning of Year	<u>445,986</u>	<u>639,468</u>	<u>346,530</u>
Cash at End of Year	<u>\$ 526,315</u>	<u>\$ 445,986</u>	<u>\$ 639,468</u>

Supplemental Disclosure of Non-Cash Operating Activities:

On January 1, 2022, the Company adopted Accounting Standards Update ("ASU") 2016-02 Leases (Topic 842). The adoption of this ASU resulted in the recognition of an operating lease liability and corresponding right of use asset of approximately \$83,000, based on the present value of future minimum rental payments of this lease.

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

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

NOTE 1 – DESCRIPTION OF BUSINESS

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Use of Estimates

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

Accounts Receivable

Accounts receivable include franchise fees, royalty and call center fees charged by the Company. When necessary, the Company records an allowance for doubtful accounts based on specifically identified amounts that senior management believes to be uncollectible. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company had an allowance of \$62,258, \$69,121, and \$122,469 at December 31, 2023, 2022, and 2021, respectively.

Revenue Recognition

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

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

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Management has allocated the transaction price of franchise fee based upon the standalone selling price of its underlying performance obligations of a training program and the rights to operate as a franchisee of the Company. No amount of the franchise is allocated to Royalty and Call Center Fees, as these are recognized on a monthly basis.

Following execution of the Franchise Agreement, the franchisee purchases equipment and completes a training program.

Revenues from the training program are included within franchise fees on the accompanying statements of operations. The training program is completed typically 90-120 days following execution of the Franchise Agreement. Upon completion of the training program, the franchisee begins operations in their designated territory. The right to operate within the territory represents the Company fulfilling its performance obligation over the Franchise Agreement. Revenues associated with the training program are recognized at the point in time where the franchisee has completed the training program. Total training fees for 2023, 2022, and 2021 were \$219,419, \$459,639, and \$785,551, respectively.

The Franchise Fee is based upon the fair value of the territory in which the franchisee is licensed to operate. Franchise Fees are recognized on a straight-line basis, beginning upon completion of the training program, over the term of the Franchise Agreement, which is 10 years. This is done on a straight-line basis, as the license to operate as a franchisee of the Company is of equal value across the term of the franchise agreement. Revenues associated with this license were \$725,891, \$561,480, and \$345,461 for 2023, 2022, and 2021, respectively.

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

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

Other revenues include sales of equipment in the form of supplies, tools and uniforms to franchisees as well as rental income from vehicles that are leased to franchisees. These revenues are recognized at the point in time which the franchisee takes delivery of the goods sold. These leases are discussed further in Note 4.

**SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

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

Property and Equipment

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

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

	Estimated Useful Life	2023	2022	2021
Furniture and fixtures	7 years	\$ 10,318	\$ 10,318	\$ 10,318
Less: accumulated depreciation		<u>(7,824)</u>	<u>(6,826)</u>	<u>(5,430)</u>
		<u>\$ 2,494</u>	<u>\$ 3,492</u>	<u>\$ 4,888</u>

Depreciation expense was \$998, \$1,396, and \$1,955 for the years ended December 31, 2023, 2022, and 2021, respectively.

Income Taxes

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

The Company annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Company takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In general, the Company is no longer subject to tax examinations for the years ending before December 31, 2020.

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program Loan

In February 2021, the Organization obtained a Small Business Administration (“SBA”) loan under the second round of Paycheck Protection Program (“PPP”) in the amount of \$59,488. The second PPP loan bore interest at 1% and was to follow the repayment terms outlined by the Coronavirus Aid, Relief, and Economic Securities Act (the “CARES Act”) and the Paycheck Protection Program Flexibility Act (“PPFPA”). During 2021 the Company applied for forgiveness and was notified that they received forgiveness for this loan.

Adoption of New Accounting Policy

During 2023, the Company adopted the requirements of Accounting Standards Update (“ASU”) 2016-03, Financial Instruments – Credit Losses. This ASU introduces a “current expected credit loss” (CECL) model which requires all expected credit losses for financial instruments held at the reporting date to be based on historical experience, current conditions, and reasonable supportable forecasts. The CECL model replaces the existing incurred loss method and is applicable to the measurement of credit losses of financial assets. Under the standard, disclosures are required to provide users 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 Accounting Standards Codification (“ASC”) 326 were accounts receivables. There was no material impact to the financial statements or footnotes upon adoption of this new accounting policy.

