



FRANCHISE DISCLOSURE DOCUMENT

Surface Specialists Systems, Inc.
A North Carolina Corporation
621-B Stallings Road
Matthews, North Carolina 28105
Telephone: (866) 239-8707
www.surface-specialists-franchise.com
dan@surface-specialists.com

The franchisee will own and operate a “Surface Specialists” business, which offers high quality kitchen and bathroom surface repair and refinishing/resurfacing and replacement services, whirlpool conversions and repairs, safety conversions, vinyl repair services, glass polishing services, strippable coating services, tub protection services, door sill overlay and step through insert installation services, and installation of acrylic bathtub/shower liner and wall systems for single family and multi-family buildings, motels and hotels.

Initial Franchise Purchase: The total investment necessary to begin operation of a Surface Specialists is from \$43,200 to \$56,000. This includes \$36,000 that must be paid to the franchisor or affiliate.

Expansion Purchase: The total investment necessary to begin operation of a Surface Specialists expansion territory is from \$3,400 to \$38,500. This includes \$1,500 - \$30,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dan Kaplan at 621-B Stallings Road, Matthews, North Carolina 28105, (866) 239-8707.

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

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

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

Issuance Date: February 26, 2024

How to Use This Franchise Disclosure Document

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

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

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 North Carolina. 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 North Carolina than in your own state.

2. **Minimum Payments.** You must make minimum royalty and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territories rights you are granted, termination of your franchise, and loss of your investment.

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

**MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

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

pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

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EXHIBITS

- A - List of Franchised Businesses and Former Franchisees
- B - SSSI’s Audited Financial Statements
- C - Surface Specialists® Franchise Agreement
 - Schedule 1- Personal Guaranty
 - Schedule 2- Spousal Non-Compete Agreement
 - Schedule 3- State Addenda to the Franchise Agreement
- D - Secured Promissory Note
- E - Deposit Receipt
- F - State Addenda to the Disclosure Document
- G - List of State Administrators/Agents for Service of Process
- H - Table of Content to Operations Manual
- I - State Effective Dates
- J - Receipts

Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “SSSI,” “we,” “us,” or “our” means Surface Specialists Systems, Inc., the franchisor. “You” or “your” means the person who buys the franchise. If the Franchisee is a corporation, limited liability company or other entity, “you” or “your” may also refer to its owners.

The Franchisor, Parents, Predecessors, and Affiliates.

We were incorporated under the laws of the State of North Carolina on December 8, 2001. Our principal business address is 621-B Stallings Road, Matthews, North Carolina 28105; the telephone number is (866) 239-8707. We conduct business under the name “Surface Specialists.”

The Surface Specialists® franchise program originated in 1982. Our predecessor, Surface Specialists Systems, Inc. (“SSSI-Missouri”), was incorporated and acquired, in 1996, substantially all of the assets of its predecessor, Surface Specialists Systems, Inc., a Minnesota corporation (“SSSI-Minnesota”). SSSI-Missouri offered franchises for “Surface Specialists” businesses from January 1996 to June 2002. In July 2002, we purchased substantially all of the assets of SSSI-Missouri. SSSI-Missouri has not offered franchises for any other line of business.

We have no parents or affiliates required to be disclosed in this Item 1.

Exhibit G contains our agents for service of process.

Franchise Offered.

We franchise the right to own and operate “Surface Specialists” surface repair and refinishing businesses (sometimes referred to as a “Surface Specialists Business”) under the terms of the Franchise Agreement in the form included in this disclosure document as Exhibit C (the “Franchise Agreement”). A Surface Specialists Business offers high quality repair and refinishing/resurfacing and replacement of kitchen and bathroom surfaces including bathtubs, showers, sinks, vanities, ceramic tile, countertops, fiberglass, cultured marble, acrylic, PVC/ABS and porcelain fixtures, wood, appliances and metal surfaces, pools and spas. A Surface Specialists Business also offers whirlpool conversions, plumbing/mechanical repair to whirlpool systems, safety conversions, acrylic tub liner and wall system installation, tub protection services, glass polishing services, granite and marble repair and polishing, strippable coating services, and vinyl repair services, door sill overlay and step through insert installation services.

We have developed a surface repair and refinishing system that emphasizes value and high quality, and an operations system designed to maintain high quality standards in services offered through Surface Specialists Businesses. We have developed all of these as part of the business system (the “Business System”), which you will receive the right to use during the term of the Franchise Agreement. We use and license certain service marks and trademarks, logos, trade dress and other commercial symbols, including the service mark “Surface Specialists” (collectively, the “Trademarks”). We may, in the future, modify or enhance the Trademarks as well as add new trademarks, service marks, logos, trade dress and other commercial symbols.

The purchase of a “Surface Specialists” franchise permits you: (i) to use our recognized Trademarks; (ii) to obtain access to the operational and management attributes of the “Surface Specialists” Business System, including confidential manuals describing guidelines for the operation of a Surface Specialists Business (the “Operations Manuals”); and (iii) to receive the benefits of association with a franchise system, including various forms of training and operational assistance from us.

Industry Laws.

You must comply with all laws, rules and regulations governing the operation of the Surface Specialists Business, and obtain all permits and licenses necessary to operate the Surface Specialists Business. Specific types of permits and licenses required, including a Contractor’s License, vary greatly based on your location. You will need to check with your local state and municipality for all permits and licenses required to operate this franchise. In addition to laws and regulations that apply to businesses generally, a California Surface Specialists Business will be subject to clean air statutes and regulations that may require registration of certain materials (as a volatile organic solvent) you use in your Surface Specialists Business.

Market and Competition.

The market for surface repair and refinishing services is well developed. The customers for the goods and services that you will offer include homeowners, apartment, hotel and motel owners, plumbers and independent contractors, healthcare facilities, and distributors and retail outlets in kitchen and bath industries. You may also provide warranty service for major plumbingware manufacturers and hot tub and spa manufacturers. Sales are year-round.

You will experience competition from independently operated businesses which offer surface refinishing services in your local area. Your competitors will also include other surface repair and refinishing franchised businesses. A limited number of national repair and refinishing service systems will have significantly greater financial resources than you.

Prior Business Experience.

We have offered “Surface Specialists” franchises since July 2002. We have not offered franchises in any other line of business. We do not directly operate any Surface Specialists Businesses.

Item 2 BUSINESS EXPERIENCE

President, Treasurer and Director: Dan Kaplan

Dan Kaplan has been our President, Treasurer, and a director since our inception in July 2002. Mr. Kaplan has also been a co-owner and director of Surface Specialists of Columbia, Inc., a franchisee of ours in the Columbia, South Carolina area since June 2011. From March 2007 until October 2013, Mr. Kaplan was the President and a director of Surface Specialists of Catawba Valley, Inc., which operated a “Surface Specialists” Business in the Hickory, North

Carolina area. From February 1989 to April 2005, Mr. Kaplan also was President and a director of Surface Specialists-Matthews, Inc., a franchisee of ours in the Charlotte, North Carolina area.

Vice President, Secretary and Director: Miranda Kaplan

Miranda Kaplan has been our Vice President, Secretary and a Director since July 2002.

Marketing/Sales Director: Amy Irali

Amy Irali has been our Marketing/Sales Director from July 2002 until April 2011 and since April 2013. From May 2011 to April 2013, Mrs. Irali was not employed. Mrs. Irali was Marketing/Sales Director of SSSI-Missouri from January 1997 to June 2002.

Item 3
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

Item 5
INITIAL FEES

Initial Franchise Purchase:

You must pay to us an “Initial Franchise Fee” to cover the cost of services and an initial supply of proprietary products and other materials and equipment that we provide to you before your Surface Specialists Business opens. The total amount for your Initial Franchise Fee is \$36,000, and the territory size normally includes a population of 100,000 – 2,000,000 people.

To reserve a Surface Specialists franchise for a designated territory, you must pay us a deposit of \$5,000 approximately 30 days before any scheduled training. Your deposit will be applied to the Initial Franchise Fee if you purchase a Surface Specialists Business. The deposit is not refundable. A sample of the Deposit Receipt is included in this disclosure document as Exhibit E.

Unless you finance a portion of the Initial Franchise Fee (as described in Item 10 below), you must pay the entire Initial Franchise Fee (less credit for the deposit of \$5,000) when you sign the Franchise Agreement.

For veterans, we offer a 10% discount off the cost of our Initial Franchise Fee for the following service members and their family:

- Honorably Discharged Veterans
- Current members of the National Guard or reserves

- Spouses of active-duty or veteran service members
- Children of active-duty or veteran service members

Due to the nature of our franchise business, we are not able to offer franchises to active duty service members in the regular military and therefore no discounts are available to active duty service members.

The following restrictions apply to this discount:

- It is only available for a franchisee opening his or her first franchise
- Must have honorable discharge
- Veteran, reservist or dependent must have majority ownership

Expansion Franchise Purchase:

If you are an existing Surface Specialist franchisee wishing to expand your business into another Designated Territory by purchasing an additional franchise and signing an additional Franchise Agreement, we charge a discounted Initial Franchise Fee. Additional Designated Territories, which would normally include a population from 100,000 – 2,000,000 people, will be priced at \$0.015 per person in the new Designated Territory, resulting in an initial franchise fee range of \$1,500 - \$30,000.

The discounted Initial Franchise Fee applicable to expansion purchases by existing franchisees does not include any initial supply of proprietary products or other materials or equipment.

Refundability

The Initial Franchise Fee is fully earned when paid and is not refundable.

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Item 6
OTHER FEES

| Type of Fee | Amount (See Note 1) | Due Date | Remarks |
|--------------------------|--|---|--|
| Royalty Fee | 5% of your “Gross Receipts,” subject to \$250 monthly minimum (See Note 2) | On or before the 15th day of each calendar month for the previous month | |
| Advertising Contribution | 1% of your Gross Receipts | On or before the 15th day of each calendar month for the previous month | See Item 11 for explanation of “Advertising Contribution” |
| Transfer Fee | \$5,000 | Before completion of transfer | Payable when the Franchise Agreement or substantial portion of the assets of the Surface Specialists Business or a majority interest in you (the franchisee entity) is transferred |
| Audit Expenses | Costs and expenses related to audit | After inspection or audit | Payable only if under-statement is greater than 3% |
| Insurance | Will vary under certain circumstances | When we request reimbursement | Payable to us if you fail to pay insurance premium and we pay it for you; otherwise, insurance premiums generally are payable to insurance companies |
| Interest Expenses | Lesser of 18% per year or maximum rate permitted by law | When due | Payable if Royalty Fee, Advertising Contribution or other amounts due us are not timely paid |

| Type of Fee | Amount (See Note 1) | Due Date | Remarks |
|---------------------------|-------------------------------|-----------------|--|
| Costs and Attorneys' Fees | Will vary under circumstances | When incurred | We may recover costs and reasonable attorneys' fees if you lose in a dispute with us |

Notes:

- (1) Except where otherwise noted, all fees are uniformly imposed by, payable to, and collected by us and are nonrefundable.
- (2) "Gross Receipts" means the total revenues you receive from the sale of goods and services at or through the Surface Specialists Business, less sales or similar taxes or refunds.

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Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Initial Franchise Purchase

| Type of Expenditure | Estimated Amount (See Note 1) | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|----------------------------------|----------|-----------------------------|--|---|
| | Low | High | | | |
| Initial Franchise Fee (see Note 2) | \$36,000 | \$36,000 | Check or promissory note | Full amount when you sign the Franchise Agreement or at least \$29,000 down with balance due under promissory note | Us |
| Real Estate and Leasehold Improvements (See Note 3) | \$0 | \$2,500 | Check or credit card | Before opening | Third-party contractors and architects |
| Signage (See Note 4) | \$200 | \$1,500 | Cash, check or credit card | Within 3 months of signing the Franchise Agreement | Third-party supplies |
| Equipment and Fixtures (See Note 5) | \$300 | \$1,000 | Cash, check, or credit card | Before opening | Third-party suppliers |
| Deposits and Business Licenses (See Note 6) | \$100 | \$1,000 | Cash, check, or credit card | Before opening | Landlord, utility companies and government agencies |
| Insurance (See Note 7) | \$1,800 | \$3,000 | Check or credit card | Before opening | Insurance company |
| Computer System (See Note 8) | \$800 | \$1,500 | Check or credit card | Before opening | Third-party suppliers |

| Type of Expenditure | Estimated Amount (See Note 1) | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|----------------------------------|----------|----------------------|--------------------------------|--------------------------------------|
| | | | | | |
| Additional Funds - 3 Months (See Note 9) | \$4,000 | \$9,500 | Check or credit card | Before opening and as incurred | Us, employees, third-party suppliers |
| Total (see Note 10) | \$43,200 | \$56,000 | | | |

Notes:

Note 1- Except where otherwise noted, all fees that you pay to us are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.

Note 2-Initial Franchise Fee- We may, at your request, finance up to \$7,000 of the Initial Franchise Fee at up to 10% APR, up to 36 months, most commonly for 24 or 36 months. We require a \$29,000 down payment. Monthly payments at 10% would be approximately \$323.01 for a 24 month repayment and \$225.87 for a 36 month repayment.

Note 3-Real Estate and Leasehold Improvements- We anticipate that you will operate your Surface Specialists Business from your residence. We expect you to perform all service work at customers' job sites. You will likely be able to use your existing vehicle to drive to job sites if the vehicle is reliable and in good working order. If your residence is not centrally located within the Designated Territory, or if municipal zoning regulations do not permit you to operate your Surface Specialists Business from your residence, you must establish an office from which to operate your Surface Specialists Business. The term of the lease for your office premises generally ranges from 5 to 10 years. All Surface Specialists Businesses should be centrally located, near main thoroughfares. We estimate that the monthly rent for this type of building will range from \$350 to \$550. If you do not operate your Surface Specialists Business from your residence, your cost for leasehold improvements for a standard Surface Specialists Business may vary from site to site. The exact cost will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements and other economic factors.

Note 4-Signage- Within 3 months after you sign your Franchise Agreement, you must purchase and install signage we approve on your vehicle. The signage will promote your Surface Specialist Business.

Note 5- Equipment and Fixtures- If you operate your Surface Specialists Business from your residence, your equipment and fixture expenses should be minimal. Your investment in equipment and fixtures necessary to operate your Surface Specialists Business from a separate office will vary. Your exact investment depends on several factors, including the size and location of the proposed office for your Surface Specialists Business, local labor costs, current prices charged by

suppliers, and similar factors beyond our or your control. The cost will increase as the number of square feet increases.

Note 6-Deposits and Business Licenses- This amount includes utility and security deposits and business licenses. Deposits are generally refundable, but license fees are not.

Note 7-Insurance- You will need to obtain liability insurance with minimum limits of \$500,000 per person and \$1,000,000 per occurrence and other insurance as we require or as required by law (including workers' compensation insurance). You must provide us with certificates of insurance per our specifications, and all insurance policies must name "Surface Specialists Systems, Inc." as an additional insured.

Note 8-Computer System- This amount reflects the cost of the computer system you must use in your Surface Specialists Business.

Note 9-Additional Funds – 3 Months- This amount estimates your initial pre-opening expenses not otherwise mentioned in the Table and expenses you will incur during the first 3 months of business operations, including meals while you attend the initial training program, initial wages and fringe benefits, advertising, taxes, office, paper and cleaning supplies, miscellaneous tools, telephone hook-up, and inventory (supplies, materials and parts used for specific services provided) costs beyond the materials that we provide to you as part of the Initial Franchise Fee. You must purchase some of these items directly from us. We provide an initial inventory package to begin operations at no additional cost. The amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how closely you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for Surface Specialists Businesses, the prevailing wage rate, competition and the sales level reached during the initial period.

Note 10-Total- This total is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this disclosure document and our years of experience in the business. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your Surface Specialists Business.

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Expansion Franchise Purchase

| Type of Expenditure | Estimated Amount (See Note 1) | | Method of Payment | When Due | To Whom Payment is to be Made |
|--|----------------------------------|-------------|-----------------------------|--|---|
| | Low | High | | | |
| Initial Franchise Fee | \$1,500 | \$30,000 | Check | At time of purchase | Us |
| Real Estate and Leasehold Improvements (See Note 2) | \$0 | \$2,500 | Check or credit card | Before opening | Third-party contractors and architects |
| Signage (See Note 3) | \$0 | \$1,500 | Cash, check or credit card | Within 3 months of signing the Franchise Agreement | Third-party supplies |
| Equipment and Fixtures (See Note 4) | \$0 | \$500 | Cash, check, or credit card | Before opening | Third-party suppliers |
| Deposits and Business Licenses (See Note 5) | \$100 | \$1,000 | Cash, check, or credit card | Before opening | Landlord, utility companies and government agencies |
| Insurance (See Note 6) | \$1,800 | \$3,000 | Check or credit card | Before opening | Insurance company |
| Computer System (See Note 7) | \$0 | \$0 | Not Applicable | Not Applicable | Not Applicable |
| Additional Funds - 3 Months (See Note 8) | \$0 | \$0 | Not Applicable | Not Applicable | Note Applicable |
| Total (see Note 9) | \$3,400.00 | \$38,500.00 | | | |

Notes Applicable to Table Above:

Note 1- Except where otherwise noted, all fees that you pay to us are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.

Note 2-Real Estate and Leasehold Improvements: We anticipate that you will operate your Expansion Surface Specialists Business from your residence. We expect you to perform all service work at customers' job sites. You will likely be able to use your existing vehicle to drive to job

sites if the vehicle is reliable and in good working order. If your residence is not centrally located within the Designated Territory, or if municipal zoning regulations do not permit you to operate your Surface Specialists Business from your residence, you must establish an office from which to operate your Surface Specialists Business. The term of the lease for your office premises generally ranges from 5 to 10 years. All Surface Specialists Businesses should be centrally located, near main thoroughfares. We estimate that the monthly rent for this type of building will range from \$350 to \$550. If you do not operate your Surface Specialists Business from your residence, your cost for leasehold improvements for a standard Surface Specialists Business may vary from site to site. The exact cost will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements and other economic factors.

Note 3-Signage: We anticipate that for an Expansion Franchise you already have signage on your vehicle promoting your Surface Specialists Business which you would continue to use within the Expansion Franchise Territory. If you rebrand your signage to include additional locations or phone numbers, you may incur additional signage fees. We must approve all signage on your vehicle.

