

FRANCHISE DISCLOSURE DOCUMENT



FT FRANCHISING, INC.
dba FLOOR-TEK
2070 Balboa Avenue
San Diego, California 92109
Telephone: (858) 270-7774
Website: <https://floortek.com>

The franchise business is for commercial floor maintenance system and janitorial service.

The total investment necessary to begin operation of a Floor-Tek franchise ranges from \$2,695 to \$37,685. This includes \$1,000 to \$10,000 that must be paid to the franchisor or an affiliate.

The 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 payments 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 to you. To discuss the availability of disclosures in different formats, contact Sang Swart at 2070 Balboa Avenue, San Diego, California 92109, (858) 270-7774, sang@floortek.com.

The term 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, such as 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 may contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You may also visit the FTC's home page at <http://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.

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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 C.
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 E 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 FLOOR-TEK 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 FLOOR-TEK franchisee?	Item 20 or Exhibit C 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 D.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, 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 California than in your own state.

2. **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 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.

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.

FRANCHISE DISCLOSURE DOCUMENT
FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE STATE OF CALIFORNIA

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EXHIBITS:

- A Franchise Agreement
- B Standard Form Note
- C List of Franchisees
- D State Administrator
- E Financial Statements
- F California Addendum
- G State Effective Dates
- H Receipt

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

To simplify the language in this Disclosure Document, FT Franchising, Inc. is referred to as “we” or “FLOOR-TEK”. “You” means the person purchasing a franchise, which could be an individual, corporation, partnership, limited liability company or other legal entity. “You” may also refer to your owners if you are not an individual.

We are FT Franchising, Inc., doing business as FLOOR-TEK. We have no parent. We acquired the business in 1990 from Martin E. Swart, Inc., our affiliate.

Our principal business address is 2070 Balboa Avenue, San Diego, California 92109, telephone number (858) 270-7774.

We are a California corporation, formed on January 2, 1990.

We offer commercial floor maintenance and janitorial services directly to customers.

We are not engaged in any other business activity.

If you become a franchisee, you would operate a floor maintenance and janitorial service route, servicing commercial, industrial and other business facilities.

The general market for the floor maintenance and janitorial services is year-round. The market for these services is mature and there is substantial competition. The services are offered to both building owners and tenants of office, commercial, industrial and other business facilities.

There are no laws or regulations specific to the floor maintenance and janitorial service industry. However, franchisees are expected to be aware of and follow all laws and regulations applicable to their business operations and employees. With respect to employees, California Assembly Bill 5 (“AB 5”) enacted in 2019, and modified in 2020 by AB 2257 (Section 2775 et seq. of the California Labor Code) codified the “ABC test” adopted by the California Supreme Court in *Dynamex Operations West, Inc. v. Superior Court*, 4 Cal.5th 9 (2018). The ABC test is a three-part test used for determining a worker’s employee or independent contractor status. Several industries and relationships are exempt from AB 5, including bona fide business-to-business contracting relationships, but still subject to a test established by the California Supreme Court case, *S. G. Borello & Sons, Inc. v. Department of Industrial Relations* (1989) 48 Cal.3d 341. At this time, franchisor-franchisee relationships are not specifically exempted from AB 5. Although the law is subject to further modification and court interpretation, the ABC test may apply to franchising relationships.

The floor maintenance and janitorial services industry is highly competitive. We have many competitors. Some of those competitors are national companies with substantial resources.

We have offered franchises in the commercial floor maintenance and janitorial services industry since 1990.

We do not offer franchises in other lines of business.

Martin E. Swart, Inc. is an affiliate. It is a California corporation formed in 1986. Its address is the same as our address. It is owned by Sang Swart, our President. We rent our office facilities and purchase some of our supplies and equipment from Martin E. Swart, Inc.

2. BUSINESS EXPERIENCE

President: Sang Swart.

Ms. Swart has been our President from January 2, 1990 through the present date. We are located in San Diego, California. Outside of our company, Ms. Swart holds positions with Martin E. Swart, Inc.

3. LITIGATION

There is no litigation that must be disclosed in Item 3. Please refer to Exhibit F (the California Addendum), for additional information.

4. BANKRUPTCY

There is no bankruptcy information that must be disclosed in Item 4.

5. INITIAL FEES

When you sign the Franchise Agreement, you must pay us an initial franchise fee that ranges between \$1,000 and \$10,000. The amount of the initial franchise fee depends on the economic value of the Territory and the route(s) assigned to you, which we determine at the time the Franchise Agreement is signed. The economic value of the Territory and route(s) is determined by the gross sales they have generated on an annual basis. The franchise fee will be equal to four and two tenths percent (4.2%) of the amount of the annual gross sales for the assigned Territory and route(s). Accordingly, the greater the economic value of the Territory and route(s), the higher your initial franchise fee will be. You must pay the entire initial franchise fee in cash. However, in special circumstances we may allow you to pay the fee by a down-payment of at least 10% of the initial franchise fee or \$250, whichever is larger, with the balance being paid by a Promissory Note with interest at the rate of no more than 6% per annum, with principal and interest payable in equal monthly installments over a certain period of time and starting at a certain time as agreed upon by you and us.

The franchise fee is non-refundable with the exception of the right of refund of the initial franchise fee in the event you do not successfully complete the 30-day probationary period.

6. OTHER FEES

Type of fee	Amount	Due Date	Remarks ¹
Service	20% of total gross sales	Payable monthly during the first 10 days of the month following receipt of customer payment	Gross sales include all revenue from the franchise. Gross sales does not include sales tax or use tax.
Advertising	2% of total gross sales	Same as Service Fee	Gross sales includes all revenue from the franchise. Gross sales does not include sales tax or use tax.
Administrative	3% of total gross sales	Same as Service Fee	Gross sales includes all revenue from the franchise. Gross sales does not include sales tax or use tax.
Audit Inspection	Cost of audit plus 10% interest on underpayment (Cost of audit is about \$3,500)	30 days after billing	You are required by the Franchise Agreement to periodically submit to FLOOR-TEK certain sales reports, financial statements and tax returns. FLOOR-TEK will have the right to audit or cause to be audited these sales reports, financial statements and tax returns. In the event any such audit discloses an understatement of the gross sales of two percent or more, you must pay to FLOOR-TEK within fifteen days after the receipt of the audit report, the cost of this audit, together with the indicated Service Fee and Advertising Fee on unreported gross sales and the interest due of ten percent from the date these payments were originally due.
Sales Agent	10% of total sale price	30 days after billing	If FLOOR-TEK, at your sole request, sells your franchise for your account, FLOOR-TEK may charge a sales commission of ten percent (10%) of the sales price, the Franchise Agreement does not address these charges.
Advice and Assistance	\$100 to \$500 per month	30 days after billing	Subject to the terms of this Agreement, and the FLOOR-TEK Confidential Standard Operating Procedures Manual, FLOOR-TEK may provide you, at your request, ongoing advice and assistance to you for no charge during the term of the Agreement; provided, however, FLOOR-

¹ All listed fees are payable only to FLOOR-TEK. All fees are imposed by FLOOR-TEK. The fees are non-refundable. The fees are uniformly imposed. The fees will not increase. We have no franchisor-owned outlets.

Type of fee	Amount	Due Date	Remarks ¹
			TEK reserves the right to charge you for those services which are beyond the customary and usual services provided Franchises generally. Typical services for which FLOOR-TEK would charge you a fee includes performing billing, account receivables management and bookkeeping. The amount of the fee varies depending on the amount of work such services require.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	<u>Amount</u>		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Fee	\$1,000	\$10,000	lump sum or financed with down payment	at signing	Floor-Tek
Equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, and other decorating costs, whether purchased or leased	\$0	\$2,000	as incurred	<u>before</u> opening	Floor-Tek or Suppliers
Vehicle	\$0	\$25,000	as incurred	<u>before</u> opening	suppliers
Opening Inventory and Supplies Required to Begin Operations	\$150	\$500	lump sum	<u>before</u> opening	suppliers
Initial Advertising Fee				Monthly	
Security Deposits, Utility Deposits, Business Licenses, Other Prepaid Expenses (see page 6)	\$325	\$835	lump sum	<u>before</u> opening	Miscellaneous
Additional Funds	\$1,200	\$1,350	as incurred	as incurred	
TOTAL	\$2,695	\$37,685			

NOTE 1: Your initial investment can range from as little as \$2,695 to \$37,685, depending almost exclusively on how much you determine to spend on a vehicle suitable for the operation of the franchise business and whether or not your vehicle and other equipment are paid for by cash or some method of financing. With the exception of the limited right of refund of the initial franchise

fee in the event you do not successfully complete the 30-day probationary period, none of the required payments are refundable unless otherwise stated. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

FLOOR-TEK has no required specifications or designated suppliers for goods, services or real estate relating to our franchise business, but we must approve any product used by you in performing your services. Most major label products are approved by us for your use.

If you wish to use a product not already approved by us, you must provide us with samples of the product adequate for testing, instructions for use and other information necessary for us to conduct testing. Our testing will take 30 to 60 days to complete. There is no charge to you for our testing, except the cost of the test samples. At the conclusion of the testing we will promptly notify you of our decision. If the product is not approved, we will tell you of the reasons for our rejection. Our decision is final. There are no fixed standards by which we judge the fitness of new products. We use our years of experience in the industry to determine the effectiveness of any product and consider many factors such as the effectiveness of the product in cleaning, ease of use and environmental impact. The products of most major brands are acceptable to us and many have already been approved.

We do sell cleaning equipment and supplies, all of which are either our private label products or major label products approved by us. FLOOR-TEK will not derive revenue from your purchases or leases, unless you purchase your equipment or supplies from us. You are not required to purchase your equipment and supplies from us. We purchase all of such products and equipment from our affiliate, Martin E. Swart, Inc. That company purchases products in large quantities allowing it to purchase at a discount. Our private label products and equipment are subject to a mark-up by us when sold to you. The percentage mark-up varies from product to product and the price of each product may vary from time to time depending on the prices charged by our suppliers. On the average over the past few years, FLOOR-TEK purchases about \$30,000 worth of products and equipment annually from Martin E. Swart, Inc., and we sell such products and equipment for approximately \$36,000 annually. In 2022, we sold supplies to franchisees for approximately \$25,600 that we purchased from Martin E. Swart, Inc. for approximately \$20,465 and we leased one item of equipment to a franchisee for \$150 per month.

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.

FRANCHISEE'S OBLIGATIONS

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	not applicable	not applicable
b. Pre-opening purchase/leases	not applicable	not applicable
c. Site development and other pre-opening requirements	not applicable	not applicable
d. Initial and ongoing training	not applicable	Item 11
e. Opening	Section 3.3 of Franchise Agreement	Item 11
f. Fees	Section 6 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Section 4 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Section 7 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 4.8 and 4.17 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 4 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Sections 2, 4 and 5 of Franchise Agreement	Item 11
l. Ongoing product/service purchases	Sections 4.8 and 4.17 of Franchise Agreement	Item 16
m. Maintenance, appearance and remodeling requirements	not applicable	not applicable
n. Insurance	Sections 3.6 and 18 of Franchise Agreement	Items 6 and 8
o. Advertising	Sections 6.2 and 14 of Franchise Agreement	Items 6 and 11
p. Indemnification	Sections 4.9, 4.11 and 13 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Section 13.2 of Franchise Agreement	Items 11 and 15
r. Records and reports	Sections 10.2 and 15 of Franchise Agreement	Item 6
s. Inspections and audits	Sections 6.2 and 15.3 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 20 of Franchise Agreement	Item 17
u. Renewal	Section 2.1 of Franchise Agreement	Item 17

Obligation	Section in Agreement	Disclosure Document Item
v. Post-termination obligations	Sections 16, 19.2, 19.3 and 21.5 of Franchise Agreement	Item 17
w. Noncompetition covenants	Section 19 of Franchise Agreement	Item 17
x. Dispute resolution	Section 22.1 of Franchise Agreement	Item 17
y. Other		

10. FINANCING

Summary of Financing Offered

ITEM FINANCED	SOURCE OF FINANCING	DOWN PAYMENT	AMOUNT FINANCED	TERM (YRS)	INTEREST RATE
INITIAL FEE See Note 1	\$1,000 - \$10,000	10% OF INITIAL FEE OR \$250 WHICHEVER IS LARGER	up to \$10,000	AS AGREED BY PROSPECTIVE FRANCHISEE	no greater than 6%

MONTHLY PAYMENT	PREPAYMENT PENALTY	SECURITY REQUIRED	LIABILITY UPON DEFAULT	LOSS OF LEGAL RIGHTS ON DEFAULT
BASED ON AMOUNT FINANCED	NONE	PERSONAL GUARANTEE	LOSS OF FRANCHISE-UNPAID LOAN	WAIVE NOTICE-CONFESS JUDGMENT

NOTE 1: If you meet FLOOR-TEK's credit standards, FLOOR-TEK will finance up to \$10,000 over an agreed-upon term at an APR of 0% to 6%, as we shall determine, using the standard form note in Exhibit B. The only security FLOOR-TEK requires is a personal guarantee of the note by you and your spouse or by all the shareholders of your corporation, or by all of the members of your limited liability company. The note can be prepaid without penalty at any time during the term. If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance and obtain court costs and attorney's fees if a collection action is necessary. We also have the right to terminate your franchise if you do not make your payments on time more than three times during the note term. You waive your rights to notice of a collection action and to assert any defenses to collection against FLOOR-TEK. We may assign this note to a third party who may be immune under the law to any defenses to payment you may have against FLOOR-TEK. Except as disclosed herein, FLOOR-TEK does not guarantee your obligations to third parties.

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

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

PRE-OPENING OBLIGATIONS.

Before you open your business, FLOOR-TEK will:

- (1) Designate your initial exclusive route within a designated non-exclusive territory (Franchise Agreement - Paragraphs 3.1 and 5.1).
- (2) Establish your route, provide marketing services, and accept job reservations and set job appointments on your behalf in accordance with the Confidential Standard Operating Procedures Manual (Franchise Agreement - Paragraph 3.4).
- (3) Provide you with assistance in the establishment and start-up of your business (Franchise Agreement - Paragraph 3.3).

TIME BEFORE OPENING.

Typically, it is one to three months between the signing of a franchise agreement and the opening of the franchisee's business. The opening time will vary depending on the time for you to purchase or lease the equipment and supplies necessary to perform the services. In our experience the COVID-19 pandemic has not impacted the time it takes for the opening of the franchisee's business, but it could potentially have an impact at some point in time.

POST-OPENING OBLIGATIONS.

