

FRANCHISE DISCLOSURE DOCUMENT

FIVE STAR FLOORING FRANCHISE, LLC

A Utah limited liability company
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Springville, UT 84663

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We are ***FIVE STAR FLOORING FRANCHISE, LLC*** a Utah limited liability company. We offer franchises to qualified individuals and entities to own and operate a Five Star Flooring™ franchise under our service marks, trade names, programs, and systems under the name “**FIVE STAR FLOORING.**” Our franchisees offer quality flooring installation, replacement, and renovation services to the public under the Service Marks and the Five Star Flooring programs, products, and systems (the "Method of Operation").

The total investment necessary to begin operation of a **FIVE STAR FLOORING** franchise is **\$1587,500 to \$320264,500 for one location, or \$196157,0500 to \$459537,000 for a multi-location Executive Model, with additional multiple-location franchise fees as set forth in Item 5.** This includes the initial investment of **\$68,500** for one location or **\$198,500** for a multiple-location Executive Model that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dean Hartley at 761 W. 1200 N., Suite 300, Springville UT 84663 and (801) 804-1026.

EXPENDITURE	ESTIMATED AMOUNT	PAYMENT METHOD	When Due	TO WHOM
			person training.	
Optional QSP Add-on: Trailer	\$0 to \$40,000	Cash	Prior to attendance at training.	Us
Annual Conference Registration Deposit ³	\$1,000	Lump Sum	Within 7 days of signing of Franchise Agreement.	Us
Marketing ¹³	\$35,000 to \$65,000	As Incurred	As Incurred	Approved Suppliers
Warehouse/Premises and Show Displays ¹¹	\$3,000 to \$4,000	As Incurred	As Incurred	Landlord, Utility Companies and Suppliers
Supplies, Inventory, and Equipment ⁹	\$7,500 to \$25,000	As Incurred	Before Opening and As Incurred thereafter	Suppliers
Computer Equipment and Software/License Fees ¹⁰	\$1,000 to \$2,000	As Incurred	Before Initial Training	Suppliers
Travel and Living Expenses to Attend Training ⁴	\$2,500 to \$4,000	As Incurred	Before and During Training	Airlines, Hotels, Restaurants, etc.
Vehicle/Trailer (and wrap) ⁷	\$500 to \$32,500	As Incurred	As Incurred	Suppliers
Professional Services (Licensing, Insurance, Legal) ¹²	\$7,500 to \$13,500	As Incurred	As Incurred	Attorneys, Accountants, Etc.
Recruiting and Personnel ¹⁵	\$2,000 to \$5,000	As Incurred	As Incurred	Personnel
Working Capital (Additional Funds and Living Expenses – 3 Months) ¹⁴	\$20,000 (note 2) to \$50,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL	\$1587,500 to \$320264,500			

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YOUR ESTIMATED INITIAL INVESTMENT

(Multi-Location Estimate**)

**Assumes the hiring of a Salesperson

**Assumes two locations. For locations 3-6, and their additional Initial Franchise Fee, See Note 1.

EXPENDITURE	ESTIMATED AMOUNT	PAYMENT METHOD	When Due	TO WHOM
Initial Franchise Fee ¹	\$99,500. To acquire additional territory, a fee of \$0.40 per household shall apply.	Cash	The entire initial Franchise Fee is due and payable upon execution of the Franchise Agreement	Us
Quick Start Package ²	\$19,000	Cash	Prior to attendance at training.	Us
<u>Optional QSP Add-on: Trailer</u>	<u>\$0 to \$40,000</u>	<u>Cash</u>	<u>Prior to attendance at training.</u>	<u>Us</u>
Annual Conference Registration Deposit ³	\$1,000	Lump Sum	Within 7 days of signing of Franchise Agreement.	Us.
Marketing (first 5 months) ¹³	\$35,000 to \$70,000	As Incurred	As Incurred	Approved Suppliers
Supplies, Inventory, and Equipment ⁹	\$7,500 to \$50,000	As Incurred	Before Opening and As Incurred thereafter	Suppliers
Insurance, Business Licenses, Permits, Professional Fees ⁶	\$7,500 (note 2) to \$13,500	As Incurred	Prior to Opening	State Administrators/ Government Agencies, etc.
Warehouse/Premises and Show Displays ¹¹	\$3,000 to \$5,000	As Incurred	As Incurred	Landlord, Utility Companies and Suppliers
Computer Equipment and Software/License Fees ¹⁰	\$1,000 to \$3,500	As Incurred	Before Opening and As Incurred thereafter	Suppliers