NOTE 3 – FRANCHISE AGREEMENT ASSETS AND LIABILITIES

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

	<u>Opening</u> <u>January 1, 2021</u>	<u>Opening</u> <u>January 1, 2022</u>	<u>Opening</u> <u>January 1, 2023</u>	<u>Closing</u> <u>December 31, 2023</u>
Franchise Agreement Assets:				
Franchise agreement receivables, net	\$ 85,559	\$ 335,547	\$ 244,477	\$ 151,912
Deferred costs	<u>1,836,596</u>	<u>3,458,257</u>	<u>4,245,629</u>	<u>4,942,410</u>
	<u>\$ 1,922,155</u>	<u>\$ 3,793,804</u>	<u>\$ 4,490,106</u>	<u>\$ 5,094,322</u>
Franchise Agreement Liabilities:				
Deferred revenues	<u>\$ 2,306,738</u>	<u>\$ 3,792,280</u>	<u>\$ 4,917,542</u>	<u>\$ 5,676,857</u>

Deferred Revenues

Deferred revenues within the accompanying balance sheet represent Franchise Fees for franchisees who have not yet completed their training program as well as revenues that are being deferred over the term of the Franchise Agreement of 10 years.

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

NOTE 3 – FRANCHISE AGREEMENT ASSETS AND LIABILITIES (Continued)

Deferred Costs

GAAP requires the Company to evaluate incremental costs required to obtain a contract as well as costs associated with fulfilling a contract. These costs include commissions paid to brokers, salaries and travel costs associated with training of franchisees. These costs are amortized on a straight-line basis over the term of the Franchise Agreement of 10 years.

Below is the activity that occurred within deferred costs and deferred revenues for the years ending December 31:

	Deferred Costs	Deferred Revenues
Balance, December 31, 2020	\$ 1,836,596	\$ 2,306,738
New contracts revenues and associated costs	1,903,573	1,808,955
Annual amortization	<u>(281,912)</u>	<u>(323,413)</u>
Balance, December 31, 2021	3,458,257	3,792,280
New contracts revenues and associated costs	1,295,885	1,686,742
Annual amortization	<u>(508,513)</u>	<u>(561,480)</u>
Balance, December 31, 2022	4,245,629	4,917,542
New contracts revenues and associated costs	1,339,180	1,704,574
Annual amortization	<u>(642,399)</u>	<u>(945,259)</u>
Balance, December 31, 2023	<u>\$ 4,942,410</u>	<u>\$ 5,676,857</u>

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

	Deferred Costs	Deferred Revenues
2024	\$ 611,934	\$ 704,681
2025	611,576	704,681
2026	611,576	704,681
2027	611,576	704,681
2028	611,576	704,681
Thereafter	<u>1,884,172</u>	<u>2,153,452</u>
	<u>\$ 4,942,410</u>	<u>\$ 5,676,857</u>

SURFACE EXPERTS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

NOTE 4 – COMMITMENTS

The Company leases two offices under non-cancelable operating leases that mature in August 2024.

As detailed in Note 2, the Company adopted ASU 2016-02, *Leases*, on January 1, 2022 and has recorded ROU assets and operating lease liabilities which represents the present value of future lease payments using the risk free rate of return that corresponds to the lease length.

At December 31, 2023, the Company's operating lease liability was comprised of the following:

Gross operating lease liability	\$ 41,768
Less: Imputed interest	(431)
Present value of operating lease liability	41,337
Less: current portion of operating lease liability	(41,337)
Long-term operating lease liability	\$ -

At December 31, 2023, the weighted average remaining lease term for all operating leases was 0.67 years and the weighted average discount rate was 2.77%.

Lease expenses in 2023, 2022, and 2021 approximated \$60,000, \$33,000, and \$33,000 respectively.

The Company also has entered into a master lease agreement which allows for its franchisees to lease vehicles to be used in connection with the franchisee's business. The Company bears risk of loss in these lease agreements and charges rent monthly to the franchisees for these vehicles and remits payments to the lessor. This rental income is reflected in Other Revenues within the accompanying statements of operations and members' equity (deficit). These leases expire at various dates in 2024.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2024, the date the financial statements were available to be issued.