During the operation of the franchise business:

- (1) FLOOR-TEK will Provide ongoing advice and assistance to you for no charge during the term of the Agreement; provided, however, FLOOR-TEK reserves the right to charge you for these services which are beyond the customary and usual services provided Franchises generally (Franchise Agreement - Paragraph 3.2).
- (2) FLOOR-TEK will agree to accept reservations and set job appointments on your behalf pursuant to procedures set forth in the Franchise Agreement or in the FLOOR-TEK Confidential Standard Operating Procedures Manual (Franchise Agreement - Paragraph 3.4).
- (3) You may develop advertising materials for your own use, at your own cost. FLOOR-TEK must approve the advertising materials in advance and in writing. FLOOR-TEK occasionally provides for placement of advertising on behalf of the entire FLOOR-TEK system, including franchisees. However, most placement is done on a local basis, typically through local print media. The advertising fee of 2% of gross revenue paid to us for advertising is not used for advertising materials for your own use.
- (4) FLOOR-TEK will provide you with a copy of our Confidential Standard Operating Procedures Manual.
- (5) Franchisees typically open their business 1 to 3 months after they sign a franchise agreement.

One optional service provided by FLOOR-TEK is that, although you must maintain a true and accurate set of books and records of the franchise pursuant to Section 15.1 of the Franchise Agreement, FLOOR-TEK may provide accounting services, and other business services as may be established from time to time according to the Franchise Agreement and the FLOOR-TEK Confidential Standard Operating Procedures Manual (Franchise Agreement - Paragraph 3.5). There is a charge for such services that must be agreed by you and us prior to us performing such services. You are not required to use our accounting services.

ADVERTISING PROGRAM.

We are obligated to provide a basic advertising plan for the services offered by you.

We provide advertising mainly through our web site. Historically we have placed advertisements in the print media, particularly the telephone yellow pages, but we have found such advertisement not as effective as it once was in today's internet environment. The web site is focused on the promotion of the business of our franchisees, it is not designed to sell franchises.

Our web site is available nationally, but its impact is only in the Southern California area, because our franchisees currently only service that area.

We typically engage small, independent contractors to design our web site and print advertisements on an as-needed basis. We have no employee dedicated to marketing and advertising.

There is no advertising council composed of our franchisees. We make all decisions related to the advertising.

There is no local or regional advertising cooperative.

All franchisees must contribute to the advertising fund. You contribute to the advertising fund at the rate of 2% of your total gross sales, and other franchisees contribute at the same rate. There are no franchisor owned outlets, so we do not contribute to the advertising fund. We administer the advertising fund. The fund is not audited and there is no separate financial statements prepared for the advertising fund.

In 2022 the advertising fund was spent in the following allocations:

Products:	60%
Media Placement:	20%
Administrative Expenses:	15%
Other:	5%

All of the advertising funds are usually spent within 12 months of the time it is collected. If not used, the funds are carried over into the next fiscal year. The advertisements are not used to solicit new franchisees, but only to solicit business for current or prospective franchises.

ELECTRIC CASH REGISTERS AND COMPUTER SYSTEMS

You are not required to purchase an electronic cash register or computer system in connection with the franchise.

OPERATING MANUAL

We have a Confidential Standard Operating Procedures Manual. You will be allowed to review the Manual in our office prior to buying a franchise. The Table of Contents for the Confidential Standard Operating Procedures Manual is set forth below. There are five sections, and each section has the following number of pages: Section A – 2 pages, Section B – 3 pages, Section C – 1 page, Section D – 12 pages, and Section E – 10 pages. The entire Manual consists of a total of 30 pages, including the cover page and Table of Contents.

FLOOR-TEK CONFIDENTIAL STANDARD OPERATING PROCEDURES MANUAL TABLE OF CONTENTS

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TRAINING PROGRAM

We do not generally offer a training program. Most of our franchisees are experienced in providing floor maintenance and janitorial services and training is not necessary. However, if a franchisee is not experienced or would like training, we will consider providing training.

12. TERRITORY

FLOOR-TEK will assign you a non-exclusive territory (“Territory”) within specific geographical boundaries. You will not receive an exclusive territory. You may face competition from other Franchisees. You are not required to have your office within your Territory. A map and/or written description of your Territory will be provided as an exhibit to the Franchise Agreement. Your initial route is defined at the time of signing the Franchise Agreement. Your route will change by mutual agreement with FLOOR-TEK as jobs are added or deleted from its schedule, and routes are usually adjusted weekly or monthly.

FLOOR-TEK will also assign you an exclusive job route that is located in your Territory. The exclusive job route (which is sometimes referred to as an “exclusive route”, “service route”, or “route”) is made up of floor maintenance and janitorial service jobs to be performed by you. Your route will be exclusive to you, i.e., no two Franchises will service the same jobs at the same time. Your exclusive route will be made up of jobs and job sites that are located solely within your Territory, and you will not be required to accept a job outside your Territory unless you voluntarily consent to do so. Routes will vary according to size and density of businesses in the area. We give you the first right to refuse any jobs within your Territory. You will be given your route before you sign any agreements with us so that you may determine for yourself whether the route is satisfactory before you commit to operating a franchise.

We have the right to extend or reduce your route based upon the quality of your service to your customers. We determine whether the quality and efficiency of your work is up to our standards. The standards that FLOOR-TEK requires of you are those standards written in the “California Cleaning and Maintenance Services Code, Section 7349” which are standards set by the State of California for Safety Building and Quality Work Standards. A copy of this section will be provided to you. Your failure to adequately service your route can be grounds for termination of the franchise. FLOOR-TEK does not maintain quota requirements per se, but your failure to

properly service your route can limit your opportunity to earn incentive pay, and can ultimately lead to the termination of the franchise.

The minimum route will have sufficient jobs to keep one individual occupied for approximately 25 to 50 hours per week. The size of the route will vary depending on the scope and frequency of the work, for example, one route may have only two customers with large facilities that require daily cleaning, another route may have eight customers which have small facilities and with weekly need for cleaning.

We may also establish company-owned routes serviced by employees of FLOOR-TEK, and perform commercial floor maintenance services and janitorial services under FLOOR-TEK's trade name and trademark within your Territory, but FLOOR-TEK will not service your route except at your request or upon your failure to keep an appointment.

We have not and do not intend to establish any other franchises or company-owned routes selling or leasing similar products or services under a different trade name or trademark.

13. TRADEMARKS

Under the Franchise Agreement, FLOOR-TEK grants to you the right to operate a commercial floor maintenance franchise using FLOOR-TEK's trade names, trademarks, service marks, and logos currently used, or which may be designated by FLOOR-TEK, in the operation of the franchised business. Currently, the FLOOR-TEK trademark, service mark and logo that is licensed under the Franchise Agreement is:



Application for registration of FLOOR-TEK service mark will not be made with the United States Patent and Trademark Office due to a competing mark owned by a North Carolina company and registered with the United States Patent and Trademark Office. FLOOR-TEK claims superior rights to the service mark licensed within your territory or route.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use this mark. You cannot use a name or mark as part of a corporate name or with modifying words, designs, or symbols, except for those which FLOOR-TEK licenses to you. You may not use FLOOR-TEK's registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by FLOOR-TEK.

FLOOR-TEK has been granted a service mark registration with the State of California.

There is presently no pending material litigation involving these marks, trade names, logo type or other commercial symbols which are relevant to their use in this state or states in which a franchise office is to be located.

There are no agreements currently in effect which significantly limit the rights of FLOOR-TEK to use or license the use of these marks, trade names, logo types, or other commercial symbols in any manner material to the Franchisees.

FLOOR-TEK has the sole right, in its sole discretion, to protect these service marks and/or trade names against attach, or the infringement, by any party. You must give notice to FLOOR-TEK of any infringing uses of its marks and to cooperate in any legal action initiated by FLOOR-TEK.

FLOOR-TEK does not know of any infringing uses which could materially affect your use of the marks, trade names, logo types or other commercial symbols in this state.

You must notify FLOOR-TEK immediately when you learn about an infringement of or challenge to your use of our trademark. FLOOR-TEK will take the action we think appropriate. While FLOOR-TEK is not required to defend you against a claim against your use of our trademark, FLOOR-TEK will reimburse you for your liability and reasonable costs in connection with defending FLOOR-TEK's trademark. To receive reimbursement, you must have notified FLOOR-TEK immediately when you learned about the infringement or challenge.

You must modify or discontinue the use of a trademark if FLOOR-TEK modifies or discontinues it. If this happens, FLOOR-TEK will reimburse you for your tangible costs of compliance (for example, changing signs). You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are a part of our business.

14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patent or copyrights are material to the franchise.

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

FLOOR-TEK does not require that you personally supervise the franchised business. The business must be directly supervised "on-premises" by a manager. The on-premises manager cannot have an interest or business relationship with any of FLOOR-TEK's competitors. The manager need not have an ownership interest in a corporate or partnership franchisee. The manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are restricted to servicing customers on your exclusive route which has been approved by us. You are prohibited from operating any floor maintenance or janitorial service business which competes with us. You may not operate outside your Territory without our consent. (Franchise Agreement - Paragraphs 5 and 19.4).

FLOOR-TEK has the right to add additional authorized services that you must offer. There are no limits on FLOOR-TEK's right to do so except that the investment required of you (for equipment, supplies and initial inventory) will not exceed \$5,000 per year.

17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists 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	Section 2	FLOOR-TEK franchises are granted for a 20-year term, and may be terminated by either you or FLOOR-TEK upon 14 days written notice (Section 2.1). The term of the franchise is not affected or conditioned by any collateral or other agreement (including leases or subleases) other than the Franchise Agreement. California Business & Professions Code §§ 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the laws, the law will control.
b. Renewal or extension of the term	Section 2.1	Upon the expiration of the term of this Agreement, and provided you must not then be in default thereunder, you shall have the right, privilege, and option to renew this franchise for an additional period of twenty years. No additional franchisee fee or renewal fee shall be paid by you at the time of renewal. You do agree to sign at the time of renewal the Franchise Agreement then being used by FLOOR-TEK, and understand that the agreement then in use shall govern relations between FLOOR-TEK and you for the following twenty years. This Agreement may be extended for the three additional twenty year periods following the first extension, for a total of one hundred years when initial periods and renewal terms are compiled. You must notify FLOOR-TEK in writing of your intention to renew the franchise not less than seven months nor more than twelve months before the end of

Provision	Section in Franchise or other Agreement	Summary
		the then current term. Additionally, at the time of any renewal, you must sign a general release, in a form prescribed by FLOOR-TEK, of any and all claims against FLOOR-TEK and its subsidiaries and affiliates, and their respective officers, directors, agents and employees in their corporate and individual capacities, including without limitation, claims arising under this Agreement and any federal, state and local laws, rules and ordinances.
c. Requirements for Franchisee to renew or extend	Section 2	Sign a new agreement. No additional fee.
d. Termination by Franchisee	Section 21.1	As noted in Section 21.1, either you or FLOOR-TEK may terminate the franchise upon 14 days written notice.
e. Termination by Franchisor without cause	Section 21.1	As noted in Section 21.1, either you or FLOOR-TEK may terminate the franchise upon 14 days written notice.
f. Termination by Franchisor with cause	Section 21.2	<p>The franchise will terminate automatically upon: your bankruptcy, insolvency, death or legal incompetence; your attempted sale of the franchise without FLOOR-TEK's written approval; your abandonment of the franchise; our agreement to terminate the franchise; any material misrepresentations by you in acquiring the franchise or conduct that reflects unfavorably on the franchise; failure to comply with applicable laws; you engage in the same noncompliance of matters that you were given notice to comply with; your repeated failure to comply with requirements of the Franchise Agreement; you are convicted of criminal misconduct relevant to operating the franchise; you misuse any of FLOOR-TEK's Propriety Marks; your failure to pay franchise fees or any other amounts owing to FLOOR-TEK; your continued operation of the franchise will result in an imminent danger to public health or safety; or you do not renew the franchise.</p> <p>Pursuant to Section 21.3 of the Franchise Agreement, we may also terminate the franchise</p>

Provision	Section in Franchise or other Agreement	Summary
		<p>if you substantially fail to comply with any of the terms, conditions or obligations contained in the Franchise Agreement (other than non-curable defaults). FLOOR-TEK may give you a 60 day period within which to cure any curable default.</p> <p>FLOOR-TEK may also terminate the franchise within 30 days of execution of the Franchise Agreement if, in FLOOR-TEK's sole discretion, you are deemed unable to satisfactorily perform the services required by the Franchise Agreement.</p>
g. "Cause" defined - curable defaults	Section 21.3	You have 60 days to cure curable defaults.
h. "Cause" defined - non-curable defaults	Section 21.2	Non-curable defaults: bankruptcy, insolvency, death, legal incompetence, unapproved transfers, abandonment, material misrepresentations in acquiring the franchise, conduct that reflects unfavorably on the franchise, noncompliance with laws, repeated defaults even if cured, conviction for criminal misconduct, misuse of Proprietary Marks; failure to pay any amounts owing, imminent danger to public health or safety, non-renewal.
i. Franchisee's obligations on termination/non-renewal	Sections 21.5 and 21.6	Upon termination for any cause, you will immediately and forever discontinue the use of FLOOR-TEK's trade names, methods, formula and products and shall no longer identify himself/herself as being affiliated with FLOOR-TEK. You are also required to deliver to FLOOR-TEK all of your copies of the Confidential Standard Operating Procedures Manual and copies of all journals of services performed and revenues collected, all route lists, lists of customers, copies of floor maintenance agreements, and any and all other papers or documents identifying FLOOR-TEK's customers. You are also required to promptly deliver to FLOOR-TEK any and all signs, labels, insignias, and other items bearing FLOOR-TEK's name and logo.

Provision	Section in Franchise or other Agreement	Summary
j. Assignment of contract by Franchisor	Section 20.2	No restriction on FLOOR-TEK's right to assign.
k. "Transfer" by Franchisee - definition	Section 20.1	Includes transfer of contract or assets or ownership change.
l. Franchisor approval of transfer by Franchisee	Section 20.3	FLOOR-TEK has the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for Franchisor's approval of transfer	Section 20.3	Prior to any transfer you must notify FLOOR-TEK in writing about the proposed transfer and provide the proposed transferee's application for determination of whether the proposed transferee meets FLOOR-TEK's qualifications. Within 60 days after the receipt of all required information and documentation FLOOR-TEK will give written notice of its approval or disapproval of the proposed transfer, and if disapproved the reasons for disapproval.
n. Franchisor's right of first refusal to acquire Franchisee's business		Not applicable.
o. Franchisor's option to purchase Franchisee's business	Section 21.6	At the time of termination, Floor-Tek may exercise its rights to purchase your goodwill, including customer lists, routes and standing client for the purchase price equal to your average weekly gross revenue over the immediate preceding twelve calendar weeks, or \$1,000, whichever is greater.
p. Death or disability of Franchisee	Section 21.2.2	Each franchise is personal to you who have been approved by FLOOR-TEK as being competent in the operation of the franchised business. Consequently, each franchise shall terminate upon your death, or you being determined to be legally incompetent. Upon your death or legal incapacity, your heirs or personal representatives must apply to FLOOR-TEK for the right to continue the franchise. If in Franchisor's sole discretion these heirs or personal representatives are capable of operating the franchise in accordance with Franchisor's uniform standards, then the

Provision	Section in Franchise or other Agreement	Summary
		franchise may be assigned to these heirs or personal representatives provided such proposed assignee(s) agree to the Franchise Agreement and all collateral agreements, and agree to be bound thereby.
q. Noncompetition covenants during the term of the franchise	Section 19.1	During the term of the franchise, neither you, nor your manager can, without FLOOR-TEK's consent, engage in activities which will conflict with obligations under the Franchise Agreement, divert business from the franchise, or FLOOR-TEK, or engage in a business competitive with FLOOR-TEK or the franchise.
r. Noncompetition covenants after the franchise is terminated or expires	Section 19.2	<p>Upon termination of the franchise, you may compete with FLOOR-TEK within the franchise territory, unless FLOOR-TEK exercises its right to purchase your goodwill.</p> <p>Should the franchise continue to operate its commercial floor maintenance and janitorial business, you may nevertheless not utilize any materials, trade names, supplies, trade secrets, customer lists which are proprietary to FLOOR-TEK. Should FLOOR-TEK exercise its right to purchase your goodwill, you agree not to compete with FLOOR-TEK within the franchised territory for a period of one year without FLOOR-TEK's written approval. 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.</p>
s. Modification of the agreement	Section 22.11	The Franchise Agreement may only be modified by the written consent of both parties. Section 31125 of the California Corporations Code requires FLOOR-TEK to give you a disclosure document, in a form and containing that information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
t. Integration/merger clause	Section 22.9	Only the terms of the Franchise Agreement are binding (subject to the state law).