Note 4-Equipment and Fixtures: We anticipate that you will operate your Expansion Franchise in conjunction with your established Surface Specialists Business and would therefore not incur any additional equipment and fixture expenses. Your investment in equipment and fixtures necessary to operate your Surface Specialists Business from a separate office will vary. Your exact investment depends on several factors, including the size and location of the proposed office for your Surface Specialists Business, local labor costs, current prices charged by suppliers, and similar factors beyond our or your control. The cost will increase as the number of square feet increases.

Note 5-Deposits and Business Licenses: This amount includes utility and security deposits and business licenses. Deposits are generally refundable, but license fees are not.

Note 6-Insurance: Your existing liability insurance with minimum limits of \$500,000 per person and \$1,000,000 per occurrence should cover your Expansion Franchise, however, you may incur additional workers' compensation insurance expenses. You must provide us with certificates of insurance per our specifications, and all insurance policies must name "Surface Specialists Systems, Inc." as an additional insured.

Note 7-Computer System: We anticipate that you will utilize the same computer system for your Expansion Franchise that you use in your established Surface Specialists Business.

Note 8-Additional Funds: Since you are already operating a Surface Specialists Business, you do not need to set aside 3 months of income as a new franchise would.

Note 9-Total: This total is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this disclosure document and our years of experience in the business. You should review this amount carefully with a business

advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your Surface Specialists Business.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services Required to be Purchased or Leased

Advertising Material

You must either use advertising material that we provide, specify, or approve.

Computer Hardware and Software

You must use the computer hardware and software that we specify.

Equipment, Furniture, Fixtures, and Signs

You are required to purchase equipment, furniture, fixtures, and signs pursuant to our specifications.

Initial Inventory

Unless you are an existing franchisee renewing a Franchise Agreement or purchasing an additional franchise for a discounted Initial Franchise Fee, or purchasing an existing franchise, as part of your Initial Franchise Fee, we will supply you with an initial inventory of products designed to generate approximately \$78,469.63 in sales volume, as provided for in the franchise agreement.

Insurance

You must purchase and maintain, at your expense, comprehensive public liability insurance with minimum limits of \$500,000 per person and \$1,000,000 per occurrence, general casualty insurance on the business premises, equipment, signs and inventory, workers' compensation and unemployment insurance in amounts required by law, motor vehicle liability insurance, and other types of insurance that we may periodically designate. You must provide us with certificates of insurance per our specifications, and all insurance policies must name "Surface Specialists Systems, Inc." as an additional insured.

Lease and Leasehold Improvements

You may work from home or lease space from any landlord pursuant to our specifications and subject to our approval. You must build out your site pursuant to our specifications.

Supplies

You must purchase certain supplies used in your Franchised Business from us. You may purchase other supplies pursuant to our specifications.

Whether We or Our Affiliates Are Approved Suppliers

We are an approved supplier of advertising material, trade tools, and other classes of products and supplies that you may use in operating your Surface Specialists Business, but not the only approved supplier.

We are the only approved supplier of the proprietary products Ceramite™, Polymerite™, Guardian Coat™, Counter Effects™, and Starfire™ products, and private labels of ours. There may be other similar products that we are the only approved supplier for and you must purchase from us in the future.

Officer Interests in Suppliers

Our officers, Dan and Miranda Kaplan, own an interest in us.

Alternative Suppliers

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if they meet our criteria. We do not charge you any fee to propose another supplier. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 60 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance of Specifications

We issue specifications to franchisees and approved suppliers in our Office Manual or other informational bulletins.

Revenue from Required Purchases

We received revenues of \$706,060 from the sale of all products and materials, including Ceramite™, Polymerite™, Guardian Coat™, Counter Effects™, and Starfire™ products for the year ended December 31, 2023, or approximately 48.16% of SSSI's total revenues of \$1,466,021 for the fiscal year ended December 31, 2023.

Required Purchases and Leases as a Proportion of Costs

We estimate that required purchases and leases will represent approximately 15% to 55% of the cost to establish your Surface Specialists Business and 10% to 30% of the cost to operate your Surface Specialists Business (except if your Business includes the installation of acrylic tubliners and wall systems, in which case it is 30% to 40% to operate your Business).

Supplier Payments to Us

We may provide certain administrative, technical, inspection, advisory and other services and data to certain suppliers in return for a fee as a result of transactions with franchisees. The fee may range from 0% to 10% or more of the suppliers' sales to franchisees.

Purchasing or Distribution Cooperatives

At this time, we do not have any purchasing or distribution cooperatives.

Purchase Arrangements

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits

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

Item 9
FRANCHISEE'S OBLIGATIONS

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

| Obligation | | Section in Agreement | Disclosure Document Item |
|------------|---|--|--------------------------|
| a. | Site selection and acquisition/lease | Section 6(01) | Item 11 |
| b. | Pre-opening purchases/lease | Section 6(01) | Items 5, 7, and 8 |
| c. | Site development and other pre-opening requirements | Section 6(01) | Items 5, 7, and 11 |
| d. | Initial and ongoing training | Section 7(01) | Items 7 and 11 |
| e. | Opening | Section 6(02) | Items 5 and 11 |
| f. | Fees | Sections 2, 3, 4, 10(05), 14 and 19(04)(c) | Items 5, 6 and 7 |
| g. | Compliance with standards and policies/Operations Manuals | Sections 8, 9(02)-(05), 11 and 12 | Items 11 and 16 |

| Obligation | | Section in Agreement | Disclosure Document Item |
|-------------------|---|-----------------------------------|---------------------------------|
| h. | Trademarks and proprietary information | Sections 4(04), 5, 8 and 12 | Items 13 and 14 |
| i. | Restrictions on products/services offered | Section 11 | Items 8, 11 and 16 |
| j. | Warranty and customer service requirements | Not Applicable | |
| k. | Territorial development and sales quotas | Sections 1(02) and 17(02)(k) | Item 12 |
| l. | Ongoing product/service purchases | Sections 9(03) - (05) and 11 | Items 8 and 11 |
| m. | Maintenance, appearance and remodeling requirements | Sections 6(01), 9(03)-(06) and 12 | Item 11 |
| n. | Insurance | Section 15 | Items 6 and 8 |
| o. | Advertising | Section 4 | Items 6, 7 and 11 |
| p. | Indemnification | Section 22 | None |
| q. | Owner's participation/management/staffing | Sections 7, 9(01), and 13(01)(a) | Items 11 and 15 |
| r. | Records/reports | Sections 10(01) and (02) | Item 6 |
| s. | Inspections/audits | Sections 10(03) and (04) | Item 6 |
| t. | Transfer | Sections 19 and 20 | Items 6 and 17 |
| u. | Renewal | Section 1(03) | Items 6 and 17 |
| v. | Post-termination obligations | Section 18 | Item 17 |
| w. | Non-competition covenants | Section 13 | Item 17 |
| x. | Dispute resolution | Section 21 | Item 17 |

Item 10
FINANCING

We may, at your request, finance up to \$7,000 of the Initial Franchise Fee. If we agree to do so, we will require the payment of a minimum of \$29,000 of the Initial Franchise Fee when you sign the Franchise Agreement (including credit for any deposit paid), and will require that you sign a secured promissory note, in the form included in this disclosure document as Exhibit D (the "Promissory Note"), for the balance of the Initial Franchise Fee. We will finance this portion of the Initial Franchise Fee over up to a 36-month period at an annual percentage rate of interest ("APR") of up to 10%. The first payment will come due under the Promissory Note

during the first full calendar month that begins 90 days following the date you sign the Franchise Agreement. We will require that you or all owners of your franchisee entity personally guarantee the Promissory Note. We also require that the Promissory Note be secured by any Business equipment, supplies, inventory and other tangible Business assets. We may place the Promissory Note in default, accelerate all payments due and take possession of the collateral if you fail to make a loan payment, are placed in default under the Franchise Agreement, file for bankruptcy or become insolvent or admit your inability to pay debts when they become due. The Promissory Note can be prepaid without penalty at any time during its term. If you do not make a payment on time, we can demand payment of the balance of the entire principal amount, interest on that amount, and costs of collection (including our reasonable attorney's fees). You agree to waive demand, notice and protest of amounts due, presentment of the Promissory Note and notice of dishonor (see Promissory Note, page 2).

We have not, in the past, sold, assigned or discounted to any third-party any letter of credit or other instrument executed by its franchisees. Further, we do not currently, or in the future, intend to, sell, assign or discount to any third party any letter of credit or other instrument executed by its franchisees.

Other than described above, we do not offer direct or indirect financing. We do not guarantee your note, leases or obligations.

Item 11

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

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

Pre-opening Assistance. Before you open your Surface Specialists Business, we will:

- (1) Provide you with an initial supply of inventory products to be used in operating your Surface Specialists Business (Franchise Agreement - Section 14).
- (2) Provide you with a minimum specifications and standards for forms, supplies, marketing materials, inventory and other items to be used in the Surface Specialists Business (Franchise Agreement - Section 11).
- (3) Provide the mandatory training program described below (Franchise Agreement - Section 7(01)).
- (4) Furnish you with a copy of our confidential Field Manual, Office Manual and Tubliner Manual (collectively, the "Operations Manuals"). You must keep the Operations Manuals confidential and return them when the Franchise Agreement terminates (Franchise Agreement - Section 8(01) and (02)).

Site Selection. You are solely responsible for locating and obtaining a site for your Surface Specialists Business within the Designated Territory of your franchise that you and we mutually agree upon when entering into your franchise agreement. You are also responsible for

determining that the proposed site meets all zoning and other applicable government requirements, and that you have obtained all required government permits. You do not need to obtain our consent to a proposed site, although your site must be centrally located within your Designated Territory. The proposed site for your Surface Specialists Business may be your own residence or leased office space.

Development Time. The typical length of time between our acceptance of the Franchise Agreement and the opening of your business varies from 1 to 3 months. This period can be longer or shorter depending on the time of year, availability of financing, how soon you can attend training or other factors. Within 3 months of signing your Franchise Agreement, you must install signage we approve on your vehicle.

Ongoing Assistance. During the operation of your Surface Specialists Business, we will:

- (1) Periodically furnish you with updated and revised material for your Operations Manuals (Franchise Agreement - Section 8(04)).
- (2) Make recommendations to you as to suggested pricing for your area (Franchise Agreement – Section 8).
- (3) Provide to you certain supplies and equipment at your expense (Franchise Agreement - Section 7(04)).
- (4) Manage the Advertising Fund and use Advertising Contributions to conduct general advertising and promotion of the Marks (Franchise Agreement - Section 4(02)).

Advertising Program. We may require that you contribute 1% of your Gross Receipts as an “Advertising Contribution” to the “Surface Specialists” Advertising Fund (the “Advertising Fund”). We have not collected Advertising Contributions from franchisees, although we reserve the right to do so in the future. When we establish the Advertising Fund, we will likely use the Advertising Fund to provide advertising and promotional materials and services to you for local use as well as conduct local and regional print and direct mail advertising or promotional campaigns. The Advertising Fund will not be a trust or escrow account, and we will not have any fiduciary obligation regarding the Advertising Fund or Advertising Contributions. We will not use any of the Advertising Fund to sell additional franchises. Although we have not yet established the Advertising Fund, we will likely produce advertising programs and materials internally, and will provide you with one sample of each item produced through the Advertising Fund at no charge. If you want additional copies at that time, we will likely require that you pay duplication costs. We anticipate that all Surface Specialists® franchisees and we or our affiliated owned businesses (if any) will contribute to the Advertising Fund. Any Surface Specialists® businesses owned by us or our affiliates will contribute on the same percentage basis as franchisees. Advertising contributions that we receive but do not spend in a calendar year will be retained in the Advertising Fund and spent in future years. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Advertising Fund. You may develop advertisement materials at any time for your own use, at your own cost, but your materials must be factually correct and accurately depict the “Surface Specialists” Trademarks. We must approve the advertising materials in advance and in writing.

No franchisee advisory council or advertising committee has been established to date. As the “Surface Specialists” system grows, however, we intend to form a franchisee advisory council that will, in part, provide advice on advertising and promotional activities to us. We will likely retain the power to form, change or dissolve any franchisee advisory council established in the future.

In our last fiscal year ended December 31, 2022, we did not collect or spend any Advertising Fund fees.

When we establish the Advertising Fund, all franchisees will pay 1% of Gross Receipts as the Advertising Contribution. We will administer the Advertising Fund and provide you with an annual unaudited statement of the receipts and disbursements of the Advertising Fund. We will not be obligated to spend any amount on advertising in the area or territory where you are located when we establish the Advertising Fund. We reserve the right to receive an administrative fee to cover related sales promotion, marketing and administrative expenses.

No “Surface Specialists” franchisee is required to participate in a local or regional advertising cooperative.

Computer System. In operating your Surface Specialists Business, you must use a computerized record-keeping system (“Computer System”) that meets our standards, as periodically modified in response to business operations, marketing conditions, and changes in technology. Presently, the Computer System includes the following components: a personal computer, internet access, QuickBooks Online accounting software (a one-year Simple Start subscription is included in your Initial Inventory Package), Microsoft Office or 365, and firewall and Antivirus pursuant to our specifications.

We estimate that the cost of the Computer System will be \$800 to \$1,500.

You must all purchase Internet service from an Internet service provider, together with an Internet browser and an e-mail address for the Business to communicate with us, customers and third-party vendors. You may use one of many different Internet service providers.

We reserve the right to designate changes or enhancements to the Computer System, including computer hardware, software and other equipment. You must purchase these specified hardware, software and other equipment, and arrange for installation, maintenance and support services of the initial, changed or enhanced Computer System at your expense. We estimate that the cost of optional or required maintenance, updates, upgrading or support contracts for the Computer System currently is less than \$300 per year, although it is difficult to predict future changes and improvements in technology and the estimated amount may increase in the future. You must store all data and information that we designate and report data and information in the manner we specify.

Independent Access to Information. We may access all operational and financial information and data produced by your Computer System. There are no contractual limitations on our right to access the information and data (Franchise Agreement, Section 9(04)).

Restrictions on Your Use of Electronic Media. We restrict your right to use all electronic media including the internet in operating your Surface Specialists Business. You cannot conduct business over the internet or create your own website with which to conduct business without our express written consent.

Operations Manuals. Exhibit H contains the chapters in the Operations Manuals and the page count per chapter. The Operations Manuals contain 1,058 pages.

Training. We will provide you with a 2 week initial training program at our headquarters in Matthews, North Carolina, or, we may instruct you on Acrylic Bathtub Liner & Wall System Installation at a sample job within your Designated Territory. The initial training program is intended to provide you with basic training in operating a Surface Specialists Business under the Business System. The initial training program covers various aspects of managing and operating a Surface Specialists Business, including selling and marketing “Surface Specialists” services, instruction on providing “Surface Specialists” services (including bathtub/shower liner and wall system training), necessary equipment, employee training, forms and business procedures, cost control and other matters. You may attend the initial training program at any time before you open your Surface Specialists Business, although you may not open your Business unless you successfully complete the initial training program to our satisfaction.

TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of “On-the-Job” Training | Location |
|--|-----------------------------|--------------------------------|--|
| Refinishing | 0 | 16-23 | Matthews, North Carolina |
| Spot Repairs | 0 | 29-34 | Matthews, North Carolina |
| Safety Conversions | 8 | 0 | Matthews, North Carolina |
| Plumbing/Mechanical Repairs | 4 | 0 | Matthews, North Carolina |
| Marble & Granite Repair & Polishing | 4 | 0 | Matthews, North Carolina |
| Acrylic Bathtub Liner & Wall System Installation | 1 | 12-16 | Matthews, North Carolina or a sample job within your Territory |
| Glass Polishing | 2 | 0 | Matthews, North Carolina |
| Office Management & Systems | 4 | 0 | Matthews, North Carolina |
| TOTALS | 23 | 57-73 | |

- (1) The instructional materials for each subject include the Operations Manuals, lecture, hands-on demonstration and practice at various job sites.

- (2) Dan Kaplan, our President, is responsible for the initial training program. Sometimes, other employees or franchisees appear as guest instructors. Item 2 contains Mr. Kaplan's length of experience in the field and with us.
- (3) The amount of the Refinishing and Repairs training that takes place in the classroom versus "On-the-Job" may vary from training to training.

We do not charge a separate fee for you to attend the initial training program (it is included in your Initial Franchise Fee) and will cover your lodging and travel expenses for the training program at our headquarters. We require the franchisee (if an individual) or the controlling shareholder (if the franchisee is an entity) to attend and to successfully complete training to our satisfaction. You may have additional shareholders or key employees attend the initial training program at your own cost. You are responsible for meals and other living expenses that you (and any others) incur while attending the training program.

We do not require you to attend any additional training or refresher courses. However, we may require you to attend our Annual Convention and you must attend at least one Annual Convention during your first two years of operation. We do not charge to attend the Annual Convention, but you are responsible for your travel and living expenses (and other expenses) to attend.

Item 12 TERRITORY

For either an initial new territory purchase or an expansion territory purchase offered to existing franchisees, you will receive a "Designated Territory" when granted a "Surface Specialists" franchise. The Designated Territory generally will be one or more cities, towns, or counties with a minimum population of 100,000 and a maximum population of 2,000,000. The Designated Territory will be described in Section 1 of the Franchise Agreement. You may operate your Surface Specialists Business within the Designated Territory. The Designated Territory is an exclusive territory within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks as we license you to use through your franchise agreement.

Although we do not currently do so, we reserve the right to distribute products or services in your Designated Territory through alternative channels of distribution, including the Internet, using the "Surface Specialists" Trademark. In addition, we currently distribute, and reserve the right to distribute, products and services in your Designated Territory through alternative channels of distribution, including the Internet, selling similar products or services under a trademark different from the "Surface Specialists" Trademark. We are not required to pay you any compensation for soliciting or accepting orders inside your Designated Territory.

Although we cannot alter your Designated Territory, we can terminate the Franchise Agreement if you fail to achieve a certain level of Gross Receipts in operating your Surface Specialists Business. You will be in default and we may terminate the Franchise Agreement if (i) you do not generate Gross Receipts of at least \$30,000 during the first 12 months of operation, or (ii) for any following 12-month period, you fail to generate Gross Receipts equal to the

minimum amount required during the preceding 12-month period, plus 15%, until the minimum acceptable annual level of Gross Receipts reaches \$100,000.