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS

Surface Experts Intro and Overview – 15 pages

1. Introduction and Instructions – 7 pages
2. Mission and Vision – 2 pages
3. Franchise Support Resources – 4 pages
4. Territory – 2 pages

Getting Started, Business Ops, and Business Requirements – 89 pages

5. Pre-Opening Timetable and Obligations – 17 pages
6. Franchisee Training Requirements – 3 pages
7. Trademarks and Trade Secrets Policies – 3 pages
8. Corporate Structure and Financing – 8 pages
9. Insurance Requirements and Risk Management – 6 pages
10. Financial Oversight and Administration – 7 pages
11. Report, Audits and Inspections – 4 pages
12. Office Practices and Operations – 14 pages
13. Vehicle Administrations – 3 pages
14. Staffing Your Franchise – 5 pages
15. Safety Practices – 13 pages
16. Renewal, Expansion, Relocation, Resale, Transfer, and Closing – 6 pages

Marketing & Sales – 45 pages

17. Marketing – 12 pages
18. Sales – 31 pages
19. Pricing – 3 pages

Field Operations & Repairs SOPs – 73 pages

20. Field Operations – 5 pages
21. Products and Equipment – 6 pages
22. Material, Texture, Color, Pattern, and Sheen – 16 pages
23. Touch-Up Repair Process – 4 pages
24. Surface Specific Repair Procedures – 42 pages

EXHIBIT F-1

LIST OF CURRENT FRANCHISEES

The following is a list of the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Operational Outlets as of December 31, ~~2022~~2023:

State	Franchise Owner	Phone	Address
	Alabama		
AL	Brian Thorn	659.599.1300	404 Ves Trace, Birmingham, AL 35216
AL	Lucius Penn, Jr.	843.231.1316	51 S Julia St. Mobile, AL 36604
AZ	Ed Lennon	602.799.9907	1407 W Briles RD Phoenix AZ 85085 US
	Arizona		
AZ	Laura and Joel Moorhead	563.357.6828	2400 N Arizona Ave Apt 2022 Chandler AZ 85225
AZ	Ed Lennon	602.799.9907	1407 W Briles RD Phoenix AZ 85085 US
	California		
CA	Scott Frogner	916.717.8009	El Dorado Hills, CA 95762
CA	DB Shenoy	408.391.6243	1600 Arguello Ct, Morgan Hill, CA 95037
CA	Jason Scovil	858.926.4041	4373 Cleveland ave. Unit B San Diego, CA 92103
CA	Luke Hollander	408.482.2595	El Dorado Hills, CA 95762
CA	Heath White Connecticut	214.684.4168	25 Grandbriar, Aliso Viejo, CA 92656
CT	Ryan Langan	860.707.3979	20 Cliffmore Road West Hartford, CT 06107
	Colorado		
CO	Scott Hoot	720.465.2224	8120 Dry Creek Cir., Longmont, CO 80503
CO	Anne-Marie Rogers	720.647.7647	14982 Delhi Ave. Parker, CO 80134
CO	Cory Link	805.455.1221	13556 Raritan St Westminster, CO 80234
	Florida		
FL	Sy King	407.233.3595	1613 Trailview Way NE, Atlanta, GA 30329
FL	Trent Burke Karen Inscho	407.392.0692 492.6013	12132 Pilot ct. Orlando, FL 32828 12870 Trade Way Four, Ste 107-403 Bonita Springs FL 34135
FL	Paul Savage	404.735.9629	9955 Huntcliff Trace, Ft. Lauderdale, FL 30350
FL	James Bahk Trent Burke	562.922.4125 407.392.0692	177 Bayleaf Dr Tampa 12132 Pilot ct. Orlando, FL 28376 32828
FL	Wayne White	904.868.3361	629 American Holly PL, Oviedo, FL 32765
FL	Bill and Traci Breit	404.632.9791	409 Pescado Dr. St. Augustine, FL 32095
FL	Karen Inscho James Bahk	407.492.6013 562.922.1125	12870 Trade Way Four, Ste 107-403 Bonita Springs FL 34135 177 Bayleaf Dr Tampa, FL 28376
	Georgia		
GA	Ben Wicker	707.450.1204	PO Box 3343, Alpharetta GA 30023
GA	Eddie Curry	678.825.8240	44 Milton Avenue, Alpharetta, GA 30009
GA	Tom Watson	470.408.2120	335 Dewpoint Lane, Alpharetta, GA 30022
GA	Julea Mead	470.523.4200	830 Longwood Lane. Alpharetta, GA 30004
GA	Chuck Rigdon	770.231.5856	207 Dave's Farm Rd, Jefferson, GA 30549
GA	Gregory Balaze	678.900.0915	40 Foxcroft ct. Newnan, GA 30265
	Iowa		
IA	Joseph Richardson	515.689.7007	5077 Raintree Dr Des Moines, IA 50265
	Illinois		
IL	Jeff Sweeney	630.635.0313	9 Royal Oaks ct. Bristol, IL 60512
IL	Ian Faass	309.550.8416	351 Rustic Oak Court, Dahinda, IL 61428