Provision	Section in Franchise or other Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 22.1	Except for certain claims, all disputes must be arbitrated in San Diego County, California.
v. Choice of Forum	Section 22.3	Litigation must be in San Diego County, California.
w. Choice of law	Section 22.4	California law applies.

NOTE 1: Upon termination, you continue to own your vehicle and any equipment and supplies which you have purchased. You may continue to operate a commercial floor maintenance business within its territory, subject to FLOOR-TEK's option to purchase your goodwill, including customer lists, routes and standing clients for a purchase price equal to your average weekly gross revenue over the immediately preceding twelve calendar weeks, or \$1,000, whichever is greater. FLOOR-TEK also has the option to purchase any and all of your printed materials, signs, or other items bearing FLOOR-TEK's proprietary marks at the lower of cost or fair market value at time of termination.

Please refer to Exhibit F (the California Addendum) for information on your legal rights as a franchisee. California and the U.S. Federal government have statutes which may supersede your franchise agreement in your relationship with us, including the areas of termination, non-competition and arbitration.

18. PUBLIC FIGURES

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

19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Sang Swart, President, Floor-Tek, 2070 Balboa Avenue, San Diego, California 92109, telephone (858) 270-7774, the Federal Trade Commission and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	15	10	5
Franchised	2021	10	10	0
Franchised	2022	10	8	2
TOTAL		10	8	2

Table No. 2
Transfer of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Years 2020 to 2022

State	Year	Number of Transfers
California	2020	0
California	2021	0
California	2022	0
TOTAL		0

Table No. 3
Status of Franchised Outlets
For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2020	15	0	0	0	0	5	10
California	2021	10	0	0	0	0	0	10
California	2022	10	0	0	0	0	2	8
TOTAL		10	0	0	0	0	0	8

Table No. 4
Status of Company-Owned Outlets
For Years 2020 to 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at the End of the Year
California	2020	0	0	0	0	0	0
California	2021	0	0	0	0	0	0
California	2022	0	0	0	0	0	0
TOTAL		0	0	0	0	0	0

Table No. 5
Projected Openings As Of December 31, 2022

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
TOTAL	0	1	0

Attached to this Disclosure Document as Exhibit C is a current list of the names, addresses and telephone numbers of all existing franchisees. Exhibit C also includes a list of the name, city and state and current business phone number of every franchisee who has had his or her franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the twelve months ended December 31, 2022, or who has not communicated with us within the 10 week period before December 31, 2022. If you buy this franchise, your contact information will be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

21. FINANCIAL STATEMENTS

The following financial statements are attached to the Disclosure Document as Exhibit E:

1. Audited financial statements for the calendar years 2020, 2021, and 2022.

22. CONTRACTS

Attached in the Exhibit section are copies of the following agreements proposed for use in the State of California between FLOOR-TEK and its franchisees:

- (1) Exhibit A: Franchise Agreement
- (2) Exhibit B: Standard Form Note

23. RECEIPTS

Attached, as the last page of this disclosure document (Exhibit H), is a receipt. Please sign it, date it as of the date you receive the disclosure document, and return it to us. A duplicate of the receipt is attached for your records.

Exhibit A

FLOOR-TEK

FRANCHISE AGREEMENT

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Exhibit A

FLOOR-TEK

FRANCHISE AGREEMENT

PARTIES

THIS AGREEMENT is made this _____ day of _____, 20____, by and between FT Franchising, Inc., a California Corporation, doing business as Floor-Tek, having its principal offices at 2070 Balboa Avenue, San Diego, California, hereinafter called "FLOOR-TEK" and _____, hereinafter called "YOU" or "YOUR".

RECITALS

A. FLOOR-TEK has made a substantial investment in time and financial resources to develop and establish a unique commercial floor maintenance and janitorial system ("the FLOOR-TEK System", or the "System"); and

B. In association with the System, FLOOR-TEK has developed, and continues to control the use of, unique and valuable intellectual properties, including the FLOOR-TEK service mark, and continues to develop intellectual properties for the exclusive use of its authorized franchisees; and

C. FLOOR-TEK has created and maintains a highly regarded and valuable image, approval and acceptance of the System made possible through adherence to its policies, programs and procedures;

D. YOU have independently investigated and become familiar with FLOOR-TEK and wish to acquire a FLOOR-TEK franchise business utilizing the FLOOR-TEK System, and YOU have represented YOU have the necessary training, licenses, skill, experience, and financial ability to operate a FLOOR-TEK franchise business in conformity with the standards and specifications of the FLOOR-TEK System; and

E. YOU acknowledge that YOU have fully reviewed this Agreement and obtained, or had the opportunity to obtain, advice and counsel from persons of YOUR own choosing at least fourteen days before executing this Agreement; and

F. YOU acknowledge the importance of FLOOR-TEK's Service mark and the FLOOR-TEK System, and the importance of operating YOUR FLOOR-TEK franchise in accordance with the provisions of this Agreement and all of the standards and specifications of the FLOOR-TEK System.

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter made, FLOOR-TEK and YOU agree as follows:

1. DEFINITIONS. The following terms shall have the following definitions as based herein:

a. “FLOOR-TEK Confidential SOP Manual”: This manual or manuals of FLOOR-TEK's standard operating procedures for the FLOOR-TEK System as may exist and as may be amended from time to time.

b. “Gross Sales”: All revenue derived from any services sold through the franchise, including, but not limited to, all revenues received from floor maintenance and janitorial services rendered by YOU to customers, and all other forms of revenue earned or retained by YOU from the operation of the franchised business. Gross sales does not include sales tax or use tax.

c. “Proprietary Marks”: Service marks, trademarks and trade names of FLOOR-TEK, and all other rights of ownership of those marks which exists or may exist from time to time.

d. “Route”: YOUR customer or job schedule as established by FLOOR-TEK from time to time and as set forth in Exhibit “A” to this Agreement.

e. “Territory”: YOUR non-exclusive Territory as set forth in Exhibit “B” of this Agreement. YOUR route shall be made up of jobs and customers located within the Territory.

2. FRANCHISE GRANTED; TERM AND RENEWAL

2.0. Grant of Franchise: Subject to YOUR successful completion of the FLOOR-TEK thirty (30) day probationary period, FLOOR-TEK hereby grants to YOU, and YOU hereby accept, a franchise to operate one floor maintenance and janitorial service franchise Route under the name of “FLOOR-TEK”. YOU acknowledge that this Agreement is for a grant of a non-exclusive right to operate a commercial floor maintenance service business using FLOOR-TEK’s system and Proprietary Marks as herein provided. The franchise herein granted is limited to the operation of one Route and nothing contained herein shall be deemed to grant to YOU the right to operate more than one Route within the Territory.

2.1. Term and Extension: This Agreement and the franchise and license granted hereunder, unless sooner terminated, shall be and remain in full force and effect for a period of twenty years from and after the effective date of this Franchise Agreement, being the date written above the signatures on the final page of this document. Upon the expiration of the term of this Agreement, and provided YOU shall not then be in default thereunder, YOU shall have the right, privilege, and option to renew this franchise for an additional period of twenty years. No additional franchisee fee or renewal fee shall be paid by YOU at the time of renewal. YOU do agree to sign at the time of renewal the Franchise Agreement then being used by FLOOR-TEK, and understand that the agreement then in use shall govern relations between FLOOR-TEK and YOU for the following twenty years. This Agreement may be extended for the three additional twenty year periods following the first extension, for a total of one hundred years when initial periods and renewal terms are compiled. YOU must notify FLOOR-TEK in writing of YOUR intention to

renew the franchise not less than seven months nor more than twelve months before the end of the then current term. Additionally, at the time of any renewal, YOU must sign a general release, in a form prescribed by FLOOR-TEK, of any and all claims against FLOOR-TEK and its subsidiaries and affiliates, and their respective officers, directors, agents and employees in their corporate and individual capacities, including without limitation, claims arising under this Agreement and any federal, state and local laws, rules and ordinances.

3. SERVICES TO BE OFFERED BY FLOOR-TEK. In consideration for YOUR promises and obligations provided herein, including the payment of equipment and service and other fees as set forth in Section 6.2 herein, FLOOR-TEK agrees to provide the following services:

3.1. FLOOR-TEK will provide YOU with an exclusive Route as set forth in Section 5.1 of this Agreement.

3.2. Subject to the terms of this Agreement, and the FLOOR-TEK Confidential SOP Manual, FLOOR-TEK may provide YOU, at YOUR request, ongoing advice and assistance to YOU for no charge during the term of the Agreement; provided, however, FLOOR-TEK reserves the right to charge YOU for those services which are beyond the customary and usual services provided Franchises generally.

3.3. FLOOR-TEK will provide YOU with assistance in the establishment and start-up of YOUR business as may be determined from time to time at FLOOR-TEK's sole discretion.

3.4. FLOOR-TEK further agrees to accept reservations and set job appointments on YOUR behalf pursuant to procedures set forth in this Agreement or in the FLOOR-TEK Confidential SOP Manual.

3.5. FLOOR-TEK may provide accounting services, and other business services as may be established from time to time pursuant to this Agreement and the FLOOR-TEK Confidential SOP Manual.

4. SERVICES TO BE PROVIDED BY YOU. In consideration for the promises and obligations of FLOOR-TEK provided herein YOU must provide the following services:

4.1. YOU must operate a full-time FLOOR-TEK dealership within YOUR Territory as described, and shall perform all duties incidental to that in accordance with the provisions of this Agreement and the FLOOR-TEK Confidential SOP Manual;

4.2. YOU will operate YOUR Route in accordance with FLOOR-TEK's Confidential SOP Manual.

4.3. YOU will, at YOUR own expense, employ those assistants as necessary to perform the services required of YOU by this Agreement.

4.4. YOU will provide all FLOOR-TEK clients and customers with quality service and shall agree to abide by the FLOOR-TEK “Satisfaction Guaranteed” policy as may be described in more detail in the FLOOR-TEK Confidential SOP Manual.

4.5. YOU will pay to FLOOR-TEK all sums set forth in Section 6 of this Agreement.

4.6. Failure to Pay Fees as Breach: Where applicable, YOU must make all payments due FLOOR-TEK promptly in accordance with the terms of this Agreement, and recognize that any failure on YOUR part to do so shall be deemed a substantial breach of this Agreement, and shall give FLOOR-TEK the right to terminate this Agreement immediately and retain all sums previously paid to FLOOR-TEK by YOU.

4.7. YOUR Responsibility for Service Quality: YOU must be solely responsible for the services and results of services performed at locations where commercial cleaning services are performed pursuant to this Agreement, and to hold harmless and indemnify FLOOR-TEK from any and all claims arising from actions by YOU or YOUR employees.

4.8. Compliance with Government Standards: YOU must maintain a clean and safe place of business in compliance with OSHA and other governmental and industry standards and to conduct YOUR business in a manner that would bring goodwill and public approval to YOU and FLOOR-TEK.

4.9. Duty to Defend FLOOR-TEK: In connection with YOUR agreement to indemnify and hold harmless FLOOR-TEK for all loss or damage as set forth in Section 4.7, hereinabove, YOU must defend FLOOR-TEK and any of its subsidiaries named in any lawsuit based on this loss or damage and to pay all costs and reasonable attorneys' fees associated with such defense. If FLOOR-TEK wishes to retain its own counsel to defend any such action, YOU must reimburse FLOOR-TEK all reasonable costs and legal fees incurred by FLOOR-TEK for such defense. Said reimbursement shall be made to FLOOR-TEK in a timely manner as such fees are incurred by FLOOR-TEK and billed to YOU.

4.10. Payment of Taxes: YOU must pay all personal property, sales, excise, use, and other taxes, regardless of type or nature, which may be imposed, levied, assessed or charged, on, against, or in connection with any services sold or furnished hereunder, whether from any state, municipality, county or parish, or other governmental unit or agency, which may have jurisdiction over these products, service and equipment.

4.11. Debt, Bankruptcy and Default: YOU must timely pay all debts, obligations, and encumbrances that might arise as a result of YOUR operation of a franchise. YOU understand that in the event YOU be adjudicated bankrupt, or become insolvent, or a receiver (whether permanent or temporary) of YOUR property, or any part thereof, shall be appointed by a Court of competent jurisdiction, or if YOU shall make a general assignment for the benefit of creditors, or if any judgment against YOU remains unsatisfied for thirty (30) days or longer, or if YOU default on any payments or obligations due FLOOR-TEK or its suppliers or others arising out of the purchase of supplies or the purchase or lease of equipment for use in the operation of the franchise, or if YOU infringe, abuse, or misuse any of FLOOR-TEK's trademarks or trade names, or if YOU

fail to comply with any of the provisions of this Agreement except as to performance on customer accounts as set forth below, and have failed to take appropriate corrective action to the satisfaction of FLOOR-TEK within thirty (30) days after written notice by FLOOR-TEK of this failure or default, then FLOOR-TEK may terminate this Agreement and all YOUR rights hereunder shall cease at the end of said thirty (30) day period or such longer period as required by law.

4.12. Improper Service Performance - Penalty: YOU must be solely responsible for the services and results of these services, performed at locations where cleaning and/or janitorial maintenance services are performed pursuant to this Agreement, and will provide all labor, materials, tools and supplies necessary to service these premises. All of these services will be performed in a good and workmanlike manner, to the satisfaction of the customer for whom these services are performed. YOU understand and agree that FLOOR-TEK may inspect any premises serviced by YOU at any time to ensure that the quality of service being rendered is in accordance with FLOOR-TEK standards. In the event YOU fail to perform those obligations to the satisfaction of the customer, pursuant to the spirit and intent of this Agreement, and this complaint shall continue for five (5) days cumulative within a ninety (90) day period, FLOOR-TEK may notify YOU by written notice of this deficiency (delivered by certified mail or personal delivery) and FLOOR-TEK shall immediately have the option of servicing that customer account itself or reassigning the customer account to another Franchisee. FLOOR-TEK may also exercise this option, without notice or delay, upon receiving a request for transfer or termination from the customer. YOU must waive any and all payments for services which may become due and payable after FLOOR-TEK has exercised this option, and shall not be entitled to any refund, rebate, or reduction of any fees previously paid or pledged in connection with that customer's contract. Any failure of FLOOR-TEK to exercise any option hereunder, either in part or in full as to any deficiency or default, shall not constitute a waiver of these rights as to that or any subsequent deficiency or default.