You may relocate the Surface Specialists Business without our written consent, if the new site is centrally located in your Designated Territory.

We generally will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

You must concentrate your advertising and sales effort within your Designated Territory. You cannot conduct marketing or advertising (including any listing in a telephone directory) outside your Designated Territory or use other channels of distribution, including the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Designated Territory unless you obtain our prior written consent. You may serve customers located outside your Designated Territory, provided they are not located within the Designated Territory of any current “Surface Specialists” franchisee. You may serve customers located inside the Designated Territory of another “Surface Specialists” franchisee only with our prior written consent. “Surface Specialists” franchisees operating under older versions of franchise agreements may not be bound by this restriction and may at times service customers who reside within your Designated Territory without compensation to you. We do not have any direct company-owned operations, although we would be subject to the same advertising and selling restrictions that you and other “Surface Specialists” franchisees are currently subject to.

Item 13
TRADEMARKS

We grant you the right to operate a Surface Specialists Business under the name “Surface Specialists,” using the following federally registered trademarks:

| Registration Number | Description of Mark | Principal or Supplemental Register of the United States Patent and Trademark Office | Registration Date |
|---------------------|---|---|-------------------|
| 3,049,936 | “Surface Specialists” | Principal | January 24, 2006 |
| 4,274,549 |  | Principal | January 15, 2013 |
| 4,274,550 |  | Principal | January 15, 2013 |

We have filed all required affidavits. We have filed all required renewal registrations.

There are no currently effective determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court. There are no pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving our trademarks, service marks, trade names, logotypes or other commercial symbols. Certain assets of SSSI, including the trademarks, serve as collateral for SSSI's obligations under a promissory note issued to its predecessor, SSSI-Missouri, when SSSI purchased assets related to the Business System from SSSI-Missouri. There are currently no other agreements in effect that significantly limit SSSI's rights to use or license the use of any Trademarks listed in this Item 13 in any manner material to the franchise.

We are not required to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you.

You must notify us promptly if you become aware of any infringement or unauthorized use of the Trademarks and cooperate with any action that we take. We are not required to take any affirmative action when notified of these uses. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. We are not required to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you, or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks immediately. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any infringing use that could materially affect your use of our trademarks.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered which are material to the "Surface Specialists" franchise offered, although we do claim copyright protection for the Operations Manuals and various sales promotional and other materials periodically published. You must keep confidential during and after the term of the Franchise Agreement all information contained in the Operations Manuals. You cannot duplicate or provide any information contained in the Operations Manuals to any party other than, during the term of the Franchise Agreement, those of your employees who need to know that information. When the Franchise Agreement terminates, you must return to us all copies of the Operations Manuals and all other material we have copyrighted.

We do not contract with individual franchisees to protect the copyrights, to protect individual franchisees against infringement or unfair competition claims arising out of the franchisee's use of the copyrights, or to participate in the franchisee's defense or indemnify the franchisee. We reserve the right to control any copyright litigation and will be the sole judge as to whether any suit will be brought or settled when any person or entity infringes our copyrights.

Item 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED
BUSINESS.

You must personally manage and operate the Surface Specialists Business unless you receive our prior written consent to delegate your authority to a Designated Manager. We do not require that the Designated Manager own an interest in the franchisee entity. You or your Designated Manager (if you have one) must attend and complete the training program.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a principal owner and must sign the Personal Guaranty attached as Schedule 1 to the Franchise Agreement. These people, together with any Designated Manager, agree to discharge all obligations of the franchisee under the Franchise Agreement and are bound by all its provisions, including maintaining the confidentiality of proprietary information and complying with the noncompete covenants.

You must hire employees, not 1099 contract labor, to provide services through your franchise.

In addition, all of your employees and owners of the franchise must sign a written agreement to maintain the confidentiality of our trade secrets and comply with noncompete covenants, in a form that we specify or approve. And if you are married, your spouse must sign a Spousal Non-Compete Agreement, Schedule 2 to the Franchise Agreement.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that we have approved. You also must offer all goods and services that we designate as required for all franchisees. We may, at our discretion, add new goods and services, based on its evaluation of various factors, including customer demands, the geographic location of your Surface Specialists Business and any other factor that we consider important to the operation of your Surface Specialists Business. Our right to modify the approved list of goods and services to be offered at a Surface Specialists Business is not limited.

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Item 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise or Other Agreement | Summary |
|--|--|--|
| a. Length of franchise term | Section 1(03) | 10 years |
| b. Renewal or extension of the term | Section 1(03) | If you are in good standing, you can renew the Franchise Agreement for additional 10-year period. |
| c. Requirements for you to renew or extend | Section 1(03) | Provide advance notice, sign new agreement (which may contain materially different terms and conditions than your current Franchise Agreement), and be in compliance with current Franchise Agreement. |
| d. Termination by you | Section 17(01) | If you are complying with the Franchise Agreement, and we fail to cure a material default within 30 days after written notice. |
| e. Termination by us without cause | Not Applicable | |
| f. Termination by us with cause | Sections 17(02) and (03) | We can terminate the Franchise Agreement only if you default. |
| g. "Cause" defined – curable defaults | Sections 17(02) and (03) | You have 10 days after written notice to cure any other default of the Franchise Agreement or Operations Manual, except those breaches for which immediate termination is available. |

| Provision | Section in Franchise or Other Agreement | Summary |
|--|--|--|
| h. "Cause" defined – non-curable defaults | Sections 17(02) and (03) | Abandonment, conviction of felony or criminal misconduct relevant to operation of Business, insolvency, assignment of assets to creditors, misrepresentations which harm Business' reputation, continued operation would cause eminent danger to health or safety, repeatedly understate reports and financial statements, franchisee attempt to purchase proprietary product or any substitute from unapproved sources or attempt to determine formula or ingredients of any proprietary product; failure to meet minimum sales volume. |
| i. Your obligations on termination/non-renewal | Sections 18 (01) and (02) | Pay all amounts due us, return Operations Manuals and other materials to us, stop using "Surface Specialists" advertising and telephone listing, cancel any assumed name registrations relating to the Trademarks, stop using customer and other data located on your Computer System (also see r, below). |
| j. Assignment of contract by us | Section 19(01) | Assignee must fulfill our Franchise Agreement obligations. |
| k. "Transfer" by you - definition | Sections 19(02) | Includes any transfer of the Business, or its assets, your interest in the Franchise Agreement or any controlling interest in corporate franchisee. |
| l. Our approval of transfer by you | Sections 19(03) and (04) | We have the right to consent to all transfers of the Franchise Agreement but will not unreasonably withhold consent. |
| m. Conditions for our approval of transfer | Sections 19(03) and (04) | Transfer of less than 50% of interest: transferee signs a guarantee and all defaults are remedied. Transfer of an interest of 50% or more: transferee qualifies, transferee signs an assignment agreement, transferee pays transfer fee and, if transferee is an entity, all owners sign a guarantee, transferee completes our training program. |

| Provision | Section in Franchise or Other Agreement | Summary |
|---|--|--|
| n. Our right of first refusal to acquire your business | Section 20 | We can match any offer for your business. |
| o. Our option to purchase your business | Section 18(02) | We have first option upon termination or expiration of the franchise agreement for 30 days to purchase equipment, signs, supplies, marketable inventory and materials at book value and the right to leased premises. |
| p. Your death or disability | Section 19(04)(e) | Heir or personal representative must meet requirements of a transferee, or sell the Business within 90 days to a qualified purchaser. |
| q. Non-competition covenants during the term of the franchise | Section 13(01)(b); Schedule 2 | No direct or indirect involvement in any business offering kitchen or bathroom repair, refinishing/resurfacing, and/or replacement services, whirlpool conversions, plumbing/mechanical repair to whirlpool systems, safety conversions, glass polishing services, granite and marble repair or polishing services, strippable coating services, installation and/or vinyl repairs, acrylic tub liner and wall systems, tub protection services, other than one authorized in Franchise Agreement. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 13(02); Schedule 2 | No competing business for 2 years within the Designated Territory or within 25 miles of the Designated Territory or the exclusive territory of any other Surface Specialists Business. |
| s. Modification of the agreement | Section 12 | No modifications generally, but Operations Manuals, list of authorized Trademarks and required goods subject to change. |

| Provision | Section in Franchise or Other Agreement | Summary |
|---|--|--|
| t. Integration/merger clause | Section 23(05) | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Sections 21(04), 21(05); Schedule 2; Exhibit F | You must mediate any claims against us before filing suit. Claims by Illinois franchisees are to be brought in arbitration before the AAA. |
| v. Choice of forum | Section 21(03); Schedule 2 | All litigation not subject to an arbitration clause must be tried in North Carolina (subject to applicable state law). |
| w. Choice of law | Section 23(01); Schedule 2 | North Carolina law applies (subject to applicable state law). |

Item 18
PUBLIC FIGURES

We currently do not use any public figure to promote our franchise, although we reserve the right to engage a public figure for endorsements in the future. No public figure is involved in our actual management or control.

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Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

FPR #1- Average Gross Sales

Below is a statement of average gross sales of Surface Specialists Businesses for the 12-month period from January 1, 2023 to December 31, 2023 (“Reporting Period”). As of December 31, 2023, there were 48 operational franchisees, 45 of which had been in operation for at least a full year (“Reporting Franchisees”). We allow Reporting Franchisees who own more than one franchise and who are parties to more than one Franchise Agreement to report their gross sales to us on one report. As a result, 6 of the 45 Reporting Franchises submitted a single report combining Average Gross Sales for multiple territories. Five of these Franchises operate in 2 Designated Territories and 1 operates in 4 Designated Territories. Each provided an estimated percentage of the sales attributed per Designated Territory to determine Average Gross Sales per Designated Territory they operate.

| | |
|-------------------------|--------------|
| Average Gross Sales (1) | \$306,360.90 |
| Median Gross Sales | \$139,357.40 |

(1) “Gross Sales” (Gross Receipts) means the total revenues received from the sale of goods and services at or through the Surface Specialists Business, less sales or similar taxes or refunds.

Of the 45 Reporting Franchisees who reported gross sales information for the Reporting Period and are included in this statement, 11 of the 45 franchisees (24.4%) attained or exceeded the average gross sales of \$306,360.90.

The total gross sales of the 45 Reporting Franchisees ranged from a low of \$3,605.00 (operating in 1 Designated Territory with a population of 852,172 people) to a high of \$2,742,016.60 (operating in 1 Designated Territory with a population of 2,000,759 people).

The average population of the Designated Territories of the Reporting Franchisees was 1,384,858 people per Reporting Franchisee, the median population of the Designated Territories of the Reporting Franchises was 1,169,028 and the population of the Designated Territories of the Reporting Franchisees ranges from 42,150 to 4,253,700 per Reporting Franchisee.

Some franchisees have sold this much. Your individual results may differ. There is no assurance that you will sell as much.

FPR #2- Approximate Sales Value of Initial Inventory

The charts below illustrate the approximate sales value that can be produced from materials furnished in the Initial Inventory Packet included with a franchise purchase based on the average and median sales price reported by franchisees. The sales information provided was derived from a pricing survey conducted in January 2024. All 48 outlets in operation as of December 31, 2023, were sent the survey. Some franchise owners operate multiple outlets. As a result, there are only 38 franchise owners who owned all our franchised outlets in operation at the time the survey was conducted. Each owner submitted one response applicable to all outlets they own. 37 franchise owners completed and returned the 2024 survey.

Table 1: Average Values

| Job Type & Number of Jobs that may be generated from Initial Inventory included with franchise purchase | | # of Franchises providing price | 2024 Lowest Price Provided | 2024 Highest Price Provided | 2024 Average Sales Price* | 2024 Estimated Sales Value: Average | Franchises who met or exceeded Average | |
|---|-----|---------------------------------|----------------------------|-----------------------------|---------------------------|-------------------------------------|--|----|
| | | | | | | | # | % |
| Standard tub only refinishes | 7 | 31 | 300.00 | 1,200.00 | 573.52 | 4,014.64 | 11 | 35 |
| Standard tub only strip & refinish | 5 | 29 | 200.00 | 1,700.00 | 751.17 | 3,755.85 | 11 | 38 |
| Tub with surrounds | 2 | 27 | 450.00 | 2,085.00 | 1064.93 | 2,129.86 | 12 | 44 |
| Chipped tub or counter top repairs (80oz of repair coating total - ¼ oz used per repair) | 320 | 35 | 75.00 | 330.00 | 166.72 | 53,350.40 | 17 | 49 |
| Tub or counter top buffs | 75 | 32 | 75.00 | 330.00 | 177.97 | 13,347.75 | 13 | 41 |
| Through crack repairs (Not using an Overlay Panel) | 10 | 33 | 150.00 | 500.00 | 297.88 | 2,978.80 | 16 | 48 |
| Crack repair with Overlay Panel | 2 | 33 | 165.00 | 2,500.00 | 838.18 | 1,676.36 | 14 | 42 |
| Multi-crack repairs (using 32oz of GP resin) | 10 | 35 | 180.00 | 900.00 | 332.57 | 3,325.70 | 15 | 43 |
| Chemically clean tub bottoms | 10 | 31 | 95.00 | 330.00 | 180.97 | 1,809.70 | 13 | 42 |
| New skid bottoms | 8 | 34 | 125.00 | 500.00 | 220.74 | 1,765.92 | 21 | 62 |
| Solid surface buff kitchen tops | 10 | 24 | 100.00 | 600.00 | 295.63 | 2,956.30 | 10 | 42 |
| Stainless steel scratch removal | 5 | 22 | 75.00 | 330.00 | 184.77 | 923.85 | 9 | 41 |
| Granite or marble chip repairs | 50 | 27 | 75.00 | 330.00 | 191.57 | 9,578.50 | 11 | 41 |
| Granite buff & scratch removal | 20 | 21 | 150.00 | 500.00 | 288.57 | 5,771.40 | 9 | 43 |
| Marble buff & scratch removal | 20 | 23 | 75.00 | 400.00 | 205.43 | 4,108.60 | 9 | 39 |
| Glass scratch removal | 2 | 13 | 150.00 | 500.00 | 302.92 | 605.84 | 4 | 31 |
| Approximate Sales Value: Average | | | | | | \$112,099.47 | | |
| Discounted 30%*** | | | | | | \$78,469.63 | | |
| <p>*Price shown represents the Company Average Price for each service as derived from the 2024 Repair and Refinishing Pricing Survey of Surface Specialists franchisees.</p> <p>***This discount assumes that a new franchise may discount their initial price structure up to 30% to obtain work when entering the market and establishing their franchise business.</p> | | | | | | | | |

Table 2: Median Values

| Job Type & Number of Jobs that may be generated from Initial Inventory included with franchise purchase | | # of Franchises providing price | 2024 Lowest Price Provided | 2024 Highest Price Provided | 2024 Median Sales Price** | 2024 Estimated Sales Value: Median | Franchises who met or exceeded Median | |
|---|-----|---------------------------------|----------------------------|-----------------------------|---------------------------|------------------------------------|---------------------------------------|----|
| | | | | | | | # | % |
| Standard tub only refinishes | 7 | 31 | 300.00 | 1,200.00 | 549.00 | 3,843.00 | 16 | 52 |
| Standard tub only strip & refinish | 5 | 29 | 200.00 | 1,700.00 | 699.00 | 3,495.00 | 15 | 52 |
| Tub with surrounds | 2 | 27 | 450.00 | 2,085.00 | 1000.00 | 2,000.00 | 15 | 56 |
| Chipped tub or counter top repairs (80oz of repair coating total - ¼ oz used per repair) | 320 | 35 | 75.00 | 330.00 | 165.00 | 52,800.00 | 18 | 51 |
| Tub or counter top buffs | 75 | 32 | 75.00 | 330.00 | 175.00 | 13,125.00 | 17 | 53 |
| Through crack repairs (Using A&B Epoxy) | 10 | 33 | 150.00 | 500.00 | 280.00 | 2,800.00 | 17 | 52 |
| Overlays | 2 | 33 | 165.00 | 2,500.00 | 800.00 | 1,600.00 | 17 | 52 |
| Multi-crack repairs (using 32oz of GP resin) | 10 | 35 | 180.00 | 900.00 | 300.00 | 3,000.00 | 20 | 57 |
| Chemically clean tub bottoms | 10 | 31 | 95.00 | 330.00 | 175.00 | 1,750.00 | 16 | 52 |
| New skid bottoms | 8 | 34 | 125.00 | 500.00 | 225.00 | 1,800.00 | 21 | 62 |
| Solid surface buff kitchen tops | 10 | 24 | 100.00 | 600.00 | 262.50 | 2,625.00 | 12 | 50 |
| Stainless steel scratch removal | 5 | 22 | 75.00 | 330.00 | 170.00 | 850.00 | 11 | 50 |
| Granite or marble chip repairs | 50 | 27 | 75.00 | 330.00 | 175.00 | 8,750.00 | 15 | 56 |
| Granite buff & scratch removal | 20 | 21 | 150.00 | 500.00 | 275.00 | 5,500.00 | 12 | 57 |
| Marble buff & scratch removal | 20 | 23 | 75.00 | 400.00 | 175.00 | 3,500.00 | 14 | 61 |
| Glass scratch removal | 2 | 13 | 150.00 | 500.00 | 262.50 | 525.00 | 6 | 46 |
| Approximate Sales Value: Median | | | | | | \$ 107,963.00 | | |
| Discounted 30%*** | | | | | | \$ 75,574.10 | | |
| <p>**Price shown represents the Company Median Price for each service as derived from the 2024 Repair and Refinishing Pricing Survey of Surface Specialists franchisees.</p> <p>***This discount assumes that a new franchise may discount their initial price structure up to 30% to obtain work when entering the market and establishing their franchise business.</p> | | | | | | | | |

The tables above assume that you will be able to sell the products furnished to you in accord with system wide averages.

The information presented in the table above is based on sales information reported to us by our franchisees. We have not independently investigated the amounts reported. Prospective franchisees are advised that no certified public accountant has audited these figures or expressed an opinion with regard to their content or form.

These figures are only estimates of what we think you may sell. Your individual results may differ. There is no assurance that you will sell as much.