IL	Dwayne Carpenter	847.483.4826	1661 Montclair Dr, Elgin, IL 60123
	Indiana		
IN	Darci Fosnot	317.608.0880	5212 Madison Ave, Suite E, Indianapolis, IN 46227
	Kansas		
KS	Brian Blaize	913.653.0605	8101 College Boulevard, Suite 100, Overland Park, KS 66210
KS	Jon Hamilton, Brandon Tucker	913.526.8456	21651 Johnson St Spring Hill, Kansas 66083
	Kentucky		
KY	Steve Morris	502.861.6040	235 East Eagle Drive Louisville, KY 47190
	Massachusetts		
MA	Mike Nantel	871.956.8936	196 Rockland St, PO Box 746, Hanover, MA 02339
MA	Kyle Borseti	617.799.0381	449 Franklin Street, Reading, MA 01867
MA	David Low	781.434.8666	4 Brewer Drive, Westborough, MA 01581
	Maryland		
MD	Scott Russey & Chad Thyges	202.367.7279	7035 Wilderness Ct, Owings, MD 20736
MD	Sekar Venkataraman	937.608.2416	7710 Grand Lake Drive, Seven Valleys, PA 17360
MD	Scott Russey & Chad Thyges	202.367.7279	7035 Wilderness Ct, Owings, MD 20736
	Michigan		
MI	Don Lemmon	616.485.4779	7512 Hometown Court SE, Caledonia, Michigan 49316
MI	Ben Galbo	313.806.7273	20467 Mack Ave, Grosse Pointe Woods, MI 48236
	Minnesota		
MN	Rob Orn	651.231.0439	8201 Custers Trail, Inver Grove Heights, MN 55076
	Missouri		
MO	Zach Brace	314.853.3363	2012 Trailcrest Ln #8 Kirkwood, Missouri 63122
MO	Tracy Hiegert	816.977.7917	8533 N Crystal Ave Kansas City, MO 64157-8512
MO	Zach Brace	314.853.3363	2012 Trailcrest Ln #8 Kirkwood, Missouri 63122
MO	Dwayne Garrett	913.963.2533	312 SW Greenwich Dr., Ste #228, Lee's Summit, MO 64082
	North Carolina		
NC	Jeffrey Calcaterra	919.491.6521	102 Gary Rd, Carrboro, NC 27510
NC	Udian Patel	984.322.9957	3434 Kildaire Farm Road, Suite 135, Cary, NC - 27518
NC	Darrell Frick	336.865.0947	135 Ridge Gate Ct, Lewisville, NC 27023
NC	Bill Hogan	980.201.5860	624 Matthews-Mint Hill Road, Suite 121, Matthews, NC 28105
NC	Bill Mckeown	919.247.5668	5521 Overleaf Court, Raleigh, NC 27615
NC	Jeffrey Calcaterra	919.491.6521	102 Gary Rd, Carrboro, NC 27510
NC	Udian Patel New Jersey	984.322.9957	3434 Kildaire Farm Road, Suite 135, Cary, NC - 27518
NJ	Eric Lam	551.308.0030	50 E Palisade Ave., Suite 407 Englewood, NJ 07631
	New York		
NY	Patrick Dilley	917.747.3182	11 Briarcliff Drive, Port Washington, NY 11050
	Ohio		
OH	Peter Caldwell	804.869.0558	6080 Fisher RD NW, Baltimore, OH 43105
OH	Brian Major	513.658.7882	7875 Shawnee Run Road, Cincinnati, OH 45243
OH	Darci Fosnot	317.608.0880	Dayton, OH 45322
	Pennsylvania		
PA	Douglas Edge	9850.232.5881	413 Lincoln Ave, Langhorne PA 19047
	South Carolina		
SC	Chip and Becky Campbell	704.960.9363	408 Montmorenci Crossing, Fort Mill, SC 29715
SC	Nancy Williams	252.220.4104	265 Willis Road, Taylors, SC 29687
	Tennessee		