YOU must promptly provide FLOOR-TEK, upon FLOOR-TEK's request, a list of all YOUR customers and copies of their respective contracts. Customer lists or any part thereof shall not be disclosed by YOU to anyone other than YOUR employees without FLOOR-TEK's prior written consent.

4.13. FLOOR-TEK Takeover when YOU Stop Service: YOU must provide FLOOR-TEK with at least ten days written notice of each occasion upon which YOU desire to discontinue service to a business, and to obtain the written consent of FLOOR-TEK before doing so. On this happening, or, in the event YOU fail to service any account as a bona fide Franchisee for a period of two cumulative days, FLOOR-TEK reserves the right to begin servicing this account itself or to allow another Franchisee to begin servicing this account, in which event YOU must be considered as having waived any and all payments (regardless of when services were rendered) due after YOU no longer services the account, and YOU shall not be entitled to any refund or rebate of any fees paid or pledged previously to FLOOR-TEK for this business.

Additionally, YOU may solicit and obtain contracts to provide janitorial services. These contracts must be approved by FLOOR-TEK and must provide that this contract may be assigned to FLOOR-TEK if the Franchise Agreement is terminated or expires or if YOU do not wish to

continue servicing this contract, as a bona fide Franchisee and must provide that the contract is subject to all of the terms and conditions contained in this Agreement.

4.14. Duty to Follow Company Policy: FLOOR-TEK reserves the right to establish Company policies and/or procedures pertaining to the operation of YOUR franchised business, or this Franchise Agreement. YOU agree that YOU will be bound by said policies and/or procedures upon YOUR receipt of same. FLOOR-TEK shall keep a current updated manual of all these policies and procedures at FLOOR-TEK's corporate office. In the event that policies and procedures kept by FLOOR-TEK differ from those kept by YOU, the policies and procedures maintained in FLOOR-TEK's corporate office manual shall be controlling.

4.15. Cooperation to Change System: YOU acknowledge that the system must continue to evolve in order to reflect the changing market and to meet new and changing customer demands, and that accordingly, variations and additions to the system may be required from time to time in order to preserve and enhance the public image of the system and to ensure the continuing operational efficiency of Franchisees generally. Accordingly, YOU understand and agree that FLOOR-TEK may from time to time change the system, including, without limitation, the adoption and use of new or modified trademarks, products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of service and supplies. YOU must promptly accept, implement, use and display in the operation of the franchise business all these additions, modifications and changes at YOUR sole cost and expense.

4.16. Concepts Developed by YOU Become FLOOR-TEK's: YOU agree that if YOU or any of YOUR employees develop any new concept, process or improvement in the operation or promotion, YOU must notify FLOOR-TEK and provide FLOOR-TEK with all necessary information concerning same, without compensation. YOU acknowledge that any of these concepts, processes or improvements shall become the property of FLOOR-TEK and FLOOR-TEK may utilize or disclose this information to other franchisees as it determines to be appropriate.

4.17. Use of Approved Supplies: YOU agree to use only FLOOR-TEK branded supplies or supplies approved in advance by FLOOR-TEK, which approval will not be unreasonably withheld.

5. FRANCHISE ROUTE AND TERRITORY

5.1. Franchise Service Route: FLOOR-TEK shall assign YOU an exclusive service Route of floor maintenance and janitorial jobs to be performed by YOU. YOUR service Route shall be made up of jobs and job sites located solely within YOUR Territory subject to the terms and conditions contained in this Agreement and the FLOOR-TEK Confidential SOP Manual. FLOOR-TEK may amend YOUR Route from time to time, adding new job sites and deleting job sites in FLOOR-TEK's sole discretion. YOU may add or delete job sites only with the prior written approval of FLOOR-TEK. No job site may exist out of YOUR Territory without approval of FLOOR-TEK, and each of the franchisees whose Territory is affected.

5.2. YOUR Non-exclusive Territory: Each franchisee is designated a non-exclusive Territory as set forth in Exhibit “B” to this Franchise Agreement. All job sites in YOUR Route must be located within YOUR Territory, except as may be otherwise provided in this Agreement. Additional franchisees may also have Routes within the assigned Territory and FLOOR-TEK may also operate Routes within the assigned Territory.

6. FRANCHISE FEE AND SERVICE FEES

6.1. Initial Franchise Fee: For and in consideration of the Grant of the Franchise described above, and the license to use the Proprietary Marks of FLOOR-TEK, YOU must pay to FLOOR-TEK a franchise fee in the amount of ONE THOUSAND DOLLARS (\$1,000) up to TEN THOUSAND DOLLARS (\$10,000) depending upon the size of YOUR Territory, which is non-recurring and non-refundable. The amount of YOUR Initial Franchise Fee is set forth in Exhibit “A”. This fee is payable concurrently with the execution of the Agreement and deemed earned in full at that time.

6.2. Continuing Franchise Service Fees: In consideration of the grant of this franchise, the non-exclusive license to use FLOOR-TEK’s Proprietary Marks, and the services, equipment and assistance to be rendered by FLOOR-TEK, YOU must pay FLOOR-TEK as follows:

Name of fee	Amount	Due Date	Comments
Service	20% of total gross sales	Payable within the first ten days of the month following receipt of customer payment	Gross sales includes all revenue from the franchise. Gross sales does not include sales tax or use tax.
Advertising	2% of total gross sales	Same as service fee	Gross sales includes all revenue from the franchise. Gross sales does not include sales tax or use tax.
Administrative	3% of total gross sales	Same as service fee	Gross sales includes all revenue from the franchise. Gross sales does not include sales tax or use tax.
Audit Inspection	Cost of audit plus 10% interest on underpayment	30 days after billing	YOU are required by the Franchise Agreement to periodically submit to FLOOR-TEK certain sales reports, financial statements and tax returns. FLOOR-TEK will have the right to audit or cause to be audited these sales reports, financial statements and tax returns. In the event any such audit discloses an understatement of the gross sales of two percent or more, YOU must pay to FLOOR-TEK

Name of fee	Amount	Due Date	Comments
			within fifteen (15) days after the receipt of the audit report, the cost of this audit, together with the indicated Service Fee and Advertising Fee on unreported gross sales and the interest due of ten percent (10%) from the date these payments were originally due.
Sales Agent	10% of total sales price	30 days after billing	If FLOOR-TEK, at YOUR sole request, sells YOUR franchise

THE FEES HEREIN DESCRIBED ARE NOT REFUNDABLE.

7. PROPRIETARY MARKS AND TRADE SECRETS

7.1. Proprietary Marks. YOU are hereby licensed to use the FLOOR-TEK Proprietary Marks, good will, trade secrets, and other elements of the System more specifically detailed in the Confidential SOP Manuals, subject only to the following conditions:

7.1.1. Non-Exclusive Right: YOU expressly agree that the ownership of all rights, title, and interest in the Proprietary Marks, good will, trade secrets, and the System remain solely the property of FLOOR-TEK. The license herein granted to use the name FLOOR-TEK is non-exclusive.

7.1.2. Marks: FLOOR-TEK's service mark is registered with the California Secretary of State. Application will not be made for registration with the United States Patent and Trademark Office. The parties acknowledge that a competing Trademark has been registered with the Federal Trademark Office. FLOOR-TEK claims to own superior rights to the marks herein licensed within YOUR Territory or Route, but no warranty, express or implied, has been made by FLOOR-TEK as to its ownership of the FLOOR-TEK mark. In conjunction with the use of FLOOR-TEK's Proprietary marks, YOU must add the symbol "™", as appropriate, in all signs, advertising, materials, and supplies.

7.1.3. Written Approval: YOU shall obtain prior written approval from FLOOR-TEK for all uses of the Proprietary Marks which are not specifically authorized by this Agreement or by the Confidential SOP Manuals.

7.1.4. Modifications: FLOOR-TEK may modify or adopt wholly new Proprietary Marks to enhance, strengthen, or protect these marks from infringement. YOU must, at YOUR own expense, to adopt, use, and display same, as if they were a part of this Agreement at the execution thereof.

7.1.5. YOUR Use: YOU must assist in creating and maintaining a uniform image of quality and service by adopting and using only the FLOOR-TEK Proprietary Marks in

connection with YOUR commercial floor maintenance services, and to incorporate only these other identifying words into YOUR logo and name, in the manner and to the extent provided in the Confidential SOP Manuals. YOU must immediately terminate your use of the FLOOR-TEK Proprietary Marks at the time of termination of this Agreement.

7.1.6. Use by Others: YOU must in no way inhibit the use of the FLOOR-TEK's Proprietary Marks by FLOOR-TEK's other franchisees, or others properly authorized by FLOOR-TEK to use same.

7.1.7. Notification of Claims: YOU must immediately notify FLOOR-TEK of (1) any claim, demand, suit or proceeding based upon or arising from the unauthorized use of, or (2) any attempt by any other person, firm, or corporation to use, without authorization, or (3) any infringement of or challenge to, any of FLOOR-TEK's Proprietary Marks.

8. TRADE SECRETS; CONFIDENTIAL INFORMATION: YOU acknowledge and agree that FLOOR-TEK is the owner of all Proprietary Marks and the System currently employed or adopted by FLOOR-TEK which also may be described in any of its manuals, training guides, or other printed matter, including the Confidential SOP Manual, and that this System in its entirety constitutes trade secrets of FLOOR-TEK which are revealed to YOU in confidence, and that no right is given to or acquired by YOU to disclose, duplicate, license, sell, or reveal any portion thereof to any person other than YOUR employee(s) required by his or her work to be familiar with relevant portions thereof.

The parties agree and acknowledge that customer lists constitute Trade Secrets. Customer Lists developed by FLOOR-TEK shall remain the property of FLOOR-TEK, notwithstanding the fact that certain customers of FLOOR-TEK may be assigned to be serviced by YOU. Customer lists, and customers included on these lists, developed by YOU, shall remain YOUR property, subject to FLOOR-TEK's right to purchase these customer lists as hereinafter provided.

Additionally, information concerning FLOOR-TEK and its operations, financial information, marketing plans, performance, sales, Confidential SOP Manual, and business development plans that are given to YOU by FLOOR-TEK are all Confidential Information, unless that information, through no act of YOU, generally becomes known or available to the public.

The Trade Secrets and Confidential Information shall not be used or exploited by YOU, either directly or indirectly, during the term of this Agreement and at any time thereafter. In addition to the other remedies available to FLOOR-TEK, FLOOR-TEK shall be entitled to injunctive relief to prevent breaches or threaten breaches of this Section 8 and you will not oppose the granting of such relief.

9. RIGHT TO PROPRIETARY MARKS. Nothing contained in this Agreement shall be construed to vest in YOU any right, title, or interest in or to FLOOR-TEK's Proprietary Marks, the goodwill now or associated therewith, other than the rights and license expressly granted herein. Any and all goodwill associated with or identified by FLOOR-TEK's Proprietary Marks shall inure directly and exclusively to the benefit, and is the property of FLOOR-TEK. FLOOR-

TEK has the exclusive right to defend its Proprietary Marks in its sole discretion. YOU must cooperate to whatever extent necessary in protecting these marks.

10. CONFIDENTIAL STANDARD OPERATING PROCEDURES MANUALS.

10.1. In order to protect the reputation and goodwill associated with FLOOR-TEK's Proprietary Marks, and to maintain the uniform standards of operation, YOU must conduct YOUR franchise in strict accordance with the FLOOR-TEK Confidential SOP Manual as it exists or may be amended from time to time.

10.2. The FLOOR-TEK Confidential SOP Manual, customer lists and records shall at all times remain the sole property of FLOOR-TEK and shall promptly be returned by YOU to FLOOR-TEK upon the expiration or other termination of this Agreement.

11. FICTITIOUS NAME REGISTRATION. YOU must apply for and obtain a fictitious business name registration for the operation of the FLOOR-TEK business at YOUR sole cost and expense. YOU must not use the name "FLOOR-TEK" in any manner in YOUR incorporation documents.

12. ASSISTANCE.

12.1. Support: Before commencing of operations, FLOOR-TEK shall assist you in introducing the programs and procedures of the FLOOR-TEK System.

12.2. A probationary period will be in effect for thirty (30) days after the execution of this Agreement. In the event YOU do not complete or pass the probationary period, YOUR initial investment will be promptly refunded to YOU.

12.3. YOU must complete the probationary period to FLOOR-TEK's satisfaction. Failure to successfully complete the probationary period shall be grounds for termination of this Agreement pursuant to Section 21.4 hereof.

12.4. Continuing Assistance: FLOOR-TEK shall provide advice and assistance to YOU at no charge during the term of the Agreement, provided, however, that FLOOR-TEK reserves the right to charge YOU for these services if these services are beyond the customary and usual services provided to franchisees generally.

13. RELATIONSHIP OF THE PARTIES: INDEMNIFICATION.

13.1. YOU as Independent Contractor: The relationship between FLOOR-TEK and YOU is strictly that of a franchisor and franchisee, and YOU must be deemed to be an independent contractor. This Agreement does not create a joint venture, partnership, agency or any other such relationship, and any act or omission by either party shall not bind or obligate the other except as expressly set forth in this Agreement.

In all public records and prominently displayed on YOUR business vehicle and in YOUR relationship with third parties as well as on letter heads, price lists, flyers, and all business forms, YOU shall indicate clearly the following notice: "Independent fully-licensed Floor-Tek Dealer".

13.2. YOUR Responsibility: YOU recognize that FLOOR-TEK has entered into this Agreement in reliance upon and in recognition of the fact that YOU will have full responsibility for the management and operation of the business, including, but not limited to, the payment of all operating expenses, taxes, levies and disbursements.

13.3. Indemnification: YOU must protect, indemnify and save FLOOR-TEK, its officers, directors, and employees harmless against any and all claims, demands, losses, damages (including punitive damages), costs, suits, judgment, penalties, expenses, and liabilities of any kind or nature, tortious or otherwise, arising directly or indirectly out of, or in connection with the operation of YOUR business.

14. APPROVAL OF ADVERTISING AND PROMOTIONAL MATERIALS. Recognizing the importance of the standardization of advertising and promotion to the furtherance of goodwill associated with the Proprietary Marks, YOU must submit to FLOOR-TEK for prior approval, all sales promotional materials and advertising to be used by YOU pursuant to Section 9, including, but not limited to, newspapers, locally created flyers, local and regional magazines, radio and television advertising copy and promotional, specialty and novelty items, media plans, research proposals and public relations.

This submission of advertising and promotional items to FLOOR-TEK for approval shall not affect YOUR right to determine the prices at which YOU shall sell YOUR products and services.