Notes applicable to both FPR's above:

The financial performance representations above do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the

costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

Written substantiation of all data in this Item 19 will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Surface Specialists Systems, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dan Kaplan, 621-B Stallings Road, Matthews, North Carolina 28105, (866) 239-8707, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised | 2021 | 47 | 47 | 0 |
| | 2022 | 47 | 45 | -2 |
| | 2023 | 45 | 48 | +3 |
| Company-Owned | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |
| Total Outlets | 2021 | 47 | 47 | 0 |
| | 2022 | 47 | 45 | -2 |
| | 2023 | 45 | 48 | +3 |

Table No. 2
Transfers of Outlets From Franchisee to New Owners (Other than the Franchisor)
For Years 2021 to 2023

| State | Year | Number of Transfers |
|---------|------|---------------------|
| Florida | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 1 |

| State | Year | Number of Transfers |
|----------------|------|---------------------|
| South Carolina | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 0 |
| TOTAL | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 1 |

**Table No. 3
Status of Franchised Businesses
For Years 2021 to 2023**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at the End of the Year |
|-------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|--------------------------------|
| Colorado | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Connecticut | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Georgia | 2021 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Illinois | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Iowa | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Louisiana | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Maryland | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at the End of the Year |
|-----------------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|--------------------------------|
| Michigan | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Minnesota | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2023 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| Missouri | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Nebraska | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nevada | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| North Carolina | 2021 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2022 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Pennsylvania | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2021 | 5 | 0 | 0 | 0 | 0 | 1 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Texas | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Utah | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wisconsin | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| TOTAL (US) | 2021 | 46 | 2 | 0 | 0 | 0 | 2 | 46 |
| | 2022 | 46 | 0 | 0 | 0 | 0 | 2 | 44 |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at the End of the Year |
|------------------------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|--------------------------------|
| | 2023 | 44 | 3 | 0 | 0 | 0 | 0 | 47 |
| Puerto Rico | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| TOTAL (US AND INTERNATIONAL) | 2021 | 47 | 2 | 0 | 0 | 0 | 2 | 47 |
| | 2022 | 47 | 0 | 0 | 0 | 0 | 2 | 45 |
| | 2023 | 45 | 3 | 0 | 0 | 0 | 0 | 48 |

**Table No. 4
Status of Company-Owned Outlets
For Years 2021 to 2023**

| State | Year | Outlets at the Start of the Year | Outlets Opened | Outlets Reacquired From Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at the End of the Year |
|----------------|------|----------------------------------|----------------|-------------------------------------|----------------|-----------------------------|--------------------------------|
| North Carolina | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |

(1) Outlets in Table 4 refers to outlets owned and operated by officers of SSSI.

**Table No. 5
Projected Openings as of December 31, 2023**

| State | Franchise Agreements Signed But Outlet Not Open | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|--------|---|--|---|
| Texas | 1 | 1 | 0 |
| TOTALS | 1 | 1 | 0 |

Exhibit A contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit A also contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do

business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

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

During the last 3 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.

We are not aware of any trademark specific franchisee associations.

Item 21
FINANCIAL STATEMENTS

Exhibit B contains our audited financial statements for the fiscal years ended as of December 31, 2023, 2022, and 2021.

Item 22
CONTRACTS

Proposed agreements regarding the franchise offering are included in this disclosure document as follows:

EXHIBITS

- C - Surface Specialists® Franchise Agreement
 - Schedule 1- Personal Guaranty
 - Schedule 2 - Spousal Non-Compete Agreement
 - Schedule 3- State Addenda to the Franchise Agreement
- D - Secured Promissory Note
- E - Deposit Receipt

Item 23
RECEIPTS

Exhibit J contains two Receipts. Please date and sign one copy and keep it for your records and date and sign the other copy and return it to us. This does not obligate you to purchase a franchise and it does not obligate us to sell you a franchise.

EXHIBIT A
List of Franchised Businesses and Former Franchisees

List of Franchisees
As of December 31, 2023

Operational outlets:

Colorado

Nick Roos
575 Fall River CT
Brighton, CO 80601
720-708-8340
(Operates 2 franchises)

Iowa

Scott Frank
500 Grand Ct
Robins, IA 52328
319-213-3002
(Operates 2 franchises)

Connecticut

Craig Kaplan & Kenny Rosenthal
31 New Haven RR Street
Mt. Vernon, NY 10550
914-699-6882

Louisiana

Slade & Elizabeth Hood
567 Linton Road
Benton, LA 71006
318-759-0880

Florida

Jamie Mills & Angel Worley
994 Blanding Blvd, Unit 109
Orange Park, FL 32065
904-298-1646

Maryland

Steve & Denise Hill
PO Box 1267
Millersville, MD 21108
410-777-5227

David Nieves
14030 Willow Grace
Orlando, FL 32824
407-288-5164

Michigan

Tim & Karen Jeffries
43184 Leeds Ct
Canton, MI 48188
734-397-2771

Frank Lenau
481 SE Inwood Ave
Port Saint Lucie, FL 34984
772-888-6595

Steve & LyAnn Streifel
11758 Woodview Trail
Gaylord, MI 49735
231-585-7051

Georgia

Cindi Brake
5107 Tanaga Court
Stone Mountain, GA 30087
770-498-1002

Minnesota

Josh & Brenda Boettger
24970 University Ave NW
Isanti, MN 55040
763-753-2807
(Operates 2 franchises)

Minnesota (continued)

Mark & Holly Anderson
73652-367th St.
Kimball, MN 55353
320-398-2015

Chris Thompson
436 Lyd Blvd
Mankato, MN 56001
507-625-1800
(Operates 2 franchises)

Sean & Nicole Borth
115 F Street
Marshall, MN 56258
507-591-2034

Russ Stark
PO Box 144
Wrenshall, MN 55797
218-384-4175

Missouri

Hal & Jean Malmberg
6500 St. Charles Rd.
Columbia, MO 65202
573-214-2800

Darren Lucas
5534 Greenton Way
St. Louis, MO 63128
636-677-4430

Franci Curtis
8900 NE Paw Paw Drive
Kansas City, MO 64157
816-534-0105

Nebraska

Walt Lowry
12365 IZARD
Omaha, NE 68154
402-493-3681

Nevada

Tom Ditter
452 E Silverado Ranch Blvd, #433
Las Vegas, NV 89183
702-597-2022

New York

Craig Kaplan & Kenny Rosenthal
31 New Haven RR Street
Mt. Vernon, NY 10550
914-699-6882
(Operates 3 franchises in NY)

North Carolina

Mike Hager
669 Suttles Rd.
Ellenboro, NC 28040
828-245-6374
(Operates 2 franchises)

Shannon Warren
916 Sethcreek Drive
Fuquay-Varina, NC 27526
919-557-6600

Kirk Carawan
2959 Birdsong Circle
Grimesland, NC 27837
252-751-0314

Andrew Kearns
203 E Main St #2145
Jamestown, NC 27282
336-471-9689

Ray & Linda Piedt
2740 Gray Fox Rd, Unit F
Monroe, NC 28110
704-821-9666

Cindy Leighton
8528 Bella Sera Way
Wilmington, NC 28411
910-392-3202

Pennsylvania

Ron & JoAnn Hein
250 Willow Road
Walnutport, PA 18088
610-767-8673

South Carolina

Wes Colerider
7001 St. Andrews Rd, Suite 362
Columbia, SC 29212
803-544-9800

Ray & Linda Piedt
2740 Gray Fox Rd, Unit F
Monroe, NC 28110
704-821-9666

Wes Colerider
5524 Dutton Ave, Suite A4
North Charleston, SC 29406
843-744-5575

Tom & Evelyn Nelson
1875 Hwy 11
Landrum, SC 29356
864-256-1898

Texas

Robert & Maria Knight
835 E Lamar Blvd #387
Arlington, TX 76011
817-757-9795

Abdelhakim Elaadil
8743 Bar Harbor Drive
Baytown, TX 77521
713-480-8466

Jared Farnsworth
302 Meadowdale Drive
Rockwall, TX 75087
214-957-8500

Wisconsin

Derek & Jessica Grant
6904 158th Ave
Bloomer, WI 54724
715-658-1302

Norb & Jayne Engel
PO Box 285
Kiel, WI 53042
920-894-4062
(Operates 2 franchises)

Mark & Gail Streifel
W5240 Wiley Lane
New Lisbon, WI 53950
608-269-3300

Puerto Rico

Christian Garcia Manuelli
1700 Calle Federico Montilla S
Torres Del Parque Apt Sur 912
Bayamon, PR 00956
787-649-0290

Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2023)

Texas

Todd & Lindy Watkins
6808 Branrust Drive
Austin, TX 78744
512-865-9516

**List of Former Franchisees
(For the Fiscal Year Ending December 31, 2023)**

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

Florida

Rusty Crisco
994 Blanding Blvd, Unit 109
Orange Park, FL 32065
Transfer

EXHIBIT B

SSSI's Audited Financial Statements



Surface Specialists Systems, Inc.

Audited Financial Statements

For the Years Ended December 31, 2023 and 2022

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**Davies, Goldstein
& Associates CPA's PLLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Surface Specialists Systems, Inc.
Matthews, North Carolina

Opinion

We have audited the accompanying financial statements of Surface Specialists Systems, Inc. which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in 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 Surface Specialists Systems, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Surface Specialists Systems, Inc. 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 Surface Specialists Systems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Surface Specialists Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Surface Specialists Systems, Inc.'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.

JAMES GOLDSTEIN ASSOCIATES, CPA'S PLLC

Matthews, North Carolina

February 24, 2024

Surface Specialists Systems, Inc.
Balance Sheets
December 31, 2023 and 2022

Assets

| Current Assets: | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------|--------------------------|--------------------------|
| Cash and Cash Equivalents | \$ 86,719 | \$ 61,158 |
| Accounts Receivable | 120,800 | 112,040 |
| Inventory | 57,695 | 61,812 |
| Prepaid Expenses | 10,017 | 1,609 |
| Total Current Assets | <u>275,231</u> | <u>236,619</u> |
| Long Term Assets: | | |
| Property and Equipment, net | 809 | 1,243 |
| Right of Use Asset | 56,044 | - |
| Deposits | 1,200 | 1,200 |
| Total Long Term Assets | <u>58,053</u> | <u>2,443</u> |
| Total Assets | <u><u>\$ 333,284</u></u> | <u><u>\$ 239,062</u></u> |

Liabilities and Stockholders' Equity

| | | |
|--|--------------------------|--------------------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 21,494 | \$ 16,249 |
| Accrued Liabilities | 45,734 | 4,006 |
| Total Current Liabilities | <u>67,228</u> | <u>20,255</u> |
| Lease Obligation, net of current portion | 27,244 | - |
| Total Liabilities | <u>94,472</u> | <u>20,255</u> |
| Stockholders' Equity | | |
| Common Stock, no par value, 10,000 shares authorized; 100 shares issued and outstanding | 100 | 100 |
| Retained Earnings | 238,712 | 218,707 |
| Total Stockholders' Equity | <u>238,812</u> | <u>218,807</u> |
| Total Liabilities and Stockholders' Equity | <u><u>\$ 333,284</u></u> | <u><u>\$ 239,062</u></u> |

The accompanying notes are an integral part of the financial statements

Surface Specialists Systems, Inc.
Income Statements
For the Years Ended December 31, 2023 and 2022

| | | |
|-------------------------------|------------|------------|
| Revenues | 2023 | 2022 |
| Merchandise Sales | \$ 706,060 | \$ 632,732 |
| Royalties | 732,509 | 706,535 |
| Franchise Fee Income | 27,452 | - |
| Total Revenue | 1,466,021 | 1,339,267 |
| Cost of Goods Sold | | |
| Merchandise and Materials | 491,836 | 436,954 |
| Freight-In | 54,153 | 50,536 |
| Total Cost of Goods Sold | 545,989 | 487,490 |
| Gross Profit | 920,032 | 851,777 |
| Expenses | | |
| Compensation | 369,901 | 312,428 |
| General and Administrative | 70,034 | 68,140 |
| Occupancy | 37,980 | 34,421 |
| Travel and Entertainment | 33,059 | 34,757 |
| Legal and Professional | 23,309 | 21,866 |
| Property and Other Taxes | 17,397 | 13,829 |
| Automotive | 15,513 | 19,893 |
| Insurance | 10,672 | 9,155 |
| Selling and Marketing | 5,146 | 6,186 |
| Depreciation and Amortization | 434 | 20,545 |
| Total Expenses | 583,445 | 541,220 |
| Net Income | \$ 336,587 | \$ 310,557 |

The accompanying notes are an integral part of the financial statements

Surface Specialists Systems, Inc.
Statements of Changes in Stockholders' Equity
As of and For the Years Ended December 31, 2023 and 2022

| | Common Stock | Retained Earnings | Total |
|--|-----------------|----------------------|-------------------|
| Stockholders' Equity, January 1, 2022 | \$ 100 | \$ 238,663 | \$ 238,763 |
| Stockholders' Distribution | - | (330,513) | (330,513) |
| Net Income | - | 310,557 | 310,557 |
| Stockholders' Equity, December 31, 2022 | <u>\$ 100</u> | <u>\$ 218,707</u> | <u>\$ 218,807</u> |
| | | | |
| Stockholders' Equity, January 1, 2023 | \$ 100 | \$ 218,707 | \$ 218,807 |
| Stockholders' Distribution | - | (316,582) | (316,582) |
| Net Income | - | 336,587 | 336,587 |
| Stockholders' Equity, December 31, 2023 | <u>\$ 100</u> | <u>\$ 238,712</u> | <u>\$ 238,812</u> |

Surface Specialists Systems
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

| Cash flows from operating activities: | 2023 | 2022 |
|--|------------|------------|
| Net Income | \$ 336,587 | \$ 310,557 |
| Change in Right of Use Assets | (56,044) | - |
| Change in Lease Obligations | 56,044 | - |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and Amortization expense | 434 | 20,545 |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (8,760) | 2,580 |
| (Increase) in Prepaid Expenses | (8,408) | (1,609) |
| Decrease (Increase) in Inventory | 4,117 | (296) |
| Increase (Decrease) in Accounts Payable | 5,245 | (354) |
| Increase (Decrease) in Accrued Liabilities | 12,928 | (1,186) |
| Net cash provided by operating activities | 342,143 | 330,237 |
| Cash flows from financing activities: | | |
| Stockholders' Distributions | (316,582) | (330,513) |
| Net cash (used in) financing activities | (316,582) | (330,513) |
| Net change in cash and cash equivalents | 25,561 | (276) |
| Cash and Cash Equivalents, January 1 | 61,158 | 61,434 |
| Cash and Cash Equivalents, December 31 | \$ 86,719 | \$ 61,158 |

The accompanying notes are an integral part of the financial statements

Surface Specialists Systems, Inc.
Notes to Financial Statements
As of and For the Years Ended December 31, 2023 and 2022

1. Organization and Business

Surface Specialists Systems, Inc. (the “Company”) was formed in 2001 in the state of North Carolina. The Company was organized for the purpose of acquiring and conducting franchising operations involving the repair and refinishing of plastic laminate, fiberglass, acrylic and porcelain surfaces. This includes selling franchise rights to own and operate “Surface Specialists Systems” and the sale of products used by franchisees for repairing and refinishing surfaces. The Company is headquartered in Matthews, North Carolina. There are 48 franchises currently in operation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

The Company recognizes revenue in accordance with FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). The terms of the current Franchise Disclosure Document require franchisees to pay the Company an initial franchise fee in exchange for the Company’s assistance in training, manuals, systems, a designated territory to operate in, and startup inventory of products used in repairing and refinishing surfaces. Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. Further clarification was provided in ASU 2021-02 *Franchisors – Revenue from Contracts with Customers* which allows private companies a practical expedient in determining the amount and timing of revenue recognition for pre-opening activities. Using this method, all of the performance obligations were met at the time of start-up including delivery of startup inventory, manuals and equipment as well as training. Therefore, all of the initial franchise fee was recognized upon opening of the franchise. The related franchise fee income, including that allocated to startup inventory sales, is included in franchise fee income in the accompanying Income Statements.

During 2023, 3 new franchises were opened. There were no new franchises opened in 2022.

In addition, franchisees are required to pay a royalty fee of 5% of the monthly gross receipts (sales) of the franchised business. In accordance with ASC 606, the royalty fee is recognized when the franchisee sales occur. Sales are reported by the franchisee a month in arrears. The Company recorded royalties receivable and the related revenue of approximately \$52,000 and \$63,000 during 2023 and 2022, respectively, which were earned in December and collected in the following January. The Company has the right to charge an advertising fee of 1% of gross receipts however, there were no advertising fees charged in 2023 or 2022.

Substantially all merchandise sales are product sales to franchisees. Revenues related to merchandise sales are recognized when the franchisor has substantially performed and satisfied all material services or conditions related to the sale.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank deposit accounts. The carrying amount approximates fair value due to the nature of the instruments. At no time during 2023 or 2022 did the Company’s cash balances exceed Federal Deposit Insurance Corporation limits.

Surface Specialists Systems, Inc.
Notes to Financial Statements
As of and For the Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are derived from the sale of products as well as from royalties owed by the franchisees. Accounts receivable are considered past due or delinquent when payment is not received within the credit term extended to the customer, typically 30 days. The Company reviewed all outstanding accounts and determined that no allowance for doubtful accounts was necessary at December 31, 2023 and 2022.

Inventory

Inventory is valued at the lower of average cost or market. Average actual cost is a method whereby purchases of new inventory are added to current inventory values in a weighted average calculation. Products are reviewed annually for obsolescence. The Company determined an allowance for obsolete inventory was not needed at December 31, 2023 and 2022.

Property and equipment

Property and equipment are recorded at historical cost. Maintenance and repairs that do not extend the useful life are charged against operations and not capitalized in the balance sheet. Items with less than a one-year useful life are expensed as purchased. The Company uses the straight-line method of depreciation with estimated useful lives of five years for computer equipment, furniture and fixtures, and machinery and equipment and three years for software recorded on the accompanying balance sheets. Total depreciation expense was \$434 and \$545 for the years ended December 31, 2023 and 2022, respectively.