TN	Kimbra Toney-Bernard	901.496.3480	470 Wolf View Cove Cordova, TN 38018
TN	Robert Zimbrich	865.500.5006	1806 Cascade Falls In. Knoxville, TN 37931
TN	Eule Glenn Jr	256.509.5851	3031 Anderson Pike Signal Mountain, TN 37377
TN	Kimbra Toney-Bernard	901.496.3480	470 Wolf View Cove Cordova, TN 38018
TN	Jay and Rose Tippens	615.519.8222	1703 Sheila Ann Dr. Mount Juliet, TN 37122
TX	Jim Snodgrass Shannon Smith	903.405.3535 612.295.9139	10785 George 3329 Clovercoft Drive Tyler, TX 75703, Murfreesboro, TN 37130
TN	Eule Glenn Jr	256.509.5851	3031 Anderson Pike Signal Mountain, TN 37377
	Texas		
TX	James Mitchell Darrell King	817.271.1197 512.773.6090	9612 Lea Shore St Fort Worth 11410 Pencewood Drive, Austin TX 76179 78750
TX	Tabron Holloway	405.747.9589	12232 Hightower Place, Dallas, TX 75244
TX	Scott Kidd James Mitchell	830.357.8406 817.271.1197	391 Lantana Mesa, Spring Branch TX 78070 9612 Lea Shore St Fort Worth, TX 76179
TX	Darcey Matthews	832.454.9522	2422 Park Street Houston TX 77019 US
TX	Maria Stirpe, Francisco Brito	832.421.6567	27227 Cinco Terrace Dr. Katy. Tx. 77494
TX	Scott Kidd	830.357.8406	391 Lantana Mesa, Spring Branch TX 78070
	Utah		
UT	Tracie-Lee Michael	435.901.8448	6080 Silver Sage Dr., Park City, UT 84098
	Virginia		
VA	Brian and Melia Motley	804.937.5348	13406 River Ridge Lane Ashland, VA 23005
VA	Sharon Hatfield	303.834.0541	9926 Barnsbury Court, Fairfax, VA 22031
	Washington		
WA	Kellie Abustallo	509.492.4930	1955 Jadwin Ave #410, Richland, WA 99354
WA	Tom Phillips	206.330.9866	7150 45th Ave SW, Seattle, WA 98136
WA	Kellie Abustallo	509.238.3000	4924 West Houston Ave., Spokane, WA 99208

Franchisee Agreement Signed But Outlet Not Yet Open as of December 31, ~~2022~~2023:

~~Chuck Rigdon,~~
~~Jefferson, GA 30549~~
~~770-231-5856~~

~~Ben Galbo~~
~~Grosse Pointe Woods~~~~Alejandra Iberico~~
~~Golden, CO 80401~~
~~720-969-1725~~

~~Tony Lasky~~
~~Kalamazoo, MI 48236~~
~~313-806-7273~~

~~Michel Nantel~~
~~Hanover, MA 02339~~
~~781-956-8936~~

~~Jim and Shonna Snodgrass~~
~~Murfreesboro, TN 37130~~
~~612-295-9139~~

517-617-9090

Tom Mock
Omaha, NE 68135
402-960-1836

Todd Ariens
League City, TX 77565
713-557-5585

EXHIBIT F-2

List of Former Franchisees (For the fiscal year ended 12/31/2023)

The following is a list of the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

State	Franchise Owner	Phone	Address
MN	Randy Schmidt	612-852-5050	3120 Northdale Blvd. NW #109, Minneapolis, MN 55433
	California		
CA	Heath White	214.681.4168	25 Grandbriar, Aliso Viejo, CA 92656
CA	Luke Hollander	408.482.2595	El Dorado Hills, CA 95762
	Georgia		
GA	Tom Watson	470.408.2120	335 Dewpoint Lane, Alpharetta, GA 30022
	Texas		
TX	Shannon Smith	903.504.2600	10785 George Drive, Tyler, Texas 75703

EXHIBIT G

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement requires binding arbitration. Arbitration will occur in Spokane, Washington. This provision may not be enforceable under California law.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires application of the laws of Washington State. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS

UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.surfaceexperts.com

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

The highest interest rate allowed by law in California is ten percent (10%) annually.