15. RECORD KEEPING AND REPORTS.

15.1. Books and Records: YOU must maintain a true and accurate set of books and records according to generally accepted accounting principles, including, but not limited to the following:

15.1.1. An accurate record of all invoices, receipts and disbursements relating to the Franchise operation;

15.1.2. An accurate record of all job orders and assignments;

15.1.3. The maintenance of customer lists as prescribed by FLOOR-TEK from time to time; and

15.1.4. The maintenance of those other records as FLOOR-TEK shall reasonably require, including, but not limited to, state and federal tax returns and employee taxes for the franchised office.

15.2. FLOOR-TEK Accounting Services: YOU may satisfy the requirements of Section 15.1 by participating in the FLOOR-TEK accounting and record keeping program provided by FLOOR-TEK and included in the daily equipment and service fees provided by Section 6.2 of this Agreement.

15.3. Inspection of Records by FLOOR-TEK: YOU agree that FLOOR-TEK or its agents shall, at all reasonable times, have the right to examine or audit YOUR books and accounts to verify the information YOU reported. Should this examination or audit reveal that YOU under reported YOUR Gross Sales by two percent (2%) or more, then YOU must pay to FLOOR-TEK within fifteen (15) days of receipt of this audit, the cost of this audit, including travel expenses, together with the indicated service fee on the unreported Gross Sales and the interest thereon at the then-prevailing legal rate for the period of the delinquency. The obligation herein imposed on YOU for YOUR failure to report YOUR Gross Sales in their entirety shall be in addition to and not in lieu of the rights and remedies of FLOOR-TEK elsewhere provided in this Agreement with respect to YOUR breach thereof.

15.4. Right of Entry and Inspection: FLOOR-TEK or its authorized agent and representative shall have the right to inspect YOUR business operations, records and procedures for the purpose of ascertaining that YOU are operating YOUR business in accordance with the terms of this Agreement and in accordance with FLOOR-TEK's procedures and specifications and requirements for quality and service. FLOOR-TEK shall notify YOU of any deficiencies detected during inspection and YOU must diligently correct any of these deficiencies.

16. OWNERSHIP OF TELEPHONE NUMBERS. YOU acknowledge that all telephone numbers and directory listings for YOUR FLOOR-TEK business are the property of FLOOR-TEK and that FLOOR-TEK, upon termination, expiration or non-renewal of this Agreement, has the sole and exclusive right and authority to transfer, terminate and amend these telephone numbers and directory listings as FLOOR-TEK, in its sole discretion, deems appropriate.

17. PAYMENT OF TAXES. YOU must promptly pay when due all taxes levied or assessed by reason of operation of the franchise and YOUR performance under this Agreement. YOU further agree to secure and pay premiums on state disability coverage for all YOUR employees and, if applicable, to pay state unemployment tax, state sales tax (including any sales or use tax on equipment purchased or leased), and all other taxes and expenses of operating the franchised office on the Premises.

18. INSURANCE.

18.1. General Liability Insurance. YOU must maintain liability insurance in the amount of \$2,000,000. YOU will, also, be required to fully maintain and pay YOUR own workers compensation insurance and other federal, state and local requirements pertaining to YOUR business and YOUR employees and as further set forth in Section 18 of this Agreement. YOU further agree to hold FLOOR-TEK free and harmless from any and all claims arising from any negligent act or omission of YOU or any of YOUR employees or agents.

18.2. Worker's Compensation Insurance: YOU must maintain in full force and effect, at all times during the term of this Agreement, policies of worker's compensation in those amounts as may be required by applicable law.

18.3. YOU must give FLOOR-TEK immediate written and verbal notice of any accident, injury, or other claim which might give rise to any legal liability, and file all appropriate claim forms regarding these incidents.

18.4. YOU must notify FLOOR-TEK in writing of the proposed insurance company or companies for FLOOR-TEK's approval, which shall not be unreasonably withheld.

18.5. YOUR obligation to maintain minimum insurance coverage may be satisfied by arranging for insurance coverage through FLOOR-TEK.

19. NON-COMPETITION COVENANTS.

19.1. In-Term Competition: During the term of this Franchise Agreement, YOU must not, without FLOOR-TEK's written approval, (i) engage either directly or indirectly, in any business or other activity that will conflict with any obligations under this Agreement; (ii) divert elsewhere any trade or business which ordinarily would be transacted by FLOOR-TEK, or a FLOOR-TEK franchise; (iii) engage as an owner (except of publicly-traded securities), partner, director, officer, employee, consultant, agent or in any other capacity in any other business selling services competitive with the services sold by FLOOR-TEK; (iv) or in any way interfere or compete with another FLOOR-TEK Franchisee within that other Franchisee's Territory or exclusive Route.

19.2. Post-Term Competition: In the event FLOOR-TEK exercises its option to purchase YOUR goodwill as provided in Section 21.6 of this Agreement, for a period of one year after the termination of this Agreement, YOU must not, without FLOOR-TEK's prior written approval, (i) engage in any business which is the same as or substantially similar to the business covered by this Agreement within the Territory described in Exhibit "A" wherein the Franchised business is located; (ii) employ or seek to employ any person who is employed by any other business operated under FLOOR-TEK's Proprietary Marks; (iii) directly or indirectly induce any such person to leave his or her employment without FLOOR-TEK's prior approval; (iv) communicate or divulge to, or use for the benefit of, any other person, partnership, association or corporation, any information or knowledge concerning the method, promotion, sale or marketing used or employed by FLOOR-TEK; or, (v) do any act prejudicial or injurious to the business or goodwill of FLOOR-TEK.

19.3. Anti-Pirating Clause: YOU agree that without the express written approval of FLOOR-TEK, YOU must not so employ, nor seek to employ, any full or part-time employee of another franchisee, and will not, directly or indirectly, induce any such person to leave his or her employment as aforesaid, unless the employee has not been employed by a franchisee for a period of at least six (6) months at the time of YOUR hiring the employee. This prohibition shall likewise apply to all such employees whose employment has been terminated, for any reason, with another FLOOR-TEK office or affiliate. The term "employees", as used herein, shall be deemed to include present and former franchisees of FLOOR-TEK.

19.4. FLOOR-TEK's Routes: YOU acknowledge, approve and consent to FLOOR-TEK having the absolute right to own and operate as many FLOOR-TEK Routes as FLOOR-TEK, in its sole discretion, may decide; provided that these Routes do not interfere with YOUR Route. FLOOR-TEK shall be governed by the same rules, restrictions, and regulations as YOU and shall contribute their proportionate share to advertising and promotion.

20. ASSIGNMENT; CONDITIONS AND LIMITATIONS.

20.1. Rights Personal to YOU: YOU understand and acknowledge that the rights and duties created by this Agreement are personal to YOU (or to YOUR owners, if YOU are a corporation, limited liability company or a partnership), therefore, YOU must neither sell, assign, transfer, nor encumber this Agreement or any right or interest in this Agreement, nor suffer or permit any of these assignments, transfers, or encumbrances to occur by operation of law unless the written consent of FLOOR-TEK be first had and obtained.

20.2. Assignment by FLOOR-TEK: FLOOR-TEK shall have the right to assign, transfer or sell its rights under this Agreement to any person, partnership or corporation, without YOUR consent. Upon this assignment and assumption, FLOOR-TEK shall be under no further obligation hereunder.

20.3. Transfer: Prior to the sale, assignment, or transfer (collectively, "Transfer") of the franchise, or all or substantially all of the assets YOU use with respect to the franchise (or the Transfer of a controlling or noncontrolling interest in YOU if YOU are a corporation, limited liability company or a partnership), to another party, YOU must notify FLOOR-TEK of YOUR intent to make such Transfer. YOUR notice must be in writing, delivered to FLOOR-TEK by a business courier or by certified mail with return receipt, and include all of the following: (i) the proposed transferee's name and address; (ii) a copy of all agreements related to the Transfer; and (iii) the proposed transferee's application for approval to become the successor to YOU. The application shall include all forms, financial disclosures, and related information generally utilized by FLOOR-TEK in reviewing prospective new franchisees. As soon as practicable after the receipt of the proposed transferee's application, FLOOR-TEK will give written notice to YOU and the proposed transferee of any additional information or documentation necessary to complete the Transfer application. Within 60 days after the receipt of all of the necessary information and documentation required, FLOOR-TEK will notify YOU in writing of its approval or disapproval of the proposed Transfer with a notice delivered to YOU by a business courier or by certified mail with return receipt. The proposed Transfer will be deemed approved, unless disapproved by FLOOR-TEK in the manner provided by this Section. If the proposed Transfer is disapproved, FLOOR-TEK will include in the notice of disapproval a statement setting forth the reason(s) for the disapproval.

21. TERMINATION.

21.1. Except as otherwise provided herein, either party to this Agreement may terminate this Agreement by giving fourteen (14) days written notice to the other party.

21.2. This Agreement and the franchise and license granted hereunder, shall terminate automatically upon the occurrence of any of the following events, all of which are considered non-curable defaults:

21.2.1. YOUR bankruptcy or insolvency;

21.2.2. YOUR death or legal incompetence;

21.2.3. Any attempted sale of YOUR business by YOU without FLOOR-TEK's written approval.

21.2.4. YOU abandon the franchise by failing to operate the business for five (5) consecutive days during which YOU are required to operate the business under the terms of this Agreement, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond YOUR control.

21.2.5. YOU and FLOOR-TEK agree in writing to terminate this Agreement and the franchise.

21.2.6. YOU make any material misrepresentations relating to the acquisition of the franchise business or YOU engage in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system.

21.2.7. YOU fail, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise.

21.2.8. YOU, after curing any failure to comply in accordance with Section 21.3, below, engage in the same noncompliance whether or not such noncompliance is corrected after notice to YOU from FLOOR-TEK.

21.2.9. YOU repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice to YOU from FLOOR-TEK.

21.2.10. YOU are convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise, or YOU misuse any Proprietary Marks.

21.2.11. YOU fail to pay any franchise fees or other amounts due to FLOOR-TEK within five (5) days after receiving written notice from FLOOR-TEK that such fees are overdue.

21.2.12. FLOOR-TEK makes a reasonable determination that continued operation of the franchise by YOU will result in an imminent danger to public health or safety.

21.2.13. YOU do not renew the franchise as provided in Section 2.1.

21.3. If YOU fail to substantially comply with any of the terms, conditions, or obligations contained in this Agreement, (excluding the defaults specified in Section 21.2), FLOOR-TEK, at FLOOR-TEK's option, may give YOU notice to cure such default. Should YOU fail to cure such default within 60 days after this notice given by FLOOR-TEK, FLOOR-TEK may immediately terminate this Agreement.

21.4. FLOOR-TEK may terminate this Agreement at the completion of the 30-day probationary period if, in FLOOR-TEK's sole discretion, YOU are deemed unable to satisfactorily perform the services required under the terms of this Agreement. Provided YOU are otherwise in compliance with the terms of this Agreement, upon this termination pursuant to this subsection, YOUR initial franchise fee shall be refunded.

21.5. In addition to any other obligations set forth in this Agreement, upon termination of this Agreement, YOU must immediately and forever discontinue the use of FLOOR-TEK's trade name(s) marks, methods, formulas, and products and shall no longer identify YOURSELF as affiliated with FLOOR-TEK. YOU shall also promptly deliver to FLOOR-TEK all of YOUR copies of the Confidential SOP Manual, and copies of all journals of services performed and revenues collected, all route lists, lists of customers, copies of floor maintenance agreements, and any and all other papers or documents identifying FLOOR-TEK's customers. YOU shall also promptly deliver to FLOOR-TEK any and all signs, labels, insignias, and other items bearing FLOOR-TEK's name and logo.

21.6. YOU grant to FLOOR-TEK the option to purchase YOUR goodwill, including customer lists, routes and standing clients for the purchase price equal to YOUR average weekly gross revenue over the immediately preceding twelve (12) calendar weeks, or \$1,000, whichever is greater. All other materials bearing FLOOR-TEK's trade name or trademarks must be returned immediately. YOU must return all Confidential SOP Manuals immediately upon termination.

21.7. Except as provided below, upon the termination of this Agreement, FLOOR-TEK will purchase from YOU, at the value of the price paid, minus depreciation, all printed materials, signs, supplies, products, and other items bearing FLOOR-TEK Proprietary Marks that YOU purchased or paid for under the terms of this Agreement from FLOOR-TEK that are, at the time of the notice of termination or nonrenewal, in YOUR possession or used by YOU in the franchise business. FLOOR-TEK has the right to receive clear title to and possession of all such items purchased from YOU, and will have no obligation to purchase any items that you cannot give clear title and possession to FLOOR-TEK. FLOOR-TEK has the option at its sole discretion, but not the obligation, to any purchase any such items from YOU if: (i) YOU do not renew the franchise as provided in Section 2.1; (ii) this Agreement terminates due to a publicly announced and nondiscriminatory decision by FLOOR-TEK to completely withdraw from all franchise activity within YOUR Territory; (iii) FLOOR-TEK and YOU mutually agree in writing to terminate or not renew the franchise; or (iv) YOU continue to operate a commercial floor maintenance business within the Territory. Upon termination FLOOR-TEK may, to the extent allowed by law, offset against any amounts owed to YOU for the purchase of such items under this Section any amounts that YOU owe to FLOOR-TEK.

22. MISCELLANEOUS.

22.1. Arbitration: Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in San Diego County, California, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

22.2. Notices and Payment: Any notices to be given under the terms of this Agreement shall be deemed given when delivered in person or mailed postage prepaid, first-class mail to the parties at their current addresses.

22.3. Venue: To the extent permitted under applicable law, any action brought under this Agreement shall be commenced in the County of San Diego, State of California.

22.4. Governing Law: This Agreement shall be governed under the laws of the State of California.

22.5. FLOOR-TEK's Successors and Assigns: FLOOR-TEK's rights under this Agreement shall inure to the benefit of its successors and assigns.

22.6. Compliance with Laws: YOU must conduct YOUR business and maintain YOUR Premises in strict compliance with all applicable laws, ordinances, regulations and other requirements of federal, state, county, municipal or other government and will obtain all necessary permits, licenses, or other consents for the operation of this business.

22.7. Severability: Each Article, part, term and /or provision of this Agreement shall be considered severable, and if, for any reason, any Article, part, term and/or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, this shall not impair the operation or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties to this agreement; and such invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if FLOOR-TEK determines that this finding of illegality or unenforceability adversely affects the basic consideration of this Agreement, FLOOR-TEK may, at its option, terminate this Agreement.

22.8. Non-Waiver: No waiver by FLOOR-TEK of any provision of this Agreement shall constitute a waiver of FLOOR-TEK's right to demand exact compliance with the terms hereof. Waiver by FLOOR-TEK of any particular default by YOU must not affect or impair FLOOR-TEK's right in respect to any subsequent default of the same or of a different nature.

22.9. Integration: This Agreement and all exhibits to this Agreement constitute the entire agreement between YOU and FLOOR-TEK and supersede any and all prior negotiations, understandings and agreements. Nothing in this or in any related agreement, however, is intended to disclaim or deny any representations FLOOR-TEK or its representatives made to YOU or representations in the franchise disclosure document that FLOOR-TEK furnished to YOU. No

amendment, change or variance from this Agreement shall be binding on YOU or FLOOR-TEK unless signed in writing. FLOOR-TEK, in its discretion, may amend the Confidential SOP Manual and these amendments shall be binding on YOU.