Goodwill

Goodwill is comprised of the excess purchase price over the identified assets of the acquired business. Management decided to adopt Financial Accounting Standards Board (FASB) Accounting Standards Update 2014-02 (ASU 2014-02) – Intangibles – Goodwill and Other (Topic 350) as of December 31, 2013. Under ASU 2014-02, the Company may elect to amortize goodwill on a straight-line basis over 10 years and elect to test goodwill for impairment either at the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount.

The Company elected to amortize goodwill over 10 years and it was fully amortized as of December 31, 2022. The Company recorded \$20,000 of amortization expense for the year ended December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 these estimates.

3. Income Taxes

The Company, with consent of its stockholders has elected to be treated as a subchapter S corporation for income tax reporting purposes. In an S corporation, the individual stockholders report and pay income taxes on their personal tax returns. The Company does not generally pay income taxes. As a result, no provision for income taxes has been included in these financial statements.

Surface Specialists Systems, Inc.
Notes to Financial Statements
As of and For the Years Ended December 31, 2023 and 2022

3. Income Taxes (continued)

The Company follows ASC 740-10 as it relates to uncertain tax positions for the years ended December 31, 2023 and 2022 and has evaluated its tax positions taken for all open tax years for filings with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

4. Related Party Transactions

The Kaplan family owns Surface Specialist Systems, Inc. They are also 49% owners of Surface Specialists of Columbia SC, Inc. which is a franchisee of the Company. In addition, a relative of the Kaplans owns a franchise. There was approximately \$3,300 and \$1,600 in merchandise sales from the Kaplans' franchise for the years ended December 31, 2023 and 2022, respectively. There are no special pricing arrangements made. There were \$835 and \$384 in related receivables as of December 31, 2023 and 2022, respectively.

5. Operating Leases

The Company leases its office space under a one-year lease. The new lease will begin on January 1, 2024 and has an option to renew for one additional year.

Effective January 1, 2022, the Company adopted the new lease accounting guidance in Accounting Standards No. 2016-02, Leases (Topic 842). In connection with the adoption of this guidance, practical expedients permitted in ASC Topic 842 were elected. As such, an accounting policy election not to recognize right of use assets and lease liabilities that arise from short-term leases (one-year or less) for any class of underlying asset was made.

The minimum lease payments are \$2,400 per month. The right of use asset and lease obligation are discounted at 5.5%.

6. Subsequent Events

In preparing these financial statements in accordance with Accounting Standards Codification No. 855 – Subsequent Events, the Company has evaluated events and transactions for potential recognition or disclosure through February 24, 2024, the date the financial statements were available to be issued. The Company has no knowledge of significant subsequent events as of this date that would require adjustment to or disclosure in the financial statements.

Surface Specialists Systems, Inc.
Notes to Financial Statements
As of and For the Years Ended December 31, 2023 and 2022

7. Property and Equipment

Property and Equipment consisted of the following as of December 31,

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|---------------|---------------|
| Computer Equipment | \$ 32,310 | \$ 32,310 |
| Furniture and Fixtures | 4,431 | 4,431 |
| Software | 4,063 | 4,063 |
| Machinery and Equipment | <u>42,898</u> | <u>42,898</u> |
| | 83,702 | 83,702 |
| Less Accumulated Depreciation | <u>82,893</u> | <u>82,459</u> |
| Total Property and Equipment, net | \$ 809 | \$ 1,243 |



Surface Specialists Systems, Inc.

Audited Financial Statements

For the Years Ended December 31, 2022 and 2021

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**Davies, Goldstein
& Associates CPA's PLLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Surface Specialists Systems, Inc.
Matthews, North Carolina

Opinion

We have audited the accompanying financial statements of Surface Specialists Systems, Inc. which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in 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 Surface Specialists Systems, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Surface Specialists Systems, Inc. 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 Surface Specialists Systems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Surface Specialists Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Surface Specialists Systems, Inc.'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.

JAMES GOLDSTEIN ASSOCIATES, CPA'S PLLC

Matthews, North Carolina

February 2, 2023

Surface Specialists Systems, Inc.
Balance Sheets
December 31, 2022 and 2021

Assets

| Current Assets: | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Cash and Cash Equivalents | \$ 61,158 | \$ 61,434 |
| Accounts Receivable | 112,040 | 114,620 |
| Inventory | 61,812 | 61,516 |
| Prepaid Expenses | 1,609 | - |
| Total Current Assets | <u>236,619</u> | <u>237,570</u> |
| | | |
| Long Term Assets: | | |
| Property and Equipment: | | |
| Computer Equipment | 32,310 | 32,310 |
| Furniture and Fixtures | 4,431 | 4,431 |
| Software | 4,063 | 4,063 |
| Machinery and Equipment | 42,898 | 42,898 |
| | <u>83,702</u> | <u>83,702</u> |
| Less Accumulated Depreciation | 82,459 | 81,914 |
| Total Property and Equipment, net | <u>1,243</u> | <u>1,787</u> |
| | | |
| Other Assets: | | |
| Goodwill, net of accumulated amortization of \$180,000 and \$160,000, respectively | - | 20,000 |
| Rent Deposit | 1,200 | 1,200 |
| Total Other Assets | <u>1,200</u> | <u>21,200</u> |
| | | |
| Total Long Term Assets | 2,443 | 22,987 |
| | | |
| Total Assets | <u>\$ 239,062</u> | <u>\$ 260,558</u> |

Liabilities and Stockholders' Equity

| | | |
|--|-------------------|-------------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 16,249 | \$ 16,603 |
| Accrued Liabilities | 4,006 | 5,192 |
| Total Current Liabilities | <u>20,255</u> | <u>21,795</u> |
| | | |
| Stockholders' Equity | | |
| Common Stock, no par value, 10,000 shares authorized; 100 shares issued and outstanding | 100 | 100 |
| Retained Earnings | 218,707 | 238,663 |
| Total Stockholders' Equity | <u>218,807</u> | <u>238,763</u> |
| | | |
| Total Liabilities and Stockholders' Equity | <u>\$ 239,062</u> | <u>\$ 260,558</u> |

The accompanying notes are an integral part of the financial statements

Surface Specialists Systems, Inc.
Income Statements
For the Years Ended December 31, 2022 and 2021

| Revenues | <u>2022</u> | <u>2021</u> |
|---------------------------------|-------------------|-------------------|
| Merchandise Sales | \$ 632,732 | \$ 598,660 |
| Royalties | 706,535 | 644,634 |
| Franchise Fee Income | - | 25,940 |
| Total Revenue | <u>1,339,267</u> | <u>1,269,234</u> |
| | | |
| Cost of Goods Sold | | |
| Merchandise and Materials | 436,954 | 409,109 |
| Freight-In | 50,536 | 50,165 |
| Total Cost of Goods Sold | <u>487,490</u> | <u>459,274</u> |
| | | |
| Gross Profit | <u>851,777</u> | <u>809,960</u> |
| | | |
| Expenses | | |
| Compensation | 312,428 | 323,652 |
| Travel and Entertainment | 34,757 | 29,502 |
| General and Administrative | 68,140 | 36,742 |
| Occupancy | 34,421 | 33,582 |
| Legal and Professional | 21,866 | 18,482 |
| Depreciation and Amortization | 20,545 | 20,384 |
| Automotive | 19,893 | 14,150 |
| Property, Sales and Other Taxes | 13,829 | 15,322 |
| Insurance | 9,155 | 8,022 |
| Selling and Marketing | 6,186 | 4,068 |
| Total Expenses | <u>541,220</u> | <u>503,905</u> |
| | | |
| Net Income | <u>\$ 310,557</u> | <u>\$ 306,054</u> |

The accompanying notes are an integral part of the financial statements

Surface Specialists Systems, Inc.
Statements of Changes in Stockholders' Equity
As of and For the Years Ended December 31, 2022 and 2021

| | Common Stock | Retained Earnings | Total |
|--|-----------------|----------------------|-------------------|
| Stockholders' Equity, January 1, 2021 | \$ 100 | \$ 228,668 | \$ 228,768 |
| Stockholders' Distribution | - | (296,060) | (296,060) |
| Net Income | - | 306,054 | 306,054 |
| Stockholders' Equity, December 31, 2021 | <u>\$ 100</u> | <u>\$ 238,663</u> | <u>\$ 238,763</u> |
| | | | |
| Stockholders' Equity, January 1, 2022 | \$ 100 | \$ 238,663 | \$ 238,763 |
| Stockholders' Distribution | - | (330,513) | (330,513) |
| Net Income | - | 310,557 | 310,557 |
| Stockholders' Equity, December 31, 2022 | <u>\$ 100</u> | <u>\$ 218,707</u> | <u>\$ 218,807</u> |

Surface Specialists Systems
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|------------|------------|
| Cash flows from operating activities: | | |
| Net Income | \$ 310,557 | \$ 306,054 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and Amortization expense | 20,545 | 20,384 |
| Changes in operating assets and liabilities: | | |
| Accounts Receivable | 2,580 | (2,336) |
| Prepaid Expenses | (1,609) | 0 |
| Inventory | (296) | (13,533) |
| Accounts Payable | (354) | (6,727) |
| Accrued Liabilities | (1,186) | 535 |
| Net cash provided by operating activities | 330,237 | 304,377 |
| Cash flows from investing activities: | | |
| Change in notes receivable, net of principal payments received | - | 514 |
| Purchase of property and equipment | - | (1,618) |
| Net cash (used in) investing activities | - | (1,104) |
| Cash flows from financing activities: | | |
| Stockholders' Distributions | (330,513) | (296,060) |
| Net cash (used in) financing activities | (330,513) | (296,060) |
| Net change in cash and cash equivalents | (276) | 7,213 |
| Cash and Cash Equivalents, January 1 | 61,434 | 54,220 |
| Cash and Cash Equivalents, December 31 | \$ 61,158 | \$ 61,434 |

The accompanying notes are an integral part of the financial statements

Surface Specialists Systems, Inc.
Notes to Financial Statements
As of and For the Years Ended December 31, 2022 and 2021

1. Organization and Business

Surface Specialists Systems, Inc. (the “Company”) was formed in 2001 in the state of North Carolina. The Company was organized for the purpose of acquiring and conducting franchising operations involving the repair and refinishing of plastic laminate, fiberglass, acrylic and porcelain surfaces. This includes selling franchise rights to own and operate “Surface Specialists Systems” and the sale of products used by franchisees for repairing and refinishing surfaces. The Company is headquartered in Matthews, North Carolina. There are 45 franchise territories currently in operation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

The Company recognizes revenue in accordance with FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). The terms of the current Franchise Disclosure Document require franchisees to pay the Company an initial franchise fee in exchange for the Company’s assistance in training, manuals, systems, a designated territory to operate in, and startup inventory of products used in repairing and refinishing surfaces. Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. Further clarification was provided in ASU 2021-02 *Franchisors – Revenue from Contracts with Customers* which allows private companies a practical expedient in determining the amount and timing of revenue recognition for pre-opening activities. Using this method, all of the performance obligations were met at the time of start-up including delivery of startup inventory, manuals and equipment as well as training. Therefore, all of the initial franchise fee was recognized upon opening of the franchise. The related franchise fee income, including that allocated to startup inventory sales, is included in franchise fee income in the accompanying Income Statements.

There were no new franchises opened in 2022. During 2021, two new franchises began operations.

In addition, franchisees are required to pay a royalty fee of 5% of the monthly gross receipts (sales) of the franchised business. In accordance with ASC 606, the royalty fee is recognized when the franchisee sales occur. Sales are reported by the franchisee a month in arrears. The Company recorded royalties receivable and the related revenue of approximately \$63,000 during 2022 and 2021, which were earned in December and collected in the following January. The Company has the right to charge an advertising fee of 1% of gross receipts however, there were no advertising fees charged in 2022 or 2021.

Substantially all merchandise sales are product sales to franchisees. Revenues related to merchandise sales are recognized when the franchisor has substantially performed and satisfied all material services or conditions related to the sale.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank deposit accounts. The carrying amount approximates fair value due to the nature of the instruments. At no time during 2022 or 2021 did the Company's cash balances exceed Federal Deposit Insurance Corporation limits.

Accounts Receivable

Accounts receivable are derived from the sale of products as well as from royalties owed by the franchisees. Accounts receivable are considered past due or delinquent when payment is not received within the credit term extended to the customer, typically 30 days. The Company reviewed all outstanding accounts and determined that no allowance for doubtful accounts was necessary at December 31, 2022 and 2021.

Inventory

Inventory is valued at the lower of average cost or market. Average actual cost is a method whereby purchases of new inventory are added to current inventory values in a weighted average calculation. Products are reviewed annually for obsolescence. The Company determined an allowance for obsolete inventory was not needed at December 31, 2022 and 2021.

Property and equipment

Property and equipment are recorded at historical cost. Maintenance and repairs that do not extend the useful life are charged against operations and not capitalized in the balance sheet. Items with less than a one-year useful life are expensed as purchased. The Company uses the straight-line method of depreciation with estimated useful lives of five years for computer equipment, furniture and fixtures, and machinery and equipment and three years for software recorded on the accompanying balance sheets. Total depreciation expense was \$545 and \$384 for the years ended December 31, 2022 and 2021, respectively.

Goodwill

Goodwill is comprised of the excess purchase price over the identified assets of the acquired business. Management decided to adopt Financial Accounting Standards Board (FASB) Accounting Standards Update 2014-02 (ASU 2014-02) – Intangibles – Goodwill and Other (Topic 350) as of December 31, 2013. Under ASU 2014-02, the Company may elect to amortize goodwill on a straight-line basis over 10 years and elect to test goodwill for impairment either at the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount.

The Company has elected to amortize goodwill over 10 years and has recorded \$20,000 of amortization expense for the years ended December 31, 2022 and 2021 in the accompanying financial statements. The Company has elected to test goodwill for impairment as needed at the entity level and does not believe that any triggering events have occurred to indicate that the fair value of the entity is below its carrying amount as of December 31, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 these estimates.

3. Income Taxes

The Company, with consent of its stockholders has elected to be treated as a subchapter S corporation for income tax reporting purposes. In an S corporation, the individual stockholders report and pay income taxes on their personal tax returns. The Company does not generally pay income taxes. As a result, no provision for income taxes has been included in these financial statements.

The Company follows ASC 740-10 as it relates to uncertain tax positions for the years ended December 31, 2022 and 2021 and has evaluated its tax positions taken for all open tax years for filings with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

4. Related Party Transactions

The Kaplan family owns Surface Specialist Systems, Inc. They are also 49% owners of Surface Specialists of Columbia SC, Inc which is a franchisee of the Company. In addition, a relative of the Kaplans owns a franchise. There was approximately \$1,600 and \$1,100 in merchandise sales from the Kaplans' franchise for the years ended December 31, 2022 and 2021, respectively. There are no special pricing arrangements made. There were \$384 and \$1,292 in related receivables as of December 31, 2022 and 2021, respectively.

5. Subsequent Events

In preparing these financial statements in accordance with Accounting Standards Codification No. 855 – Subsequent Events, the Company has evaluated events and transactions for potential recognition or disclosure through February 2, 2023, the date the financial statements were available to be issued. The Company has no knowledge of significant subsequent events as of this date that would require adjustment to or disclosure in the financial statements.

EXHIBIT C

Surface Specialists® Franchise Agreement (and Schedules)

SURFACE SPECIALISTS®
FRANCHISE AGREEMENT

BETWEEN

SURFACE SPECIALISTS SYSTEMS, INC.
621-B Stallings Road
Matthews, North Carolina
(866) 239-8707

AND

Name(s) of Franchisee

Street

City State Zip Code

()
Area Code Telephone

FRANCHISED LOCATION:

SURFACE SPECIALISTS
FRANCHISE AGREEMENT

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- 1 - PERSONAL GUARANTY
- 2- SPOUSAL NON-COMPETE AGREEMENT
- 3- STATE ADDENDA TO THE FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into the ___ day of _____, 20___, by and between SURFACE SPECIALISTS SYSTEMS, INC., a North Carolina corporation (“Franchisor”), and _____ (“Franchisee”).

BACKGROUND

A. Franchisor franchises surface repair and refinishing businesses known as “Surface Specialists” which offer to residential and commercial customers high quality repair, refinishing/resurfacing and replacement of kitchen and bathroom surfaces including bathtubs, showers, sinks, vanities ceramic tile, countertops, fiberglass, cultured marble, acrylic, PVC/ABS and porcelain fixtures, wood, appliances and metal surfaces, pools and spas. Surface Specialists® businesses also perform whirlpool conversions, plumbing/mechanical repair to whirlpool systems, safety conversions, door sill overlay and step through insert installation services, acrylic tubliner and wall system installation, tub protection services, glass polishing services, granite and marble repair and polishing, strippable coating services and vinyl repairs. Such services (as Franchisor periodically may modify) are collectively referred to as “Approved Services.” Franchisor uses and licenses certain trademarks, including “Surface Specialists,” and may hereafter adopt, use and license additional or substitute trademarks, service marks, logos and commercial symbols in connection with the operation of “Surface Specialists” businesses (collectively, the “Marks”). Surface Specialists® businesses use Franchisor’s methods, procedures, standards, specifications and Marks (all of which are collectively referred to as the “Business System”), which Franchisor may periodically improve, further develop or otherwise modify.

B. Franchisee has had an adequate opportunity to be thoroughly advised of the provisions of this Agreement and Franchisor’s Franchise Disclosure Document, and has had sufficient time and opportunity to evaluate and investigate the Business System and the procedures and financial requirements associated with the Business System, as well as the competitive market in which it operates.

C. Franchisee desires to operate a “Surface Specialists” business which will conform to Franchisor’s uniform requirements and quality standards as Franchisor may periodically develop.

AGREEMENTS:

In consideration of the foregoing and the promises contained herein, the parties agree as follows:

1.) GRANT OF FRANCHISE AND RENEWAL

(01) Subject to the provisions of this Agreement, Franchisor grants to Franchisee the right, franchise, and privilege to use the Marks and the Business System (the “Franchise”) to conduct a business offering the Approved Services (the “Franchised Business”) in the following area:_____

(the “Designated Territory”). During the term of the Franchise, Franchisor shall not directly establish or grant to any other person a franchise to establish within the Designated Territory, a business that generally offers Approved Services. Franchisee understands, however, that Franchisor may sell any products or services through other channels of distribution in the Designated Territory, either under the Marks or under other trademarks.