EXPENDITURE	ESTIMATED AMOUNT	PAYMENT METHOD	When Due	TO WHOM
Vehicle/Trailer (and wrap) ⁷	\$500 (note 2) to \$32,500	As Incurred	Before Initial Training	Suppliers
Recruiting and Personnel ¹⁵	\$2,000 (note 2) to \$5,000	As Incurred	As Incurred	Suppliers
Working Capital (Additional Funds and Living Expenses – 3 Months) ¹⁴	\$20,000 to \$120,000	As Incurred	Before Opening	Insurers
TOTAL	\$19 67,500 to \$45 97,000 (for a 2-territory executive model)			

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The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General. A franchisor whose most recent financial statements are unaudited and show a net worth of less than \$100,000 will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of the escrow. Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, 6520 Mercantile Way, Suite 3, Lansing, Michigan 48913; (517) 373-3800.

The name and address of the franchisor's agent in Michigan authorized to receive service of process is:

Michigan Department of Commerce
Corporation and Securities Bureau
Office of Franchise and Agent Licensing
6546 Mercantile Way
P. O. Box 30222
Lansing, Michigan 48910

Minnesota

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to post-Termination Default Fee, termination penalties, or judgment notes; provided, that this part will not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of the American Arbitration Association. (Minn. Rules 2860.4400(J)).

Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given **90** days' notice of termination (with **60** days to cure) and **100** days' notice for non-renewal of the Franchise Agreement.

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

FDD Cover Page

The cover page, at its special risks section, is amended to state the following as a special risk:

Unregistered Trademark. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

FDD Item 13; FA Section 5

Minnesota Statutes Section 80C.20, Subdivision 1(g) allows the Minnesota Commissioner of the Department of Commerce to issue a cease and dismiss order or issue an order denying, suspending or revoking any registration, amendment or exception on finding any of the following . . . that the method of sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees. Pursuant to this section, the Commissioner requires all franchisors registering in the state of Minnesota to state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of the name. We intend to comply with the Minnesota statute and to protect the franchisee's rights and indemnify the franchisee for any losses to the full extent required by relevant state law.

FDD Item 17, FA Sections 6, 7 and 9

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. The general release provisions in the Franchise Agreement are void and unenforceable in the state of Minnesota.

The FDD and Franchise Agreement are amended such that the disclosures pertaining to non-competition covenants during and after the term of the Franchise Agreement are disclosed to be subject to applicable state law.

FA Section 9

Pursuant to Minnesota Statutes Section 80.C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80.C, including, but not limited to, the right to submit matters to the jurisdiction of the courts in Minnesota.

FDD Item 19

Pursuant to a request from the Minnesota Department of Commerce, the information regarding the outlet operating under the name "In and Out Floors" is deleted and should be regarded as not informative regarding your operation of a franchised business under a different name.

New York

FRANCHISE DISCLOSURE DOCUMENT COVER PAGE

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

FDD 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:

1. Has any administrative, criminal or material 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. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises and the size, nature or financial condition of the franchise system or its business operations.
2. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this Disclosure Document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject 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.
3. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a

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Addendum Note

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

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

Franchise Agreement – Questionnaire

The questionnaire is amended to note as follows: 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 with the franchise.

New York

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