22.10. Counterparts: This Agreement may be signed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

22.11. Modification: This Agreement may only be modified by the written consent of both parties. Section 31125 of the California Corporations Code requires FLOOR-TEK to give YOU a disclosure document, in a form and containing this information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

23. CAVEAT.

THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE BY VIRTUE OF THIS AGREEMENT IS SPECULATIVE AND DEPENDS UPON MANY FACTORS, INCLUDING YOUR ABILITY TO OPERATE A FLOOR-TEK ROUTE IN ACCORDANCE WITH THE TERMS AND PROVISIONS OF THIS AGREEMENT. FLOOR-TEK DOES NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE POTENTIAL SUCCESS OF THE BUSINESS VENTURE UNDER THIS AGREEMENT.

23.1. YOU ACKNOWLEDGE THAT YOU HAVE ENTERED INTO THIS AGREEMENT AFTER MAKING AN INDEPENDENT INVESTIGATION OF FLOOR-TEK'S OPERATIONS.

23.2. YOU ACKNOWLEDGE THAT YOU HAVE READ THE FOREGOING FRANCHISE AGREEMENT AND HAVE BEEN ADVISED BY A REPRESENTATIVE OF FLOOR-TEK TO DISCUSS THE PROVISIONS THEREOF WITH AN ATTORNEY OF YOUR CHOICE BEFORE ITS EXECUTION BY YOU.

23.3. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE BEEN PROVIDED AND READ A FRANCHISE OFFERING CIRCULAR AS REQUIRED BY THE FEDERAL TRADE COMMISSION AND STATE LAW, IF ANY, RELATING TO THE OFFER OF THE FRANCHISE GRANTED HEREIN. YOU STATE THAT YOU HAVE CONSULTED WITH PROFESSIONAL ADVISORS TO THE EXTENT THAT YOU DEEM NECESSARY TO DETERMINE THAT YOU ARE FINANCIALLY PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN BECOMING A LICENSEE OF FLOOR-TEK.

23.4. YOU ARE AWARE OF THE FACT THAT SOME PRESENT OR FUTURE FRANCHISEE OF FLOOR-TEK MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT YOUR AND FLOOR-TEK'S OBLIGATIONS AND RIGHTS WITH RESPECT TO THIS AGREEMENT MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES FROM THE OBLIGATIONS AND RIGHTS AGREED TO BY FLOOR-TEK AND OTHER FRANCHISEES.

23.5. 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.

IN WITNESS WHEREOF, the parties, intending to be legally bound hereby, have duly signed, sealed and delivered this Agreement in triplicate the day and year first above written.

FLOOR-TEK

FRANCHISEE:

BY: _____
Sang Swart
President

BY: _____
TITLE: _____

EXHIBIT A
TO FRANCHISE AGREEMENT

FRANCHISE FEES
AND ROUTE LIST FOR

WEEK OF _____

NAME/ADDRESS

DATE

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

Initial Franchise Fee: \$ _____

DATE: _____

FLOOR-TEK

FRANCHISEE

EXHIBIT B

TO FRANCHISE AGREEMENT

DATED _____

NON-EXCLUSIVE TERRITORY FOR

The non-exclusive territory for the Franchise Agreement dated _____,
20__ shall be San Diego County.

DATED: _____

FLOOR-TEK

FRANCHISEE

Exhibit B

STANDARD FORM NOTE

\$ _____

San Diego, California
_____, 20__

For value received, the undersigned promises to pay to FT Franchising, Inc., or order, at San Diego, California, the sum of _____ Dollars (\$ _____), with simple interest at the rate of _____ percent (____%), until paid. Payment of this Note, both principal and interest, shall be made as follows: _____. Should default be made in the payment of any installment of principal or interest when due, then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note. Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added as attorney's fees. Principal and interest shall be payable only in lawful money of the United States of America. There shall be no prepayment penalty.

Maker:

Exhibit C

List of Existing Franchisees as of December 31, ~~2021~~2022

Franchise Number	Franchise Company	Last Name	Address	State and City	Phone Number
107	Ultimate Shine	Valles	16604 Swartz Canyon Road	California, Ramona	(619) 281-7655
123	Dion Janitorial Service	Huerta	207907 Milane Lane	California, Escondido	(760) 519-5734
126	Apolinar Enterprise	Huerta	1037 Gamble Street	California, Escondido	(760) 450-3792 (619) 987-9303
157	Gomez Janitorial	Gomez	9270 Amys, Unit 27	California, San Diego	(619) 400-7264
159	V.L. Cleaning Service	Leon	676 N. Hickory Street	California, Escondido	(760) 405-1484
160	K&C Carpet & Floors True Shine Janitorial	Camargo	2126 Craig Ct.	California, San Diego	(619) 454-6911
161	Aspen Carpet Cleaning	Barrera	4289 52nd Street, No. 16	California, San Diego	(858) 568-0663
169	L. California Janitorial Service	Cabrera	3211 Euclid 4770 Home Ave. Unit B Apt. No. 16	California, San Diego	(619) 823-4966
173	United Pacific Contractors	Perez	6060 Blythe Avenue	California, Highland	(909) 381-6191
181	Lemon Clean Leemon Cleen	Lee	401 La Presa Ave.	California, Spring Valley	(858) 286-7458

List of Franchisees who left the system in ~~2021~~2022

Franchise Number	Franchise Company	Last Name	Address	City State and StateCity	Phone Number
<u>107</u>	<u>Ultimate Shine</u>	<u>Valles</u>	<u>16604 Swartz Canyon Road</u>	<u>California, Ramona</u>	<u>(619) 281-7655</u>
<u>173</u>	<u>United Pacific</u>	<u>Perez</u>	<u>6060 Blythe Avenue</u>	<u>California, Highland</u>	<u>(909) 381-6191</u>
NONE					

Exhibit D

State Administrator:

California Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
Tel: 1-866-275-2677 or 1-213-576-7500
www.dfpi.ca.gov

Exhibit E

Financial Statements

1. Audited Financial Statements for the year 2022 including:
 - (A) Auditors Report
 - (B) Balance Sheet through December 31, 2022
 - (C) Statements of Income and Shareholders' Equity through December 31, 2022
 - (D) Statement of Cash Flow
 - (E) Notes

2. Audited Financial Statements for the year 2021 including:
 - (A) Auditors Report
 - (B) Balance Sheet through December 31, 2021
 - (C) Statements of Income and Shareholders' Equity through December 31, 2021
 - (D) Statement of Cash Flow
 - (E) Notes

3. Audited Financial Statements for the year 2020 including:
 - (A) Auditors Report
 - (B) Balance Sheet through December 31, 2020
 - (C) Statements of Income and Shareholders' Equity through December 31, 2020
 - (D) Statement of Cash Flow
 - (E) Notes

FT FRANCHISING, INC.
DBA FLOOR-TEK

FINANCIAL STATEMENTS

DECEMBER 31, 2022

(AUDITED)



CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP
Certified Public Accountants

FT FRANCHISING, INC. DBA FLOOR-TEK
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Statements of Income	5
Statements of Stockholders' Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-14



Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

PARTNERS

Richard A. Goldberg, CPA
Wes L. Salem, CPA
Ma. Lolita Cremat, CPA
Michael Selamet Kwee, CPA



Certified Public Accountants

OFFICE MANAGER

Tanya Davis

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
FT Franchising, Inc. DBA Floor-Tek

Opinion

We have audited the accompanying financial statements of FT Franchising, Inc. DBA Floor-Tek (a California corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, stockholders' 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 FT Franchising, Inc. DBA Floor-Tek as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FT Franchising, Inc. DBA Floor-Tek'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about FT Franchising, Inc. DBA Floor-Tek'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.

Cashuk, Wiseman, Koble, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California
March 11, 2023

FT FRANCHISING, INC. DBA FLOOR-TEK
BALANCE SHEETS
December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	\$ 359,370	\$ 375,932
Accounts Receivable (Note A)	57,176	95,534
Prepaid Income Taxes (Note B)	<u>8,187</u>	<u>-</u>
 TOTAL CURRENT ASSETS	 424,733	 471,466
 PROPERTY AND EQUIPMENT		
Property and Equipment, net of accumulated depreciation of \$45,483 and \$34,314 in 2022 and 2021 (Notes A & C)	 <u>40,582</u>	 <u>49,008</u>
 TOTAL ASSETS	 <u><u>\$ 465,315</u></u>	 <u><u>\$ 520,474</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
BALANCE SHEETS
December 31, 2022 and 2021

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 24,712	\$ 28,259
Due to Related Party (Note D)	18,850	16,042
Income Taxes Payable (Note B)	-	13,759
Retirement Plan Payable (Note F)	<u>75,000</u>	<u>75,000</u>
 TOTAL CURRENT LIABILITIES	 118,562	 133,060
 LONG-TERM LIABILITIES		
Long-Term Debt, net of current portion (Note J)	<u>-</u>	<u>66,979</u>
 TOTAL LIABILITIES	 118,562	 200,039
 STOCKHOLDERS' EQUITY		
Common Stock - 1,000,000 Shares Authorized		
21,000 Issued and Outstanding	5,250	5,250
Retained Earnings	<u>341,503</u>	<u>315,185</u>
 TOTAL STOCKHOLDERS' EQUITY	 <u>346,753</u>	 <u>320,435</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$ 465,315</u></u>	 <u><u>\$ 520,474</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF INCOME
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Franchise Royalties (Notes A & H)	\$ 248,121	\$ 513,891
PPP Loan Forgiveness (Note J)	66,979	-
Interest Earned	<u>74</u>	<u>108</u>
TOTAL REVENUES	315,174	513,999
EXPENSES		
Advertising (Note A)	139	-
Depreciation	11,169	2,944
General & Administrative	61,410	78,478
Interest Expenses	127	98
Lease Expenses (Notes A & D)	14,400	32,202
Professional Fees-Legal	-	6,580
Professional Fees-Other	4,994	10,535
Personnel Expenses-Wages	68,143	109,324
Personnel Expenses-Payroll Taxes	5,687	8,881
Retirement Plan Contribution (Note F)	<u>75,000</u>	<u>75,000</u>
TOTAL EXPENSES	<u>241,069</u>	<u>324,042</u>
INCOME BEFORE TAXES	74,105	189,957
Income Tax Expense (Note B)	<u>5,705</u>	<u>15,319</u>
NET INCOME	<u><u>\$ 68,400</u></u>	<u><u>\$ 174,638</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2022 and 2021

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Beginning Balance, January 1, 2021	21,000	\$ 5,250	\$ 391,648	\$ 396,898
Contributions	-	-	-	-
Distributions	-	-	(251,101)	(251,101)
Net Income	-	-	174,638	174,638
Ending Balance, December 31, 2021	21,000	\$ 5,250	\$ 315,185	\$ 320,435
Contributions	-	-	-	-
Distributions	-	-	(42,082)	(42,082)
Net Income	-	-	68,400	68,400
Ending Balance, December 31, 2022	<u>21,000</u>	<u>\$ 5,250</u>	<u>\$ 341,503</u>	<u>\$ 346,753</u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 68,400	\$ 174,638
Adjustments to Reconcile Net Income to Net Cash		
Provided(Used) by Operating Activities:		
Depreciation	11,169	2,944
Cash Provided(Used) by Changes in		
Operating Assets and Liabilities:		
Accounts Receivable	38,358	(51,226)
Prepaid Income Taxes	(8,187)	1,560
Accounts Payable and Accrued Expenses	(3,547)	8,137
Due to Related Party	2,808	10,130
Income Taxes Payable	(13,759)	13,759
Retirement Plan Payable	-	(25,000)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>95,242</u>	<u>134,942</u>
INVESTING ACTIVITIES		
Purchases of Property & Equipment	(2,743)	(40,124)
FINANCING ACTIVITIES		
Proceeds from (Repayment of) Long-Term Debt	(66,979)	66,979
Distributions to Stockholders	<u>(42,082)</u>	<u>(251,101)</u>
CASH USED FOR FINANCING ACTIVITIES	<u>(109,061)</u>	<u>(184,122)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(16,562)	(89,304)
Cash and Cash Equivalents at Beginning of Year	<u>375,932</u>	<u>465,236</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 359,370</u></u>	<u><u>\$ 375,932</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income Taxes Paid	\$ 27,651	\$ -
Interest Expense	127	98

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



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. FT Franchising, Inc. DBA Floor-Tek (the Company) was incorporated under the laws of the State of California on January 2, 1990. The Company has adopted a December 31 calendar year end for reporting requirements.
2. The Company is a franchisor of floor maintenance and janitorial services located in San Diego and Los Angeles Counties, California.
3. Revenue Recognition-The Company accounts for revenue using the accounting method prescribed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topics 606, "*Revenue from Contracts with Customers*" which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces the most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019.

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of the initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

The adoption of this ASU did not have a significant impact on the Company's financial statements. The majority of the Company's revenue arrangements generally consist of the collection of franchise royalty fees from franchisees. Based on the Company's evaluation process and review of its contracts with franchisees, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of this adoption.

Franchise royalty fees are charged up to 20% of gross sales on a monthly basis. Additionally, franchisees contribute 5% of their monthly gross sales to marketing, supplies and administrative services fund. Marketing, supplies and administrative service fees expended during 2022 and 2021 were \$19,475 and \$16,582, respectively.

4. Cash & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

5. Accounts Receivable consist of fees related to services rendered in the current year but were not received as of the balance sheet date. Management determines an allowance for doubtful accounts based on specific identification of uncollectible receivables and historical collection rates. Uncollectible receivables are written off after all attempts at collection are exhausted. Management has determined that all receivables are collectible at December 31, 2022 and 2021.
6. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 the estimates.
7. Leases-Effective January 1, 2022, the Company adopted the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, "*Leases* (Topic 842)" and all related amendments. The Company elected to apply the practical expedient of forgoing the restatement of comparable periods. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new lease standard. In addition, the Company elected the practical expedients permitted under transition guidance to not reassess leases entered into prior to adoption. As permitted under ASC 842, the Company made an accounting policy election to exempt leases with an initial term of 12 months or less from balance sheet recognition. Instead, short-term leases are expensed over the lease term with no impact to the balance sheet.

Under this approach, operating leases are measured and recorded as operating leases as of January 1, 2022 and existing capital leases are carried over at their carrying value and classified as finance leases. The Company's operating lease at December 31, 2022 is a short-term lease and has been elected to be exempt from balance recognition. The Company had no finance leases as of December 31, 2022.