Franchisee shall concentrate its advertising and sales effort within the Designated Territory and cannot conduct marketing or advertising (including any listing in a telephone directory) outside the Designated Territory without Franchisor's prior written consent. Franchisee may serve customers located outside the Designated Territory, provided they are not located within the Designated Territory of another "Surface Specialists" franchisee. Franchisee may serve customers located inside the Designated Territory of another "Surface Specialists" franchisee only with Franchisor's prior written consent. "Surface Specialists" franchisees operating under older versions of franchise agreements may not be bound by this restriction and may at times service customers who reside within the Designated Territory without compensation to Franchisee.

(02) The rights and privileges granted to Franchisee under this Agreement are applicable only to the Designated Territory, are personal in nature, and may not be used elsewhere or at any other location by the Franchisee. Franchisee shall not have the right to subfranchise, sublicense, assign or transfer its rights under this Agreement, except as specifically provided herein.

(03) This Agreement shall be effective and binding from the date of its execution by Franchisor, and the term of this Franchise shall continue until the tenth anniversary of the execution of this Agreement. At the end of said term, if the Franchisee has observed and performed all its obligations hereunder, Franchisee may renew its franchise for an additional ten (10) year period on the same terms and conditions as those on which new "Surface Specialists" franchises are then being granted. No initial or renewal fee shall be charged. In the event Franchisee elects to renew as provided herein, Franchisee shall send to Franchisor its written intent to renew at least one hundred twenty (120) days prior to the expiration of the initial term of the Franchise. Failure or refusal by Franchisee to execute all agreements and documents within thirty (30) days after deliver to Franchisee shall be deemed an election by Franchisee not to renew the Franchise. Franchisor shall give Franchisee not less than ninety (90) days' prior written notice of its intention not to renew the Franchise.

2. INITIAL FRANCHISE FEE

Franchisee shall pay to Franchisor an Initial Franchise Fee of \$36,000 as follows: (i) Franchisor acknowledges that it has received a deposit of \$5,000; (ii) _____ Dollars (\$ _____) will have been paid upon the date of execution of this Agreement; and (iii) the balance of _____ Dollars (\$ _____) is payable under the terms of a Promissory Note (if applicable) provided by Franchisor. The entire Initial Franchise Fee shall be deemed to have been fully earned by Franchisor at the time this Agreement is executed.

For veterans, we offer a 10% discount off the cost of our Initial Franchise Fee for the following service members and their family:

- Honorably Discharged Veterans
- Current members of the National Guard or reserves
- Spouses of active-duty or veteran service members
- Children of active-duty or veteran service members

Due to the nature of our franchise business, we are not able to offer franchises to active duty service members in the regular military and therefore no discounts are available to active duty service members. The following restrictions apply to this discount:

- It is only available for a franchisee opening his or her first franchise
- Must have honorable discharge
- Veteran, reservist or dependent must have majority ownership

If you are an existing Surface Specialist franchisee wishing to expand your business into another Designated Territory by purchasing an additional franchise and signing an additional Franchise Agreement, we charge a discounted Initial Franchise Fee. Additional Designated Territories will be priced at \$0.015 per person in the new Designated Territory. This discounted Initial Franchise Fee does not include any initial supply of proprietary products or other materials or equipment.

3.) ROYALTY FEE

(01) Franchisee shall pay to Franchisor a nonrefundable Royalty Fee equal to five percent (5%) of the Gross Receipts of the Franchised Business, subject to a minimum monthly Royalty Fee of \$250. Franchisee shall submit to Franchisor, no later than the fifteenth (15th) day of each month, a report of Gross Receipts for the immediately preceding calendar month signed by Franchisee on a form approved by Franchisor. Each monthly statement of Gross Receipts shall be accompanied by the Royalty Fee payment based on the correct statement of Gross Receipts reported in the statement so submitted. Franchisee shall make available for reasonable inspection at reasonable times by Franchisor, all original books and records that Franchisor may deem necessary to ascertain Gross Receipts. Except as to existing outlets, as to which no 90 day grace period applies, payment of the monthly Royalty Fee shall commence the first full calendar month that begins 90 days following Franchisee's completion of the initial training program.

The term "Gross Receipts" means the total amount of all revenues received by Franchisee from the sale of goods and services, including all Approved Services, whether for cash or by check, credit card or trade, in connection with the Franchised Business, less customer refunds and sales tax collected from customers and paid to appropriate tax authorities.

(02) Franchisee shall record all sales and shall keep and maintain accurate records thereof and will cause all such sales to be registered upon numerically-controlled invoices of the type specified by Franchisor's confidential "Operations Manuals" (as further described in Section 8 below).

4.) ADVERTISING FEES AND CONTROLS

(01) Franchisor reserves the right to require Franchisee to pay to Franchisor a nonrefundable monthly Advertising Contribution equal to one percent (1%) of the Gross Receipts of the Franchised Business, payable in the same manner and at the same time as described in Section 3 above. At such time as Franchisor requires Franchisee to pay the Advertising Contribution, Franchisor will provide Franchisee with at least sixty (60) days' prior written notice.

(02) Reasonable disbursements from the Advertising Fund shall be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the "Surface Specialists" franchise system, including: (i) the cost of formulating, development, and implementing media advertising campaigns; (ii) the cost of formulating, developing and implementing promotional and public relations programs; (iii) at the option of Franchisor, reimbursement of all or part of each Franchisee's cost of purchasing promotional materials used in connection with promotional programs authorized by Franchisor; and (iv) the reasonable cost of administering the Advertising Fund, including accounting expenses and the actual cost of salaries and fringe benefits paid to Franchisor's employees engaged in administration of the Advertising Fund. All interest, if any, earned by the Advertising Fund shall be used for the payment of the foregoing expenses in connection with promotion of the Marks, before application of any principal to those expenses. The Advertising Fund is not a trust or escrow account and Franchisor has no fiduciary obligations to franchisees with respect to any programs or expenditures. Methods, media employed, contents of advertising, and terms and conditions of advertising campaigns and promotional programs shall be within the sole discretion of Franchisor. There shall be no requirements that all or any part of the Advertising Fund be disbursed within any accounting period. Selection of media and locale for media placement shall be at the sole discretion of

the administrator of the Advertising Fund. Franchisee understands that such advertising is intended to maximize the public's awareness of the Franchised Business, and that Franchisor accordingly undertakes no obligation to insure that any individual Franchisee benefits directly or on a pro rata basis from the placement, if any, of such advertising in his local market. Franchisor shall provide Franchisee an annual unaudited statement of the financial condition of the Advertising Fund, certified by an officer of Franchisor.

(03) In addition to the required Advertising Contribution, Franchisee may spend additional amounts on local advertising and marketing activities in the Designated Territory designed primarily to promote the Franchised Business ("Local Advertising"). Prior to implementing any Local Advertising, Franchisee shall submit to Franchisor or its designated agency, for its prior approval, all sales promotion materials and advertising to be used by Franchisee, including newspapers, radio, and television advertising, specialty and novelty items. In the event written or oral disapproval of said advertising and promotional materials is not received by Franchisee from Franchisor within fifteen (15) days from the date such material is submitted to and received by Franchisor, said material shall be deemed approved. Failure by Franchisee to conform with the provisions herein and subsequent nonaction by Franchisor to this failure and default shall not be deemed as a waiver of further or additional failures and default. The submission of advertising to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its services.

(04) Franchisee shall not advertise or use in advertising, or any other form of production, the trademarks of Franchisor without appropriate registration marks. In addition, Franchisee shall concentrate its advertising and promotional effects in the Designated Territory and shall not, without the Franchisor's prior approval, advertise or market (including the placement of any listing in a telephone directory) "Surface Specialists" services outside of the Designated Territory.

5.) OWNERSHIP AND USE OF MARKS

(01) Franchisor is the owner of the Marks. Any and all improvements by Franchisee relating to the Marks and Business System will become the sole property of Franchisor who has the exclusive right to register and protect all such improvements in its name.

(02) Franchisee's right to use and identify with the Marks and Business System applies only to the Franchised Business, and exists concurrently with the term of this Agreement and only so long as Franchisee is in complete compliance with Franchisor's quality standards. Franchisee will have the right to use the Marks and Business System only in the manner directed and approved by Franchisor in writing. Franchisee will not have or acquire any rights in any of the Marks or Business System other than the right of use as governed by this Agreement. If, in the judgment of Franchisor, Franchisee's acts infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and Business System, Franchisee will immediately, upon written notice from Franchisor, modify its use of the Marks and Business System in the manner required by Franchisor in writing. Franchisee will not during or after the term of this Agreement do anything directly or indirectly which would infringe upon, harm, mislead or contest Franchisor's rights in the Marks or Business System.

(03) Franchisee will operate the Franchised Business so that it is clearly identified and advertised as a "Surface Specialists" business. The style, form and use of the words "Surface Specialists" in any advertising, written materials or supplies must, however, have Franchisor's prior written approval, which approval will not be unreasonably withheld. Franchisee will use the name "Surface Specialists" and the other Marks which now or hereafter may form a part of the Business System, on all paper supplies, business cards, letterhead, envelopes, uniforms, advertising materials, signs or other articles in the identical combination and manner as Franchisor may require in writing. Franchisee will comply with all trademark, trade name, service mark and copyright notice marking requirements.

(04) Franchisee will not use the words “Surface Specialists” as part of its name for its business entity and will use the “Surface Specialists” name as a d/b/a for the trade name of the Franchised Business as follows: _____, and no other mark or words, unless Franchisor otherwise directs. The use of any additional words with any of the Marks must have the prior written consent of Franchisor. Franchisee will clearly indicate on its business checks, invoices, business cards, receipts, promotional materials and other written materials that Franchisee is the owner of the Franchised Business and that Franchisee is a “Surface Specialists” franchisee. Franchisee will display a sign which is clearly visible to the general public indicating that the Franchised Business is independently owned and operated.

(05) If there is a claim by any party that its rights to use any of the Marks are superior and if Franchisor determines that such claim is legally meritorious, Franchisee will, upon receiving written notice from the Franchisor, immediately use such changes and amendments to the Marks as Franchisor may require. Franchisee will not make any changes or amendments in or to the use of the Marks and Business System unless directed by Franchisor in writing.

(06) Franchisee will have no obligation to and will not, without Franchisor’s prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify Franchisor of any claims or complaints made against Franchisee with respect to the Marks and will, at its expense, cooperate in all respects with Franchisor in any court or other proceedings involving the Marks. Franchisor will pay the cost and expense of all litigation incurred by Franchisor including attorneys’ fees, specifically relating to the Marks. Franchisor and its legal counsel will have the right to control and conduct any litigation relating to the Marks.

6.) LOCATION

(01) Franchisee shall, at its sole expense, provide the premises in which the Franchised Business shall be located and operated. The office shall be centrally located within the area specified in Section 1(01) of this Agreement. If municipal zoning regulations so permit, Franchisee may establish this office in Franchisee’s residence; provided Franchisee’s residence is centrally located within the Designated Territory. Franchisee shall neither create nor purport to create any obligation on behalf of Franchisor, nor grant or purport to grant the landlord thereunder any rights against Franchisor, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement.

(02) Franchisee shall commence operations of the Franchised Business not later than ninety (90) days after Franchisor signs this Agreement. If Franchisee fails to commence operations as herein provided and to continuously maintain said operations, such failure shall be considered a default, and Franchisor may terminate this Agreement as provided herein.

7.) TRAINING AND ASSISTANCE

(01) Franchisor shall make available to Franchisee, and Franchisee shall attend and successfully complete, a training program at Matthews, North Carolina, or at another suitable location of Franchisor’s choice in the United States. You or your Designated Manager (if you have one) must attend and complete the training program. The training program shall consist of approximately two (2) weeks of instruction in all aspects of the operations of the Franchised Business. Lodging and travel expenses for one person are included in the Initial Franchise Fee. Meal expenses and other living expenses incurred by Franchisee during this period shall be borne by Franchisee.

(02) Franchisor may, but shall not be required to, provide a continuing advisory service which shall include consultation on promotional, business, or operational problems with analysis of Franchisee's sales, marketing, and financial data.

(03) Franchisor may initially, and from time to time when available, offer to Franchisee materials and bulletins on sales, marketing developments, products, and techniques either without charge or according to the then current price list.

(04) Franchisor will make available to Franchisee for use in the Franchised Business, directly or through a third-party supplier, Ceramite™, Polymerite™, Guardian Coat™, Counter Effects™, and Starfire™ (or any replacement products designated by Franchisor).

(05) Franchisor may require Franchisee to attend our Annual Convention and you must attend at least one Annual Convention during your first two years of operation. We do not charge to attend the Annual Convention, but you are responsible for your travel and living expenses (and other expenses) to attend.

8.) CONFIDENTIAL OPERATIONS MANUALS

(01) In order to protect the reputation and goodwill associated with the mark "Surface Specialists," and to maintain the uniform standards of operation thereunder, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's confidential Field Manual, Office Manual, Tubliner Manual and any future confidential manual Franchisor provides to Franchisee (collectively, the "Operations Manuals"). Franchisor will loan a copy of each Operations Manual to Franchisee prior to commencement of the operation of the Franchised Business. Any reference herein to the Operations Manuals shall include one or all of the separate manuals described above, as applicable.

(02) Franchisee shall treat as confidential and shall not, at any time, disclose, copy, duplicate, record, or otherwise reproduce, in whole or in part, or otherwise make available to any unauthorized person or source, the contents of the Operations Manuals.

(03) The Operations Manuals shall remain the sole property of Franchisor and shall promptly be returned upon the expiration or other termination of this Agreement.

(04) Franchisor will, from time to time, revise the contents of the Operations Manuals so as to convey to Franchisee advancements, modifications, and new developments in sales, marketing, operational techniques, and other items and procedures relevant to the Franchised Business.

9.) OPERATION OF THE FRANCHISED BUSINESS

(01) At such times the office from which the Franchised Business is operated is not staffed during regular business hours, Franchisee shall operate a phone answering system. Franchisee will be held responsible for the day-to-day management of the Franchised Business.

(02) Franchisee will use its best efforts in promoting and operating the Franchised Business. Franchisee must at all times give prompt, courteous and efficient service to its customers, including returning customer and potential customer inquiries within 24 business hours of receipt of the incoming inquiry, call, or message. Franchisee must, in all dealings with others, adhere to the highest standards of honesty and integrity.

(03) If required by Franchisor, all service personnel employed in the Franchised Business shall be required to wear uniforms specified by Franchisor.

(04) Franchisee shall affix signage promoting the Franchised Business on the vehicle(s) used in the Franchised Business not later than ninety (90) days after Franchisor signs this Agreement. Franchisee must obtain Franchisor's prior written approval of all signage.

(05) Franchisee shall acquire and use in the Franchised Business such tools and equipment as described in the Operations Manuals and shall maintain a reasonable quantity of Ceramite™, Polymerite™, Guardian Coat™, Counter Effects™, and Starfire™ products (and any new proprietary products and replacement products designated by Franchisor). Franchisee shall purchase the Ceramite™, Polymerite™, Guardian Coat™, Counter Effects™, and Starfire™ products (and any new proprietary products and replacement or similar products) from Franchisor. In addition, Franchisor may from time to time identify in writing approved suppliers for other products from whom Franchisee must purchase those approved products.

(06) Franchisee will use in the Franchised Business the computer system, including all existing or future communication systems, components thereof and associated service, which Franchisor has developed or selected for the Business System (the "Computer System"). The components of Franchisee's Computer System must meet specifications Franchisor develops. Franchisee will be required to use and, at Franchisor's discretion pay for all future updates, supplements and modifications to the Computer System. Franchisee acknowledges that Franchisor will have full and complete access to information and data produced or otherwise located on Franchisee's Computer System.

(07) Franchisee acknowledges that the Internet is a powerful and expanding medium through which business is conducted. Franchisee must have Internet access and an e-mail address. In addition, Franchisor may, upon 90 days' prior written notice, require Franchisee, at Franchisee's expense, to participate in a "Surface Specialists" World Wide Web Site listed on the Internet or other on-line communications. Franchisor will, at its discretion, determine the content and use of a "Surface Specialists" Web Site and will establish the rules under which franchisees may or will participate in such Web Site or separately use the Internet or other on-line communications. Franchisor will retain all rights relating to the "Surface Specialists" Web Site and may alter or terminate the Web Site upon 30 days' notice to Franchisee. Franchisee's general conduct on the Web Site or other on-line communications and specifically its use of the Marks or any advertising on the Web Site or other on-line communications (including the domain name and any other Marks Franchisor may develop as result of participation in the Web Site or other on-line communications) will be subject to the provisions of this Agreement. Franchisee acknowledges that certain information obtained through its participation in the "Surface Specialists" Web Site may be considered Confidential Information, including access codes and identification codes. Franchisee's right to participate in the "Surface Specialists" Web Site or otherwise use the Marks or Business System on the Internet or other on-line communications will terminate when this Agreement expires or terminates.

10.) ACCOUNTING AND RECORDS

(01) Franchisee agrees to keep and preserve, during the term of the Franchise, full, complete, and accurate books and accounts in an accounting form and manner as prescribed in the Operations Manuals. Franchisee will supply to Franchisor within thirty (30) days after the close of each six (6) month period a profit and loss statement for the six (6) month period and a balance sheet. Such statements shall include separately stated operating statements of receipts and disbursements for each month of the reporting period. Such statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis.

(02) Franchisee shall maintain a separate banking account for the Franchised Business and shall submit to Franchisor such periodic reports, forms, and records as specified, and in the manner and at the time as specified in the Operations Manuals.

(03) Franchisor's representatives shall have the right at reasonable times to inspect Franchisee's books, records, and cash control devices or systems.

(04) Franchisor shall have the right to audit or cause to be audited the sales reports and financial statements delivered to Franchisor, and the books, records, bank account statements, and sales and income tax returns of Franchisee and, if Franchisee is an entity, the owners of Franchisee. If any audit discloses an understatement of the Gross Receipts of the Franchised Business for any period or periods, Franchisee, within fourteen (14) days of receipt of the audit report, shall pay to Franchisor the Advertising Contributions and Royalty Fees, if any, due on the previously unreported Gross Receipts, plus interest from the due date at the maximum rate permitted by law, not to exceed eighteen percent (18%) per annum. In addition, if an understatement for any period equals three percent (3%) or more of the Gross Receipts of the Franchised Business for the period, Franchisee shall reimburse Franchisor for the cost of the audit, including the charges of any independent accountant and the travel expenses, room and board, and compensation of persons employed by Franchisor to make the audit.