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.

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

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

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

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

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

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

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

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

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Initial Fee Deferral

Item 5 is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “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.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

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

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

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NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

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

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

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

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

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

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

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

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

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

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 the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Restrictive Covenants: To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

Applicable Laws: North Dakota law will govern the franchise agreement.

Jurisdiction and Venue: The provisions concerning choice of law and jurisdiction and venue are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

Waiver of Trial by Jury: Any waiver of a trial by jury will not apply to North Dakota Franchises.

Waiver of Exemplary & Punitive Damages: Any waiver of punitive damages will not apply to North Dakota Franchisees.

General Release: Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

Enforcement of Agreement: Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation shall be agreeable to all parties and may not be remote from the franchisee's place of business.

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

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Pursuant 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. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Fee Deferral

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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

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

Use of Franchise Brokers. The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

Fee Deferral

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

EXHIBIT H
STATE ADDENDA TO FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

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

1. Sections 19(1) – (7) of the Franchise Agreement, titled, "CERTIFICATION OF FRANCHISOR'S COMPLIANCE," are hereby deleted.

2. 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.

3. **Effective Date.** This Addendum is effective as of date of the Agreement.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

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

- 1. **Governing Law.** Illinois law governs the Agreement.

- 2. **Waivers Void.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

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

- 4. **Questionnaires.** No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

4. Initial Fee Deferral

The Franchise Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

- 5. **Effective Date.** This Addendum is effective as of date of the Agreement.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____
Date: _____

Title: _____
Date: _____

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

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

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

2. A 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.

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. 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.

5. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

6. Section 19 of the Franchise Agreement, titled, “CERTIFICATION OF FRANCHISOR’S COMPLIANCE,” is deleted.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

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

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

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

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state "No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues."

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

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

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

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

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

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

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.

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

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

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

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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

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

The undersigned does hereby acknowledge receipt of this addendum.

Fee Deferral

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

SURFACE EXPERTS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT I

INFORMATION ABOUT AREA REPRESENTATIVES

Florida

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

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

Georgia – Metro Atlanta

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

North Carolina and South Carolina

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

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

EXHIBIT J

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
	<input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

Authorization:

Franchisee hereby authorizes Surface Experts Franchising LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Printed Name: _____
Its: _____

Federal Tax ID Number: _____

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT K

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	June 7, 2023 Pending
Hawaii	April 26, 2023 Pending
Illinois	April 10, 2023 Pending
Indiana	April 12, 2023 Pending
Maryland	May 31, 2023 Pending
Michigan	March 15, 2024
Minnesota	May 11, 2023 Pending
New York	April 12, 2023 Pending
Rhode Island	March 15, 2023 Pending
Virginia	July 29, 2023 Pending
Washington	April 25, 2023 Pending
Wisconsin	April 5, 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 L

RECEIPT

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

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

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

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

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

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

Issuance Date: April ~~3-19, 2024~~2023

I received a disclosure document dated April ~~3-19, 2024~~2023, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement ~~(with Guaranty and Non-Compete Agreement)~~
Attachment 1-Ownership Information
Attachment 2-Guaranty and Non-Compete Agreement
- C. Form of General Release
- D. Financial Statements
- E. Franchise Operations Manual Table of Contents
- F-1. Current Franchisees
- F-2. Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Franchise Agreement
- I. Information About Area Representatives
- J. Automated Clearing House Payment Authorization Form
- K. State Effective Dates
- L. Receipt

Signature: _____

Print Name: _____

Date Received: _____

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Issuance Date: April ~~3, 2023~~ 19, 2024

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- L. Receipt

Signature: _____

Print Name: _____

Date Received: _____