8. Concentration of Cash and Credit Risk-The Company maintains corporate cash balances which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At year end, the Company's uninsured cash balance totaled \$124,165.
9. Property and Equipment are stated at cost. The straight-line method of depreciation is followed for financial reporting purposes. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. As the Company's accounting policy, maintenance and repairs are charged to expense. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

Depreciation is provided at rates based on the following estimated useful lives:

Furniture and Equipment	5-7 years
Vehicles	5 years

For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

10. Reclassifications-Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.
11. Advertising Costs are expensed in the year incurred. The Company incurred \$139 and \$-0- in advertising expense for the years ended December 31, 2022 and 2021, respectively.
12. Fair Value of Financial Instruments- (FASB) (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and Cash Equivalents, Accounts Receivable, Other Receivables, Accrued Liabilities and Other Payables-The carrying amounts reported in the balance sheets for these items are a reasonable estimate of fair value.

Loan Payable and Long-Term Debt-The fair value of loan payable and long-term debt is estimated based on the present value of cash flows required under the loan and debt, using discounting rate based on interest rates for similar debt instruments. The carrying amount approximated fair value.

NOTE B-INCOME TAXES:

FT Franchising, Inc. DBA Floor-Tek has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income in their individual income tax returns. The State of California imposes a tax of 1 ½% of taxable income or \$800, whichever is greater.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE B-INCOME TAXES-CON'T:

Provisions for state income tax are as follows:

	<u>2022</u>	<u>2021</u>
California	<u>\$ 5,705</u>	<u>\$ 15,319</u>

The income allocable to each stockholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the stockholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities.

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted FASB ASC 740-10 regarding accounting for uncertain income tax positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would sustain an examination by applicable taxing authorities.

The Company recognizes penalties and interest arising from uncertain tax positions as incurred in the statement of income and comprehensive income, which totaled \$0 and \$0, respectively, during the years ended December 31, 2022 and 2021.

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

NOTE C-PROPERTY AND EQUIPMENT:

At December 31, 2022 and 2021, the company had the following property and equipment:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 55,751	\$ 55,751
Furniture and Equipment	<u>30,314</u>	<u>27,571</u>
Total Property and Equipment	86,065	83,322
Accumulated Depreciation	<u>(45,483)</u>	<u>(34,314)</u>
Net Property and Equipment	<u>\$ 40,582</u>	<u>\$ 49,008</u>



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE D-LEASES/RELATED PARTY TRANSACTIONS:

Occupancy

As of December 31, 2022, the Company leases an office facility on a month-to-month basis from its majority stockholder. Lease rental expenses totaled \$14,400 for the year ended December 31, 2022. The office lease is classified as short-term operating based on its terms.

Major Supplier

The Company also purchases supplies and rents equipment, on behalf of its franchisees, from Martin Swart, Inc., a related company.

NOTE E-LIST OF STOCKHOLDERS:

The following are stockholders of the company as of December 31, 2022:

	<u># of Shares Owned</u>
Sang Swart	19,000
Luke Swart	1,000
Amy Swart	<u>1,000</u>
Total	<u>21,000</u>

NOTE F-RETIREMENT PLAN:

The Company sponsors a defined benefit plan for its employees meeting minimum requirements. For the years ended December 31, 2022 and 2021, the company contributed \$75,000 and \$75,000 to the plan, respectively.

NOTE G-SUBSEQUENT EVENT:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 11, 2023, the date the financial statements were available to be issued. There were no subsequent events that require disclosures in the financial statements as of and for the year ended December 31, 2022.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE H-FRANCHISE ROYALTY INCOME:

For the years ended December 31, 2022 and 2021, Franchise Royalty Income consists of the following:

	<u>2022</u>	<u>2021</u>
Gross Franchise Income	\$ 755,710	\$ 1,010,448
Franchisee Income	<u>(507,589)</u>	<u>(496,557)</u>
Net Franchise Royalty Income	<u>\$ 248,121</u>	<u>\$ 513,891</u>

NOTE I-FAIR VALUE MEASUREMENTS:

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC Topic 820, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC Topic 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2022, there were no assets and liabilities measured at fair value.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE J-PAYCHECK PROTECTION LOAN FORGIVENESS:

On March 25, 2021, the Company received loan proceeds in the amount of \$66,979 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses for qualifying businesses.

The Company used the PPP loan proceeds for qualifying expenses and the loan was forgiven in its entirety in 2022 and reported as income in the accompanying statement of income for the year ended December 31, 2022.

NOTE K-SIGNIFICANT EVENTS:

On March 11, 2020, the World Health Organization ("WHO") declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been put in place. The pandemic has continued subsequent to December 31, 2022.

At this point, the Company cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Company's financial statements and future results of operations. The Company will continue to monitor and evaluate the nature and extent of the impact on its ongoing business and future results of operations, financial condition, and liquidity.

NOTE L-NEW ACCOUNTING STANDARDS:

In March 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*", which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight-line basis over the term of the lease. Accounting for lessors remains largely unchanged from current GAAP.

Effective January 1, 2022, the Company adopted the requirements of ASU 2016-02 and all related amendments. The impact of the adoption of ASU 2016-02 in the Company's financial statements are presented in Notes A & D.



FT FRANCHISING, INC.
DBA FLOOR-TEK

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(AUDITED)



CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP
Certified Public Accountants

FT FRANCHISING, INC. DBA FLOOR-TEK
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Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com



PARTNERS

Richard A. Goldberg, CPA
Wes L. Salem, CPA
Ma. Lolita Cremat, CPA
Michael Selamet Kwee, CPA



Certified Public Accountants



OFFICE MANAGER

Tanya Davis

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
FT Franchising, Inc. DBA Floor-Tek

Opinion

We have audited the accompanying financial statements of FT Franchising, Inc. DBA Floor-Tek (a California corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, stockholders' 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 FT Franchising, Inc. DBA Floor-Tek as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FT Franchising, Inc. DBA Floor-Tek'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about FT Franchising, Inc. DBA Floor-Tek'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.

Cashuk, Wiseman, Koble, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California
March 8, 2022

FT FRANCHISING, INC. DBA FLOOR-TEK
BALANCE SHEETS
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	\$ 375,932	\$ 465,236
Accounts Receivable (Note A)	95,534	44,308
Prepaid Income Taxes (Note B)	<u>-</u>	<u>1,560</u>
 TOTAL CURRENT ASSETS	 471,466	 511,104
 PROPERTY AND EQUIPMENT		
Property and Equipment, net of accumulated depreciation of \$34,314 and \$31,370 in 2021 and 2020 (Notes A & C)	<u>49,008</u>	<u>11,828</u>
 TOTAL ASSETS	 <u><u>\$ 520,474</u></u>	 <u><u>\$ 522,932</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
BALANCE SHEETS
December 31, 2021 and 2020

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 28,259	\$ 20,122
Due to Related Party (Note D)	16,042	5,912
Income Taxes Payable (Note B)	13,759	-
Retirement Plan Payable (Note F)	75,000	100,000
Current Portion-Long-Term Debt (Note J)	-	-
	<u>133,060</u>	<u>126,034</u>
TOTAL CURRENT LIABILITIES	133,060	126,034
LONG-TERM LIABILITIES		
Long-Term Debt, net of current portion (Note J)	<u>66,979</u>	<u>-</u>
TOTAL LIABILITIES	200,039	126,034
STOCKHOLDERS' EQUITY		
Common Stock - 1,000,000 Shares Authorized		
21,000 Issued and Outstanding	5,250	5,250
Retained Earnings	<u>315,185</u>	<u>391,648</u>
TOTAL STOCKHOLDERS' EQUITY	<u>320,435</u>	<u>396,898</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 520,474</u></u>	<u><u>\$ 522,932</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF INCOME
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Franchise Royalties (Notes A & B)	\$ 1,010,448	\$ 894,583
Interest Earned	<u>108</u>	<u>148</u>
TOTAL REVENUES	513,999	330,520
EXPENSES		
Depreciation	2,944	1,912
General & Administrative	78,478	58,432
Interest Expenses	98	-
Professional Fees-Legal	6,580	4,522
Professional Fees-Other	10,535	9,305
Personnel Expenses-Wages	109,324	93,790
Personnel Expenses-Payroll Taxes	8,881	7,662
Retirement Plan Contribution (Note F)	75,000	100,000
Rent (Note D)	<u>32,202</u>	<u>32,125</u>
TOTAL EXPENSES	<u>324,042</u>	<u>307,748</u>
INCOME (LOSS) BEFORE TAXES	189,957	22,772
Income Tax Expense (Note B)	<u>15,319</u>	<u>800</u>
NET INCOME	<u><u>\$ 174,638</u></u>	<u><u>\$ 21,972</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2021 and 2020

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Beginning Balance, January 1, 2020	21,000	\$ 5,250	\$ 439,177	\$ 444,427
Contributions	-	-	-	-
Distributions	-	-	(69,501)	(69,501)
Net Income	-	-	21,972	21,972
Ending Balance, December 31, 2020	21,000	\$ 5,250	\$ 391,648	\$ 396,898
Contributions	-	-	-	-
Distributions	-	-	(251,101)	(251,101)
Net Income	-	-	174,638	174,638
Ending Balance, December 31, 2021	<u>21,000</u>	<u>\$ 5,250</u>	<u>\$ 315,185</u>	<u>\$ 320,435</u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 174,638	\$ 21,972
Adjustments to Reconcile Net Income to Net Cash		
Provided(Used) by Operating Activities:		
Depreciation	2,944	1,912
Cash Provided(Used) by Changes in		
Operating Assets and Liabilities:		
Accounts Receivable	(51,226)	10,899
Prepaid Income Taxes	1,560	(1,560)
Accounts Payable and Accrued Expenses	8,137	(3,525)
Due to Related Party	10,130	5,912
Income Taxes Payable	13,759	-
Retirement Plan Payable	(25,000)	(100,000)
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	134,942	(64,390)
INVESTING ACTIVITIES		
Purchases of Property & Equipment	(40,124)	-
FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	66,979	
Distributions to Stockholders	(251,101)	(69,501)
CASH USED FOR FINANCING ACTIVITIES	(184,122)	(69,501)
DECREASE IN CASH AND CASH EQUIVALENTS	(89,304)	(133,891)
Cash and Cash Equivalents at Beginning of Year	465,236	599,127
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 375,932</u>	<u>\$ 465,236</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income Taxes Paid	\$ -	\$ 4,524
Interest Expense	98	-

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



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. FT Franchising, Inc. DBA Floor-Tek (the Company) was incorporated under the laws of the State of California on January 2, 1990. The Company has adopted a December 31 calendar year end for reporting requirements.
2. The Company is a franchisor of floor maintenance and janitorial services located in San Diego and Los Angeles Counties, California.
3. Revenue Recognition-The Company accounts for revenue using the accounting method prescribed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topics 606, "*Revenue from Contracts with Customers*" which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces the most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019.

As part of the adoption of ASC 600, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of the initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

The adoption of this ASU did not have a significant impact on the Company's financial statements. The majority of the Company's revenue arrangements generally consist of the collection of franchise royalty fees from franchisees. Based on the Company's evaluation process and review of its contracts with franchisees, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of this adoption.

Franchise royalty fees are charged up to 20% of gross sales on a monthly basis. Additionally, franchisees contribute 5% of their monthly gross sales to marketing, supplies and administrative services fund. Marketing, supplies and administrative service fees expended during 2021 and 2020 were \$16,582 and 8,222, respectively.

4. Cash & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

5. Accounts Receivable consist of fees related to services rendered in the current year but were not received as of the balance sheet date. Management determines an allowance for doubtful accounts based on specific identification of uncollectible receivables and historical collection rates. Uncollectible receivables are written off after all attempts at collection are exhausted. Management has determined that all receivables are collectible at December 31, 2021 and 2020.
6. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 the estimates.
7. Leases that meet the criteria for capitalization are classified as capital leases. As of yearend there were no such leases. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred (Note D).
8. Concentration of Cash and Credit Risk-The Company maintains corporate cash balances which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At year end, the Company's uninsured cash balance totaled \$242,523.
9. Property and Equipment are stated at cost. The straight-line method of depreciation is followed for financial reporting purposes. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. As the Company's accounting policy, maintenance and repairs are charged to expense. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.

Depreciation is provided at rates based on the following estimated useful lives:

Furniture and Equipment	5-7 years
Vehicles	5 years

For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

10. Reclassifications-Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.
11. Advertising Costs are expensed in the year incurred. The Company incurred no advertising expense in the years ended December 31, 2021 and 2020, respectively.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

12. Fair Value of Financial Instruments- (FASB) (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and Cash Equivalents, Accounts Receivable, Other Receivables, Accrued Liabilities and Other Payables-The carrying amounts reported in the balance sheets for these items are a reasonable estimate of fair value.

Loan Payable and Long-Term Debt-The fair value of loan payable and long-term debt is estimated based on the present value of cash flows required under the loan and debt, using discounting rate based on interest rates for similar debt instruments. The carrying amount approximated fair value.

NOTE B-INCOME TAXES:

FT Franchising, Inc. DBA Floor-Tek has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income in their individual income tax returns. The State of California imposes a tax of 1 1/2% of taxable income or \$800, whichever is greater.

Provisions for state income tax are as follows:

	<u>2021</u>	<u>2020</u>
California	<u>\$ 15,319</u>	<u>\$ 800</u>

The income allocable to each stockholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the stockholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities.

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted FASB ASC 740-10 regarding accounting for uncertain income tax positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would sustain an examination by applicable taxing authorities.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE B-INCOME TAXES-CON'T:

The Company recognizes penalties and interest arising from uncertain tax positions as incurred in the statement of income and comprehensive income, which totaled \$0 and \$0, respectively, during the years ended December 31, 2021 and 2020.

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

NOTE C-PROPERTY AND EQUIPMENT:

At December 31, 2021 and 2020, the company had the following property and equipment:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 55,751	\$ 15,628
Furniture and Equipment	<u>27,571</u>	<u>27,570</u>
Total Property and Equipment	83,322	43,198
Accumulated Depreciation	<u>(34,314)</u>	<u>(31,370)</u>
Net Property and Equipment	<u>\$ 49,008</u>	<u>\$ 11,828</u>

NOTE D-COMMITMENTS AND CONTINGENCIES/RELATED PARTY TRANSACTIONS:

Occupancy

The Company leases office facilities from the majority stockholder of the Company under a non-cancelable operating lease that expires in June 2025. For the year ended December 31, 2021, the Company paid a total of \$14,300 related to this arrangement.

Year ending December 31

2022	\$ 14,400
2023	14,400
2024	14,400
2025	<u>7,200</u>
Total	<u>\$ 50,400</u>

Major Supplier

The Company also purchases supplies and rents equipment, on behalf of its franchisees, from Martin Swart, Inc., a related company.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE E-LIST OF STOCKHOLDERS:

The following are stockholders of the company as of December 31, 2021:

	<u># of Shares Owned</u>
Sang Swart	19,000
Luke Swart	1,000
Amy Swart	<u>1,000</u>
Total	<u><u>21,000</u></u>

NOTE F-RETIREMENT PLAN:

The Company sponsors a defined benefit plan for its employees meeting minimum requirements. For the years ended December 31, 2021 and 2020, the company contributed \$75,000 and \$100,000 to the plan, respectively.

NOTE G-SUBSEQUENT EVENT:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 8, 2022, the date the financial statements were available to be issued. There were no subsequent events that require disclosures in the financial statements as of and for the year ended December 31, 2021.