(05) Products, supplies, and services purchased by Franchisee from Franchisor shall be payable upon receipt of an invoice therefor pursuant to purchase terms established from time to time by Franchisor. Fees or charges for products, supplies, or services furnished by Franchisor, or Royalty Fees or Advertising Contributions, that are not paid when due shall bear interest from the due date at the maximum rate permitted by law, not to exceed eighteen percent (18%) per annum. If Franchisee is delinquent in the payment of any service fee or charge for products, supplies, or services, Franchisor shall have the right to set off amounts owed by Franchisor to Franchisee against any amounts owed to it by Franchisee.

11.) STANDARDS OF QUALITY

Franchisee recognizes that it is essential to the goodwill of the "Surface Specialists" network and to the preservation and promotion of the reputation of the network and acceptance by the public at large, that uniform standards of quality and of appearance be maintained. Franchisee therefore agrees that it will at all times perform work for members of the public in a quality manner as shown during training and in accordance with all standards issued to Franchisee in the Franchisor's Operations Manuals or otherwise. Franchisee agrees to sell, serve, and dispense all such articles, services, and other products as designated by Franchisor.

12.) MODIFICATION OF THE "SURFACE SPECIALISTS" SYSTEM

Franchisee recognizes and agrees that from time to time hereafter Franchisor may change or modify the system presently identified by the mark "Surface Specialists," including the adoption and use of new or modified trade names, trademarks, service marks, or copyrighted materials, new products, new equipment, or new techniques, and that Franchisee will accept, use, and display for the purpose of this Agreement any such changes in the Business System, including new or modified Marks, copyrighted materials, new products, and new techniques, as if they were part of this Agreement at the time of execution hereof. Franchisee will make such expenditures and such changes or modifications in the Business System as may reasonably be required, and to do so within a reasonable time.

13.) COVENANTS

(01) During the term of this Agreement or any extension thereof:

- (a) Franchisee, or its designated manager, shall devote all the time, energy, and effort reasonably required for the management and successful operation of the Franchised Business.

- (b) Franchisee shall not, either directly or indirectly, for a fee or charge, in the United States offer any of the following, other than by operating under a valid franchise agreement with Franchisor: (i) repair, refinish, resurface, or replace kitchen and bathroom surfaces including bathtubs, showers, sinks, vanities, ceramic tile, countertops, fiberglass, cultured marble, acrylic, PVC/ABS and porcelain fixtures, wood, appliances and metal surfaces, pools and/or spas; (ii) perform whirlpool conversions or plumbing/mechanical repair to whirlpool systems; (iii) safety conversions; (iv) acrylic tubliner and wall system installation; (v) tub protection services; (vi) glass polishing services; (vii) granite and marble repair and/or polishing services; (viii) strippable coating services; (ix) vinyl repairs; or (x) door sill overlay and step through insert installation services.

(02) Franchisee further covenants that during the term of this Agreement or any extension or any renewals thereof, and for a period of two (2) years thereafter, regardless of the cause of termination, Franchisee shall not:

- (a) Divert, or attempt to divert, any business or any customers of the Franchised Business to any other competitive establishment, by direct or indirect inducement or otherwise.
- (b) Either directly or indirectly, for a fee or charge, within the Designated Territory or within twenty five (25) miles of any part of the Designated Territory or within the protected territory of any other then-existing "Surface Specialists" franchisee, other than by operating under a valid franchise agreement with Franchisor: (i) repair, refinish, resurface, or replace kitchen and bathroom surfaces including bathtubs, showers, sinks, vanities, ceramic tile, countertops, fiberglass, cultured marble, acrylic, PVC/ABS and porcelain fixtures, wood, appliances and metal surfaces, pools and/or spas; (ii) perform whirlpool conversions or plumbing/mechanical repair to whirlpool systems; (iii) safety conversions; (iv) acrylic tubliner and wall system installation; (v) tub protection services; (vi) glass polishing services; (vii) granite and marble repair and/or polishing services; (viii) strippable coating services; (ix) vinyl repairs; or (x) door sill overlay and step through insert installation services.

(03) Franchisee shall not, during the term of this Agreement or after its termination, communicate or divulge any information or knowledge concerning the methods of manufacturing, preparation, promotion, sale, or distribution used in the Franchised Business, nor shall Franchisee disclose or divulge, in whole or in part, any trade secrets or private processes of Franchisor or its affiliated companies.

(04) You must hire employees, not 1099 contract labor, to provide services through your franchise.

In addition, all of your employees and owners of the franchise must sign a written agreement to maintain the confidentiality of our trade secrets and comply with noncompete covenants, in a form that we specify or approve. Copies of the executed agreements will be submitted to Franchisor upon request. And if you are married, your spouse must sign a Spousal Non-Compete Agreement, Schedule 2 to the Franchise Agreement.

14.) INITIAL INVENTORY

Upon the execution of this Agreement, Franchisor shall provide an inventory of materials sufficient to produce approximately \$78,469.63 in sales volume. Franchisor is not required to provide this inventory of

materials if this Agreement is being signed as part of a franchise renewal, transfer, or any other transaction where the initial franchise fee is not paid.

15.) INSURANCE

Franchisee will obtain and maintain in force (under policies of insurance issued by solvent and reputable carriers) and pay the premiums for (a) comprehensive public liability insurance with minimum limits of \$500,000 per person and \$1,000,000 per occurrence; and (b) general casualty insurance (including fire, broad form extended coverage, vandalism and malicious mischief) on the Franchised Business building, equipment, signs and inventory, workers' compensation insurance, motor vehicle insurance, dram shop liability insurance (if applicable) and other insurance in such types and amounts as Franchisor may reasonably require. You must provide us with certificates of insurance per our specifications, and all insurance policies must name "Surface Specialists Systems, Inc." as an additional insured. Franchisee will furnish to Franchisor a certificate of insurance as stated above, naming Franchisor as an additional insured, and providing that such policy will not be canceled, amended or modified except upon thirty (30) days' prior written notice to Franchisor. Maintenance of the insurance requirement will not relieve Franchisee of the obligations of indemnification stated in Section 22 below. If Franchisee fails to obtain or maintain in force any insurance as required by this Section or to furnish any certificate of insurance required hereunder, Franchisor may, in addition to all other available remedies, obtain such insurance or certificates, and Franchisee will promptly reimburse Franchisor for all insurance premiums and other costs incurred in obtaining such insurance.

16.) TAXES AND PERMITS

(01) Franchisee shall promptly pay when due all taxes and assessments against the premises or the equipment used in connection with the Franchised Business, and all liens or encumbrances of every kind or character placed upon or against any of said property, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business.

(02) Franchisee shall comply with all federal, state, and local laws and regulations, and shall timely obtain any and all permits, certificates, or licenses for the full and proper conduct of the Franchised Business.

17.) TERMINATION AND DEFAULT

(01) Franchisee may terminate this Agreement if Franchisor violates any material obligation of Franchisor to Franchisee and fails to cure such violation within thirty (30) days after Franchisor's receipt of written notice from Franchisee; provided, however, that Franchisee is in substantial compliance with the Agreement at the time of giving such notice of termination. Franchisee's written notice will identify the violation and demand that it be cured.

(02) Franchisor may terminate the Franchise Agreement, effective immediately upon receipt by Franchisee of notice of termination, if:

- (a) Franchisee voluntarily abandons the Franchise by failing to operate the business for five (5) consecutive days during which Franchisee is required to operate the business under the terms of the Franchise Agreement, unless such failure to operate is due to natural disaster other similar causes beyond Franchisee's control;
- (b) Franchisee is convicted of (or pleads guilty or no contest to) a felony or any other criminal misconduct which is relevant to the operation of the Franchise;

- (c) Franchisee or the business to which the Franchise relates is insolvent, meaning unable to pay its bills as they come due in the ordinary course;
- (d) Franchisee makes an unauthorized assignment or transfer of the Franchise Agreement, the Franchised Business, or the Franchise;
- (e) Franchisee makes any material misrepresentations relating to the acquisition of the Franchise or Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the Business System;
- (f) Franchisee fails, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state, or local law or regulation applicable to the operation of the Franchise, including those laws or regulations governing health, safety, and/or sanitation;
- (g) Franchisee fails to pay any Royalty Fees or Advertising Fees when due, or other amounts due to Franchisor or to any affiliate of Franchisor within ten (10) days after receiving notice that such fees are overdue;
- (h) Franchisor makes a reasonable determination that continued operation of the Franchise by Franchisee will result in an eminent danger to public health or safety;
- (i) Franchisee submits to Franchisor two (2) or more sales reports, financial statements, other information or supporting records in any period of twelve (12) consecutive months which understate by three percent (3%) or more the Gross Receipts of the Franchised Business or materially distort any other material information; or
- (j) Franchisee purchases Ceramite™, Polymerite™, Guardian Coat™, Counter Effects™, Starfire™, or any other products that Franchisor designates as proprietary from sources other than Franchisor or its designee, or attempts to determine the formula or ingredients of such products or to purchase unapproved substitutes for such products.
- (k) Franchisee fails to generate Gross Receipts of at least \$30,000 within the first twelve (12) months of the operation of the Franchised Business, and in each twelve (12) month period thereafter, to generate Gross Receipts equal to the minimum amount required during the preceding twelve (12) months, plus fifteen percent (15%), until the minimum acceptable annual level of Gross Receipts reaches \$100,000 per annum.

(03) Franchisor may also terminate this Agreement for any other breach of this Agreement or the Operations Manual if it provides Franchisee ten (10) days' written notice and Franchisee does not cure the breach within ten (10) days of such notice.

(04) To the extent that the provisions of this Franchise Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal, or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, be superseded by said law, and Franchisor shall comply with applicable law in connection with each of these matters.

18.) RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

(01) Upon termination or expiration of this Agreement, Franchisee shall immediately cease to be a licensed "Surface Specialists" franchisee and:

- (a) Within seven (7) days after the effective date of the termination or expiration of the Franchise, Franchisee shall pay Franchisor all sums owing from Franchisee to Franchisor under the terms of this Agreement. Said sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor by reason of default on the part of Franchisee, whether or not such occurred prior to or subsequent to the termination or expiration of the Franchise, and said sums shall include all costs and expenses, including reasonable attorneys' fees incurred by Franchisor, in obtaining injunctive or other relief to enforce the provisions of this contract.
- (b) Franchisee shall immediately thereafter cease to use, by advertising or in any manner, the Marks, together with any telephone listings used in connection with the operation of the Franchised Business. Franchisee shall not represent or advertise that Franchisor or Franchisee were formerly parties to this Franchise Agreement, or that Franchisee did business under the Marks.
- (c) Franchisee shall take such action as shall be necessary to cancel any assumed name or equivalent registration relating to the use of the Marks, and Franchisee shall furnish evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after said termination.
- (d) Franchisee shall cease using customer information and other data produced by or otherwise located on the Computer System that relates to the Franchised Business, which information and data shall belong to Franchisor.

(02) Franchisee relinquishes all interest in the Franchise upon termination or expiration of, or failure to renew, the Franchise Agreement. If this Agreement expires or is terminated for any reason (other than the fault of Franchisor), Franchisor has the option, upon thirty (30) days written notice from the date of expiration or termination, to purchase from Franchisee all approved equipment, signs, supplies, inventory, and materials owned by Franchisee and used in the operation of the Franchised Business (excluding any unmarketable inventory) (collectively, the "Purchased Assets") and to an assignment of Franchisee's lease for the premises of the Franchised Business (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as Franchisee's lease). Franchisor may assign this option to purchase and assignment of leases separate and apart from the remainder of this Agreement. The purchase price for the Store will be the "Book Value" (as defined below) of the Purchased Assets. "Book Value" means the net book value of the Purchased Assets, as disclosed in the last six (6) month statement of the Franchised Business provided to Franchisor under Section 10(01) before termination or expiration, provided, however, that: (1) each depreciable asset will be valued on a "straight-line" basis without provision for salvage value; and (2) Franchisor may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement. If Franchisor is not satisfied with the accuracy or fairness of any financial statements, or none has been submitted, Franchisor's regularly employed firm of certified public accountants will determine (by audit) the Book Value. Franchisor and Franchisee will equally bear the cost of the audit. The results of the audit will be final and binding on both parties.

The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur no later than sixty (60) days after Franchisor delivers notice of its election to purchase the Purchased

Assets, unless Book Value is determined by audit, in which case the closing will occur within a reasonable time, not to exceed sixty (60) days, after the results of the audit are made available. At the closing, Franchisee will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to Franchisor or its designee and such other documents Franchisor may reasonably request. Franchisor may set off against and reduce the purchase price by all amounts Franchisee owes to Franchisor.

(03) All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of the Franchise including, but not limited to, the indemnification obligations described in Section 22, shall continue in full force and effect subsequent to the expiration or termination of this Agreement.

19.) TRANSFERABILITY OF INTEREST

(01) This Agreement and all rights hereunder may be assigned and transferred by Franchisor and, if so, shall be binding upon and benefit Franchisor's successors and assigns.

(02) No Franchisee, or owner (if Franchisee is an entity), without the prior written consent of Franchisor, by operation of law or otherwise, shall sell, assign, transfer, convey, give away, or encumber to any person, firm or entity, its interest in this Agreement or its interest in the Franchise granted hereby or its interest in any entity which owns any interest in the Franchise. Any purported assignment not having the necessary consent shall be null and void and shall constitute a material default hereunder.

(03) Franchisor shall not unreasonably withhold its consent to any assignment of less than one-half (1/2) of the beneficial interest in the Franchise or the Franchised Business, provided such transfer is not part of a series of transfers intended to evade this provision, and further provided:

- (a) The transferee shall enter into a Personal Guaranty, attached hereto as Schedule 1, assuming and/or guaranteeing all of Franchisee's obligations hereunder;
- (b) Any defaults under this Agreement on the part of Franchisee have been remedied; and
- (c) Such other reasonable conditions as may be required by Franchisor in connection with the transfer or assignment have been satisfied.

(04) If an assignment, alone or together with other previous, simultaneous, or proposed assignments, would have the effect of transferring one-half (1/2) or more of the beneficial interest in the Franchise or the Franchised Business (or a substantial portion of the assets thereof), Franchisor shall provide its consent to the assignment only if all of the following conditions and requirements shall first be satisfied:

- (a) The transferee shall be of good moral character and reputation and shall have a good credit rating, financial capabilities and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with the information it may reasonably require to make a determination concerning the proposed transferee;
- (b) The transferee, including all shareholders or partners of the transferee, shall jointly and severally signs a written assignment, in a form satisfactory to Franchisor, assuming all of Franchisee's obligations under this Agreement for the remainder of its term or, at Franchisor's option, signs Franchisor's then-current standard form of

franchise agreement (which will provide for the same Royalty Fee and advertising fees for a term equal to the remaining term of this Agreement, although such agreement may provide other rights and obligations from those provided in this Agreement);

- (c) Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor and Franchisee shall fully pay to Franchisor a transfer fee of \$5,000;
- (d) If the transferee is an entity, all the owners of the transferee shall enter into a Personal Guaranty attached hereto as Schedule 1, jointly and severally guaranteeing the full payment and performance of the transferee's obligations to Franchisor and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under the terms of this Agreement; and
- (e) If the assignment or transfer is caused by the death or incapacity of Franchisee (or in the case of an entity, by the death or incapacity of one controlling more than one-half (1/2) or more of the voting interest of Franchisee), the provisions of this subsection (04) must be met with regard to the heir or personal representative of Franchisee succeeding to Franchisee's interest hereunder; provided, however, if the heir or personal representative assigns, transfers or sells its interest in the Franchise within ninety (90) days after the death or incapacity of Franchisee, the person to whom the interest is assigned, transferred or sold, and not Franchisee's heir or personal representative, must comply with the provisions of this subsection (04) as transferee.

In addition, the assignee or a designated representative of the assignee approved by Franchisor to manage the Franchised Business must satisfactorily complete Franchisor's orientation program before the assignee may assume responsibility for the operation of the Franchised Business.

20.) RIGHT OF FIRST REFUSAL

If, at any time during the term hereof, Franchisee receives a bona fide offer to purchase the Franchised Business, which offer Franchisee is willing to accept, Franchisee shall communicate in writing to Franchisor the full terms of the offer and the name of the offeror. Franchisor may elect to purchase the business on the terms set forth in the offer. If Franchisor elects to purchase the business, it shall give Franchisee written notice of the election within thirty (30) days after Franchisor receives Franchisee's communication of the offer. If Franchisor fails to give written notice of election within thirty (30) days, Franchisee may sell to the offeror on the terms offered, subject to the provisions relating to assignment. The sale must, however, be completed within sixty (60) days of the termination of the thirty (30) day period during which Franchisor may give written notice of election to purchase; otherwise, an additional notice must be given to Franchisor and an additional option period must expire prior to any such transfer. In the event Franchisor elects to purchase the business, it shall have the right to substitute equivalent cash for any noncash consideration included in the bona fide offer to purchase the business and Franchisor and Franchisee will use their best efforts to complete the purchase within sixty (60) days from the date of Franchisor's notice of election to purchase.

21.) ENFORCEMENT

(01) Franchisor shall have the right to enforce, by judicial process, its rights with respect to all disputes and claims relating to any provision hereof, to any specification, standard or operating procedure, or other obligation of Franchisor or to the breach thereof (including any claim that this Agreement, any provision thereof, any specification, standards or operating procedure, or any other obligation of Franchisee or

Franchisor is illegal, unenforceable or voidable under any law, ordinance, or ruling). Franchisor shall be entitled, without bond, to the entry of temporary restraining orders, and temporary and permanent injunctions enforcing the aforementioned provisions. If Franchisor secures any such injunction, or any other judicial relief against Franchisee, Franchisee shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of obtaining such relief, including reasonable attorney fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

(02) Franchisor and franchisee waive any and all rights to a trial by jury or to seek or obtain punitive damages in connection with any legal claim arising or relating to this agreement or the dealings of the parties ("Claims").

(03) Except as to Claims which must be submitted to arbitration, Franchisor and Franchisee each agree to submit to the exclusive venue and jurisdiction of the state and federal courts located nearest our corporate headquarters, presently in Matthews, North Carolina. However, if you are an Illinois resident or your franchise territory is located in Illinois, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

(04) Internal Dispute Resolution. Franchisee must first bring any Claim to Franchisor's CEO, after providing notice as set forth in Section 21(05) below. Franchisee must exhaust this internal dispute resolution procedure before bringing any Claim before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

(05) Mediation. Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA"), and split any AAA and mediator fees equally.

(06) Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

(07) Class Action Waiver. Franchisee agrees that Franchise shall bring any Claims, if at all, individually and not bring, join, or participate in a class action as to such Claims.

(08) Limitation of Action. Franchisee agrees to bring any Claims against Franchisor, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

(09) Third Party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the provisions of this Agreement and the Enforcement provisions contained herein.

22.) INDEPENDENT CONTRACTORS/INDEMNIFICATION

(01) Franchisor and Franchisee are independent contractors. Neither Franchisor nor Franchisee will make any agreements, representations, or warranties in the name of or on behalf of the other or that their relationship is other than franchisor and franchisee. Neither Franchisor nor Franchisee will be obligated by or have any liability under any agreements, representations or warranties made by the other nor will Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business whether caused by Franchisee's negligent or willful action or failure to act.

(02) Franchisee alone will be responsible for all loss or damage arising out of or relating to the operation of the Franchised Business or arising out of the acts or omissions of Franchisee or any of its agents, employees or contractors in connection with the preparation and sale of products by Franchisee, and for all claims for damage to property or for injury or death of any persons directly or indirectly resulting therefrom. Franchisee will indemnify Franchisor against and reimburse Franchisor for all obligations and damages arising out of the operation of the Franchised Business and including all costs reasonably incurred by Franchisor in the defense of any such claim brought against it or in any action in which it is named as a party, including reasonable attorney fees. Franchisor will have the right to defend any such claim against it. Franchisor will indemnify Franchisee against and reimburse Franchisee for any obligations or liability for damages attributable to agreements, representations or warranties of Franchisor, or caused by Franchisor's negligence or willful action, and for costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any action in which it is named as a party, provided that Franchisor will have the right to participate in and, to the extent Franchisor deems necessary, to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to such indemnification. The indemnities and assumptions of liabilities and obligations described in this Agreement will continue in full force and effect subsequent to the expiration or termination of this Agreement.

23.) GOVERNING LAW/BINDING EFFECT/CONSTRUCTION/WAIVER/NOTICES

(01) Except as to claims governed by federal law, North Carolina law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

(02) The failure, neglect, or delay of either party to enforce or exercise its rights under any provision of this Agreement shall not constitute a waiver of its rights to enforce that provision later or to enforce other provisions.

(03) Any notices required to be given hereunder shall be given in writing by a method of delivery likely to be received at the last known addresses of Franchisor and Franchisee. Notice by mail shall be deemed received on the fourth business day following the date same was deposited in the mail.

(04) In the event of any default on the part of either party hereto, in addition to any other remedies of the aggrieved party, the party in default shall pay to the aggrieved party all amounts due and all damages, costs, and expenses, including reasonable attorneys' fees, incurred by the aggrieved party as a result of any such default.

(05) This Agreement, and the documents referred to herein, represent the entire agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersedes all prior agreements, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise. Nothing in the Agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee. No amendment, change, or variance from this Agreement shall be binding on either party unless executed in writing.

(06) Franchisor and Franchisee agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed simply according to its fair meaning and not strictly against Franchisor or Franchisee.

IN WITNESS WHEREOF, Franchisor and Franchisee have executed this Agreement on the day and year first above written.

FRANCHISEE:

FRANCHISOR:

SURFACE SPECIALISTS SYSTEMS, INC.

By: _____
Its: _____

Schedule 1
TO FRANCHISE AGREEMENT

PERSONAL GUARANTY

IN CONSIDERATION of the consent by Franchisor to the assignment of the Franchise Agreement to which this Guaranty is attached (the "Franchise Agreement"), and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned jointly and severally guarantee to Franchisor and to Franchisor's successors and assigns the payment of all franchise fees provided for in the Franchise Agreement and the performance of all of the provisions of the Franchise Agreement during the term of the Franchise Agreement and all renewals thereof. The undersigned further specifically agree to remain individually bound by all covenants, obligations and commitments of Franchisee contained in the Franchise Agreement to the same extent as if each of the undersigned had individually executed the Franchise Agreement as Franchisee.

The undersigned understand and agree that any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under Franchise Agreement, including any addendum or addenda thereto, shall not release the undersigned from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent that the liability or obligation of Franchisee is so released, terminated, or affected or diminished. The undersigned waives notice of any such modification, waiver, extension or forbearance under the terms thereof. This Guaranty shall be enforceable upon ten (10) days' written notice by Franchisor to any of the undersigned of any default by Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto.

The undersigned waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that Franchisor or its assignees may make.

Dated: _____

Dated: _____

Dated: _____

Schedule 2
TO FRANCHISE AGREEMENT

SPOUSAL NON-COMPETE AGREEMENT

This Spousal Non-Compete Agreement is made on _____ by and between Surface Specialists Systems, Inc. (“we,” “us,” “our”) and _____ (“Spouse”).

WHEREAS, we are granting a franchise agreement (“Franchise Agreement”) dated _____ to _____ (“Franchisee”), which such document will be referred to as the “Franchise Agreement” in this instrument.

WHEREAS, in the case of a sole proprietorship, you are married to the Franchisee, or in the case of an entity, you are married to a principal in the Franchisee entity;

WHEREAS, you may have access to trade secrets, confidential information, client information and other proprietary information as a result of the parties’ dealings pursuant to the Franchise Agreement;

THEREFORE, the parties agree as follows:

1. Non-Compete and Non-Solicit. Spouse agrees to abide by Section 13 (Covenants) of the Franchise Agreement, except Section 13(01)(a), as if fully applicable to Spouse.

2. Governing Law. Spouse agrees to abide by Section 21 (“Enforcement”) and Section 23(01) (“Governing Law/Binding Effect/Construction/Waiver/Notices”) of the Franchise Agreement, as if fully applicable to Spouse.

SPOUSE:

Signature

Printed Name

FRANCHISOR:

SURFACE SPECIALISTS SYSTEMS, INC.

By: _____
Dan Kaplan, President

Schedule 3
TO FRANCHISE AGREEMENT

STATE ADDENDA TO THE FRANCHISE AGREEMENT

**CALIFORNIA ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

Sections 17(02) and 17(03) are deleted and in their place are substituted the following:

17(02) Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 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;

(f) The franchisee, after curing any failure in accordance with Section 17(03) engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

17(03) Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

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

SURFACE SPECIALISTS SYSTEMS,
INC.

FRANCHISEE

By _____

Its _____

By _____

By _____

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. As a franchisee of this franchise system, your spouse will be required to sign a non-compete agreement.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

SURFACE SPECIALISTS SYSTEMS,
INC.

FRANCHISEE

By _____
Its _____

By _____

By _____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum relates to residents of the State of Maryland and franchises to be operated in Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Governing Law/Venue. Sections 21 and 24 of the Franchise Agreement are amended to also state: “A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

2. Acknowledgments. Sections 23(05) and 24 of the Franchise Agreement are amended to also state: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

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

4. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____

By _____

**MINNESOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____
By _____

**NORTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

1. You are not required to sign a general release upon renewal of the franchise agreement.
2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted and in their place is substituted the following language:

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

4. The provision concerning limitation of actions is modified to provide that the statute of limitations under North Dakota Law will apply.
5. The provision concerning mediation is modified to also provide that the site of mediation shall be agreeable to all parties and may not be remote from your place of business.
6. North Dakota law governs any cause of action arising out of the franchise agreement.
7. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

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

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____
By _____

**RHODE ISLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

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

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

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

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

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

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____
By _____

**SOUTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

- 1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____
By _____

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

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

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

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

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

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

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

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

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

The undersigned does hereby acknowledge receipt of this addendum.

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____
By _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

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

2. Sections 2 and 10 of the Franchise Agreement are amended to also include the following language:

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

SURFACE SPECIALISTS SYSTEMS,
INC.

By _____
Its _____

FRANCHISEE:

By _____
By _____

EXHIBIT D

Secured Promissory Note

SECURED PROMISSORY NOTE

\$ _____ .00 _____, 20____

FOR VALUE RECEIVED, _____ (“Maker”) promises to pay to Surface Specialists Systems, Inc. (“Holder”), or order, at 621-B Stallings Road, Matthews, North Carolina 28105, or such other place as the Holder of this Note may designate in writing to Maker, the principal sum of _____ Dollars (\$_____), together with simple interest on the unpaid principal balance from the date of this Note until fully paid at the rate of _____ percent (____%) per annum. Interest accrual will be based on actual days elapsed in a year of 365 days.

Principal and interest are due and payable in _____ (____) consecutive monthly installments in the amount of _____ Dollars (\$_____) each, payable on the first day of each month commencing with the first full calendar month that begins 90 days after the date the Note is signed, and continuing on the first day of each month thereafter until _____, 20____, when the entire unpaid principal balance and all accrued but unpaid interest under this Note will be immediately due and payable. Each monthly installment payment shall be applied first to accrued but unpaid interest and the remainder to principal.

This Note may be fully or partially prepaid at any time during the term of this Note without penalty or premium.

Default.

If default occurs in the payment of any amount due under this Note when due, or upon the occurrence of any “Event of Default,” as defined below, the entire principal balance and accrued but unpaid interest under this Note shall at once become due and payable, without notice, at the option of the Holder. Any delay or failure to exercise such option will not represent a waiver of the right to exercise it in the event of any subsequent default.

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

Security Interest.

“Obligations” means collectively every debt, liability and obligation of Maker to Holder of every type and nature, whether now existing or hereafter created or arising, which arise out of this Note. “Collateral” means collectively all inventory, equipment, and fixtures (including all additions and improvements to, replacements of, and substitutions for any of the foregoing). Maker grants to Holder a security interest (“Security Interest”) in the Collateral to secure the payment and

performance of the Obligations. The Security Interest continues in effect until the Obligations have been paid in full.

Representations, Warranties and Covenants.

Maker represents, warrants and agrees that:

- (a) **Title to Collateral.** Maker holds, or will hold at the time Maker acquires an interest in after-acquired Collateral, good and marketable title to the Collateral free of all security interests and encumbrances. Maker will keep the Collateral free of all security interests and encumbrances except for the Security Interest. Maker will defend Holder's rights in the Collateral against the claims and demands of all other persons.
- (b) **Perfection of Security Interest.** Maker will execute and deliver, and irrevocably appoints Holder (which appointment is coupled with an interest) Maker's attorney-in-fact to execute and deliver in Maker's name, all financing statements and other agreements which Holder may at any time reasonably request to secure, protect, perfect, collect or enforce the Security Interest.
- (c) **Collection Costs.** Maker will reimburse Holder on demand for all costs of collection of any of the Obligations and all other expenses Holder incurs in collecting or enforcing payment under this Note or perfecting, protecting, defending or enforcing the Security Interest, including all reasonable attorneys' fees Holder incurs, whether or not any litigation or bankruptcy or insolvency proceeding is commenced.

Events of Default.

Each of the following is an "Event of Default" under this Note: (a) Maker fails to pay any of the Obligations when due and any applicable grace period lapses without cure by Maker; (b) Maker fails to timely perform any other Obligation and any applicable grace period lapses without cure by Maker; (c) any representation made by Maker in this Note or in any financial statement or report submitted to Holder proves to have been materially false or misleading when made; (d) Maker ceases to conduct its business; (e) Maker is or becomes insolvent, however defined; (f) Maker voluntarily files, or has filed against it involuntarily, a petition under the United States Bankruptcy Code; (g) if Maker is an entity, Maker is dissolved or liquidated; (h) if Maker is an individual, Maker dies; and (i) Maker receives written notice of default under the Surface Specialists® Franchise Agreement to which Maker and Holder are parties.

Remedies Upon Event of Default.

If an Event of Default occurs and at any time thereafter, Holder may exercise one or more of the following rights and remedies: (a) declare any or all unmatured Obligations to be immediately due and payable without presentment or any other notice or demand and immediately enforce payment of any or all of the Obligations; (b) require Maker to make the Collateral available to Holder at a place to be designated by Holder; (c) exercise and enforce any rights or remedies available upon default to a secured party under the Uniform Commercial Code, and, if notice to Maker of the

intended disposition of Collateral or any other intended action is required by law, such notice shall be commercially reasonable if given at least ten calendar days prior to the intended disposition or other action; and (d) exercise and enforce any other rights or remedies available to Holder by law or agreement against the Collateral, Maker, or any other person or property. Holder's duty of care respecting Collateral in its possession will be fulfilled if Holder exercises reasonable care in physically safekeeping the Collateral or, in the case of Collateral in the possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person. Mere delay or failure to act will not preclude the exercise or enforcement of any of Holder's rights or remedies. All rights and remedies of Holder are cumulative and may be exercised singularly or concurrently, at Holder's option.

Miscellaneous

This Note may not be amended or modified except only by an instrument in writing signed by the party against whom enforcement of any amendment and modification is sought. This Note will be governed by and construed according to the laws of the State of North Carolina without regard to conflicts of laws principles.

If this Note is signed by more than one person as Maker, the term "Maker" refers to each of them separately and to both or all of them jointly and all such persons will be bound both severally and jointly with the other(s).

MAKER(S):

(If an Entity)

By

—
Its

(If an Individual or Individuals)

EXHIBIT E

Deposit Receipt

SURFACE SPECIALISTS SYSTEMS, INC.

DEPOSIT RECEIPT

SAMPLE DEPOSIT RECEIPT

NAME _____

ADDRESS

TELEPHONE

DESIGNATED TERRITORY: _____

TRAINING START DATE: _____

DATE OF THIS RECEIPT: _____

DUE BACK TO SSSI: _____

TOTAL INVESTMENT: _____

This Deposit Receipt acknowledges that the above named Franchisee(s) has/have deposited the sum of \$5,000 with Surface Specialists Systems, Inc. (SSSI) as a non-refundable deposit toward the closing funds required provided the Franchise Agreements are executed and all funds are paid in full on or before _____.
_____.

ADDENDUM:

SURFACE SPECIALISTS SYSTEMS, INC.

FRANCHISEE

By _____

By _____

Its _____

By _____

EXHIBIT F

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

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

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

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

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.surfacespecialistsfranchise.com.

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

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

The following Risk Factor is added to the Special Risks page:

Spousal liability: Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership 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.

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

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

1. Item 17.w. is modified to provide that Illinois law applies.
2. Any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
5. As a franchisee of this franchise system, your spouse will be required to sign a non-compete agreement.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

This Addendum relates to residents of the State of Maryland and franchises to be operated in the state of Maryland and is intended to comply with Maryland statutes and regulations.

1. Item 17. Item 17 is amended to also state: “A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

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

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

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

The franchisor has represented that no portion of the initial franchise fee has been allocated to the trademark or intellectual property.

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other

business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

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

NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

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

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

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

**RHODE ISLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

Rhode Island law applies.

WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

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

EXHIBIT G
State Administrators and Agents for Service of Process

| State | State Administrator | Agent for Service of Process |
|--------------------|---|---|
| California | Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd. Sacramento, CA 95834 1-866-275-2677 | Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 |
| Connecticut | The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299 | The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299 |
| Hawaii | Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 | Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 |
| Illinois | Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 | Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 |
| Indiana | Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681 | Secretary of State, Securities Division West Washington Street, Room E-111 Indianapolis, IN 46204 |
| Kentucky | Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300 | |
| Maryland | Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 | Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 |

| | | |
|---------------------|---|---|
| | (410) 576-6360 | |
| Michigan | Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117 | Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 |
| Minnesota | Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500 | Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 |
| Nebraska | Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445 | |
| New York | NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, New York 10005 (212) 416-8222 Phone | New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492 Phone |
| North Dakota | Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712 | Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 |
| Rhode Island | Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588 | Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588 |
| South Dakota | Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 | Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 |
| Texas | Secretary of State Statutory Document Section P.O. Box 12887 | |

| | | |
|-------------------|--|--|
| | Austin, TX 78711 (512) 475-1769 | |
| Utah | Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601 | |
| Virginia | State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051 | Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 |
| Washington | Washington State Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504 (360) 902-8760 | Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 |
| Wisconsin | Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557 | Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 |

EXHIBIT H

EXHIBIT H

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EXHIBIT I 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 |
|--------------|-----------------------|
| Illinois | Pending |
| Maryland | Pending |
| Michigan | March 5, 2023 |
| Minnesota | Pending |
| New York | Pending |
| North Dakota | Pending |
| Rhode Island | Pending |
| South Dakota | Pending |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | 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 J

Receipts

Receipt

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

If Surface Specialists Systems, Inc. offers you a franchise, Surface Specialists Systems, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Surface Specialists Systems, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit G.

The franchisor is Surface Specialists Systems, Inc. located at 621-B Stallings Road, Matthews, North Carolina 28105. Its telephone number is (866) 239-8707.

Issuance Date: February 26, 2024.

The franchise sellers for this offering are Dan Kaplan and Amy Irali, 621-B Stallings Road, Matthews, North Carolina 28105, (866) 239-8707 or are listed here (with address and telephone number): _____

Surface Specialists Systems, Inc. authorizes the respective state agencies identified on Exhibit G to receive service of process for it in the particular state.

I have received a disclosure document dated February 26, 2024, that included the following Exhibits:

(A) List of Franchised Businesses and Former Franchisees
(B) SSSI's Audited Financial Statements
(C) Surface Specialists Franchise Agreement
Schedule 1-Personal Guaranty
Schedule 2-Spousal Non-Compete Agreement
Schedule 3-State Addenda to Franchise Agreement

(D) Secured Promissory Note
(E) Deposit Receipt
(F) State Addenda to the Disclosure Document
(G) List of State Administrators/Agents for Service of Process
(H) Table of Contents to Operations Manual
(I) State Effective Dates
(J) Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Please sign, date, and retain this copy

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| | (J) Receipts |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Please sign, date and return this copy to us by email to dan@surfacespecialists.com or by fax to (704) 821-2097.