NOTE H-FRANCHISE ROYALTY INCOME:

For the years ended December 31, 2021 and 2020, Franchise Royalty Income consists of the following:

	<u>2021</u>	<u>2020</u>
Gross Franchise Income	\$ 1,010,448	\$ 894,583
Franchisee Income	<u>(496,557)</u>	<u>(564,211)</u>
Net Franchise Royalty Income	<u>\$ 513,891</u>	<u>\$ 330,372</u>



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE I-FAIR VALUE MEASUREMENTS:

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC Topic 820, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC Topic 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2021, there were no assets and liabilities measured at fair value.

NOTE J-LONG-TERM DEBT:

Long-Term Debt as of December 31, 2021 consists of the following:

Paycheck Protection Program Loan

On March 25, 2021, the Company received loan proceeds in the amount of \$66,979 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses for qualifying businesses.

The loans and accrued interest are forgivable after eight or 24 weeks, provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or 24-week period. The unforgiven portion of PPP loan is payable over two years at an interest rate of 1.00%, with deferral payments for the first six months. The Company used the proceeds for purposes consistent with the PPP.

As of the date of the audited financial statements, the Company has not yet applied for loan forgiveness. The Company believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.



FT FRANCHISING, INC.
DBA FLOOR-TEK

FINANCIAL STATEMENTS

DECEMBER 31, 2020

(AUDITED)



CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP
Certified Public Accountants

FT FRANCHISING, INC. DBA FLOOR-TEK
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Statements of Cash Flows	7
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Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com



PARTNERS

Richard A. Goldberg, CPA
Wes L. Salem, CPA
Ma. Lolita Cremat, CPA
Michael Selamet Kwee, CPA



Certified Public Accountants



OFFICE MANAGER

Tanya Davis

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
FT Franchising, Inc. DBA Floor-Tek

We have audited the accompanying financial statements of FT Franchising, Inc. DBA Floor-Tek (a California corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FT Franchising, Inc. DBA Floor-Tek as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cashuk, Wiseman, Koble, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California

March 2, 2021

FT FRANCHISING, INC. DBA FLOOR-TEK
BALANCE SHEETS
December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	\$ 465,236	\$ 599,127
Accounts Receivable (Note A)	44,308	55,207
Prepaid Income Taxes (Note B)	<u>1,560</u>	<u>-</u>
TOTAL CURRENT ASSETS	511,104	654,334
PROPERTY AND EQUIPMENT		
Property and Equipment, net of accumulated depreciation of \$31,370 and \$29,458 in 2020 and 2019 (Notes A & C)	<u>11,828</u>	<u>13,740</u>
TOTAL ASSETS	<u><u>\$ 522,932</u></u>	<u><u>\$ 668,074</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
BALANCE SHEETS
December 31, 2020 and 2019

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 20,122	\$ 23,647
Deferred Franchise Fees	-	-
Due to Related Party (Note D)	5,912	-
Retirement Plan Payable (Note F)	<u>100,000</u>	<u>200,000</u>
 TOTAL CURRENT LIABILITIES	 126,034	 223,647
 STOCKHOLDERS' EQUITY		
Common Stock - 1,000,000 Shares Authorized 21,000 Issued and Outstanding	 5,250	 5,250
Retained Earnings	<u>391,648</u>	<u>439,177</u>
 TOTAL STOCKHOLDERS' EQUITY	 <u>396,898</u>	 <u>444,427</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$ 522,932</u></u>	 <u><u>\$ 668,074</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF INCOME
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Franchise Royalties (Notes A & H)	\$ 330,372	\$ 523,125
Interest Earned	<u>148</u>	<u>148</u>
TOTAL REVENUES	330,520	523,273
EXPENSES		
Depreciation	1,912	3,764
General & Administrative	58,432	83,931
Professional Fees-Legal	4,522	2,668
Professional Fees-Other	9,305	8,295
Personnel Expenses-Wages	93,790	100,210
Personnel Expenses-Payroll Taxes	7,662	8,285
Retirement Plan Contribution (Note F)	100,000	200,000
Rent (Note D)	<u>32,125</u>	<u>30,000</u>
TOTAL EXPENSES	<u>307,748</u>	<u>437,153</u>
INCOME (LOSS) BEFORE TAXES	22,772	86,120
Income Tax Expense (Note B)	<u>800</u>	<u>962</u>
NET INCOME	<u><u>\$ 21,972</u></u>	<u><u>\$ 85,158</u></u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2020 and 2019

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Beginning Balance, January 1, 2019	21,000	\$ 5,250	\$ 405,083	\$ 410,333
Contributions	-	-	-	-
Distributions	-	-	(51,064)	(51,064)
Net Income	-	-	85,158	85,158
Ending Balance, December 31, 2019	21,000	\$ 5,250	\$ 439,177	\$ 444,427
Contributions	-	-	-	-
Distributions	-	-	(69,501)	(69,501)
Net Income	-	-	21,972	21,972
Ending Balance, December 31, 2020	<u>21,000</u>	<u>\$ 5,250</u>	<u>\$ 391,648</u>	<u>\$ 396,898</u>

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



FT FRANCHISING, INC. DBA FLOOR-TEK
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 21,972	\$ 85,158
Adjustments to Reconcile Net Income to Net Cash		
Provided(Used) by Operating Activities:		
Depreciation	1,912	3,764
Cash Provided(Used) by Changes in		
Operating Assets and Liabilities:		
Accounts Receivable	10,899	125,977
Prepaid Income Taxes	(1,560)	-
Due from Related Party	-	1,228
Accounts Payable and Accrued Expenses	(3,525)	(19,324)
Due to Related Party	5,912	(1,162)
Retirement Plan Payable	<u>(100,000)</u>	<u>-</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(64,390)	195,641
INVESTING ACTIVITIES		
(Purchases)/Disposition of Property & Equipment	-	(1,157)
FINANCING ACTIVITIES		
Distributions to Stockholders	<u>(69,501)</u>	<u>(51,064)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133,891)	143,420
Cash and Cash Equivalents at Beginning of Year	<u>599,127</u>	<u>455,707</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 465,236</u></u>	<u><u>\$ 599,127</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income Taxes Paid	\$ 4,524	\$ 962
Interest Expense	-	-

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



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. FT Franchising, Inc. DBA Floor-Tek (the Company) was incorporated under the laws of the State of California on January 2, 1990. The Company has adopted a December 31 calendar year end for reporting requirements.
2. The Company is a franchisor of floor maintenance and janitorial services located in San Diego and Los Angeles Counties, California.
3. Revenue Recognition-The Company accounts for revenue using the accounting method prescribed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topics 606, "*Revenue from Contracts with Customers*" which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019.

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of the initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

The adoption of this ASU did not have a significant impact on the Company's financial statements. The majority of the Company's revenue arrangements generally consist of the collection of franchise royalty fees from franchisees. Based on the Company's evaluation process and review of its contracts with franchisees, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Franchise royalty fees are charged up to 20% of gross sales on a monthly basis. Additionally, franchisees contribute 5% of their monthly gross sales to marketing, supplies and administrative services fund. Marketing, supplies and administrative service fees expended during 2020 and 2019 were \$8,222 and 47,808, respectively.

4. Cash & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

5. Accounts Receivable consist of fees related to services rendered in the current year but were not received as of the balance sheet date. Management determines an allowance for doubtful accounts based on specific identification of uncollectible receivables and historical collection rates. Uncollectible receivables are written off after all attempts at collection are exhausted. Management has determined that all receivables are collectible at December 31, 2020 and 2019.
6. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 the estimates.
7. Leases that meet the criteria for capitalization are classified as capital leases. As of yearend there were no such leases. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred (Note D).
8. Concentration of Cash and Credit Risk-The Company maintains corporate cash balances which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At year end, the Company's uninsured cash balance totaled \$242,523.
9. Property and Equipment are stated at cost. The straight-line method of depreciation is followed for financial reporting purposes. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. As the Company's accounting policy, maintenance and repairs are charged to expense. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.

Depreciation is provided at rates based on the following estimated useful lives:

Furniture and Equipment	5-7 years
Vehicles	5 years

For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

10. Reclassifications-Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.
11. Advertising Costs are expensed in the year incurred. The Company incurred no advertising expense in the years ended December 31, 2020 and 2019, respectively.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

12. Fair Value of Financial Instruments- (FASB) (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and Cash Equivalents, Accounts Receivable, Other Receivables, Accrued Liabilities and Other Payables-The carrying amounts reported in the balance sheets for these items are a reasonable estimate of fair value.

NOTE B-INCOME TAXES:

FT Franchising, Inc. DBA Floor-Tek has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income in their individual income tax returns. The State of California imposes a tax of 1 1/2% of taxable income or \$800, whichever is greater.

Provisions for state income tax are as follows:

	2020	2019
California	\$ 800	\$ 962

The income allocable to each stockholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the stockholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities.

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted FASB ASC 740-10 regarding accounting for uncertain income tax positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would sustain an examination by applicable taxing authorities.

The Company recognizes penalties and interest arising from uncertain tax positions as incurred in the statement of income and comprehensive income, which totaled \$0 and \$0, respectively, during the years ended December 31, 2020 and 2019.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE B-INCOME TAXES-CON'T:

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

NOTE C-PROPERTY AND EQUIPMENT:

At December 31, 2020 and 2019, the company had the following property and equipment:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 15,628	\$ 15,628
Furniture and Equipment	<u>27,570</u>	<u>27,570</u>
Total Property and Equipment	43,198	43,198
Accumulated Depreciation	<u>(31,370)</u>	<u>(29,458)</u>
Net Property and Equipment	<u>\$ 11,828</u>	<u>\$ 13,740</u>

NOTE D-COMMITMENTS AND CONTINGENCIES/RELATED PARTY TRANSACTIONS:

Occupancy

The Company leases office facilities from the majority stockholder of the Company under a non-cancelable operating lease that expires in June 2025. For the year ended December 31, 2020, the Company paid a total of \$12,000 related to this arrangement.

The Company also leases a vehicle, from an unrelated third party under a non-cancelable operating lease that expires in December 2021. The future minimum lease payments are as follows:

Year ending December 31

2021	\$ 28,100
2022	12,000
2023	12,000
2024	12,000
2025	<u>6,000</u>
Total	<u>\$ 70,100</u>

Major Supplier

The Company also purchases supplies and rents equipment, on behalf of its franchisees, from Martin Swart, Inc., a related company.



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE E-LIST OF STOCKHOLDERS:

The following are stockholders of the company as of December 31, 2020:

	<u># of Shares Owned</u>
Sang Swart	19,000
Luke Swart	1,000
Amy Swart	<u>1,000</u>
Total	<u>21,000</u>

NOTE F-RETIREMENT PLAN:

The Company sponsors a defined benefit plan for its employees meeting minimum requirements. For the years ended December 31, 2020 and 2019, the company contributed \$100,000 and \$200,000 to the plan, respectively.

NOTE G-SUBSEQUENT EVENT:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 2, 2021, the date the financial statements were available to be issued. There were no subsequent events that require disclosures in the financial statements as of and for the year ended December 31, 2020.

NOTE H-FRANCHISE ROYALTY INCOME:

For the years ended December 31, 2020 and 2019, Franchise Royalty Income consists of the following:

	<u>2020</u>	<u>2019</u>
Gross Franchise Income	\$ 894,583	\$ 1,605,429
Franchisee Income	<u>(564,211)</u>	<u>(1,082,304)</u>
Net Franchise Royalty Income	<u>\$ 330,372</u>	<u>\$ 523,125</u>



FT FRANCHISING, INC. DBA FLOOR-TEK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE I-FAIR VALUE MEASUREMENTS:

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC Topic 820, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC Topic 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2020, there were no assets and liabilities measured at fair value.



Exhibit F

California Addendum

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

NEITHER THE FRANCHISOR OR ANY PERSON IN ITEM 2 OF THE 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 USC 78a et seq.), SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN THAT ASSOCIATION OR EXCHANGE.

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.

California Business and Professions Code Sections 20000 through 20043 establish the rights of 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.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

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.

This franchise agreement requires binding arbitration. The arbitration will occur at San Diego County, California with the costs being borne by the party prevailing in the arbitration. The arbitrator shall determine who the prevailing party is. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Section 31124 of the Franchise Investment law requires us to give 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 claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California Corporations Code Section 31512.1 provides that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is

void and unenforceable. Further, no provision in a franchise agreement or related document may disclaim or deny any representations made by a franchisor to a franchisee. Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

In California the highest interest rate permitted by law is 10%.

Spousal liability: Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

California has a labor law known as California Assembly Bill 5 or "AB5" that governs when someone is classified as an employee or an independent contractor. Your franchise agreement states that you are an independent contractor, but AB5 may mean you are an employee instead. Being an employee may entitle you to minimum wage, sick and family leave, unemployment and workers' compensation, expense reimbursements, protection from retaliation and discrimination, and other benefits given to employees. You should research and consult with an attorney regarding California's labor laws.

Exhibit G

State Effective Dates

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

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

State	Effective Date
California	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 H

Receipt

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF FLOOR-TEK OFFERS YOU A FRANCHISE, FLOOR-TEK MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, IT OR AN AFFILIATE IN CONNECTION WITH ITS PROPOSED FRANCHISE SALE.

IF FLOOR-TEK 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 AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.

The seller of this franchise is:

FT Franchising, Inc., dba Floor-Tek
2070 Balboa Avenue
San Diego, CA 92109
Attn: Sang Swart, President
Tel: (858) 270-7774

The agent for service of process for franchisor is:

Sang Swart
FT Franchising, Inc.
2070 Balboa Avenue
San Diego, CA 92109

ON _____, I RECEIVED A DISCLOSURE DOCUMENT DATED MARCH 19, 2023 THAT INCLUDED THE FOLLOWING EXHIBITS:

- A. FRANCHISE AGREEMENT
- B. STANDARD FORM NOTE
- C. LIST OF FRANCHISEES
- D. STATE ADMINISTRATOR
- E. FINANCIAL STATEMENTS
- F. CALIFORNIA ADDENDUM
- G. STATE EFFECTIVE DATES
- H. RECEIPT

Date: _____ Franchisee's Signature: _____

Exhibit H

Receipt

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IF FLOOR-TEK 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 AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.

The seller of this franchise is:

FT Franchising, Inc., dba Floor-Tek
2070 Balboa Avenue
San Diego, CA 92109
Attn: Sang Swart, President
Tel: (858) 270-7774

The agent for service of process for franchisor is:

Sang Swart
FT Franchising, Inc.
2070 Balboa Avenue
San Diego, CA 92109

ON _____, I RECEIVED A DISCLOSURE DOCUMENT DATED MARCH 19, 2023 THAT INCLUDED THE FOLLOWING EXHIBITS:

- A. FRANCHISE AGREEMENT
- B. STANDARD FORM NOTE
- C. LIST OF FRANCHISEES
- D. STATE ADMINISTRATOR
- E. FINANCIAL STATEMENTS
- F. CALIFORNIA ADDENDUM
- G. STATE EFFECTIVE DATES
- H. RECEIPT

Date: _____ Franchisee's Signature: _____