

## FRANCHISE DISCLOSURE DOCUMENT



**The Dentist's Choice, Inc.**  
**A Nevada Corporation**  
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**Incline Village, Nevada 89451**  
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The franchise offered is to operate a business providing repair and rebuild services for dental handpieces including attachments and other instruments.

The total investment necessary to begin operation of a The Dentist's Choice franchise ranges from \$64,000 to \$68,500. This includes \$59,500 that must be paid to the franchisor.

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.

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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: May 26, 2021

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit D for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION ONLY IN OUR HOME STATE (CURRENTLY NEVADA). OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH THE US IN OUR HOME STATE THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT NEVADA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. BEGINNING 6 MONTHS AFTER YOU COMPLETE THE INITIAL TRAINING PROGRAM, IF YOUR FRANCHISED BUSINESS FAILS TO ACHIEVE AT LEAST \$15,000 IN GROSS SALES DURING EACH CALENDAR QUARTER AND BEGINNING 24 MONTHS THEREAFTER FAILS TO ACHIEVE AT LEAST \$30,000 IN GROSS SALES EACH CALENDAR QUARTER THROUGHOUT THE REMAINING FRANCHISE TERM, WE MAY TERMINATE THE FRANCHISE AGREEMENT OR TERRITORY EXCLUSIVITY MAY BE TERMINATED.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

The effective dates of this Franchise Disclosure Document in the states with franchise registration laws in which we have sought registration appear on the following page.

**THE DENTIST'S CHOICE, INC.**  
**STATE REGISTRATIONS**

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

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APPLICABLE STATE LAW MAY PROVIDE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT F.

## **Item 1**

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

The franchisor is The Dentist's Choice, Inc. and is called "The Dentist's Choice," "we" or "us" in this disclosure document. A person who acquires a franchise from us is called "you" and occasionally "the franchisee." If you are a corporation, partnership, limited liability company or other business entity, certain provisions of our Franchise Agreement (Exhibit C) also will apply to your owners. (See Item 15)

We are a Nevada corporation. Our principal business address is 774 Mays Blvd. Suite 10-297, Incline Village, Nevada 89451. We operate under our corporate name and the name "The Dentist's Choice." Our affiliates are The Senior's Choice, Inc. ("TSC") and Hallmark Homecare, Inc. ("HHC"), whose principal business addresses are the same as our address. HHC offers franchises for the operation of a Direct Referral Agency that recruits caregivers providing in-home non-medical companionship and domestic care services for the elderly. Except as described here, we currently have no parent company, predecessors or affiliates that offer franchises in any line of business or provide products or services to our franchisees. If we have an agent for service of process in your state, we disclose that agent in Exhibit D.

We offer and grant franchises to certain qualified individuals to develop and operate dental handpiece repair businesses under the name "The Dentist's Choice" and our Franchise Agreement. We call the "The Dentist's Choice" Business that you will operate your "Franchised Business." In operating your Franchised Business, you will offer repair services for dental handpieces, along with the attachments and other dental instruments. If you acquire a franchise from us, you will operate your Franchised Business from one or more locations within your Protected Territory (see Item 12) and use our proprietary trademarks, service marks, trade names, commercial symbols, logos and slogans (the "Marks"). (See Item 13) You must notify us of the location(s) for your Franchised Business, which may be your home.

We believe the market for dental handpiece repair businesses is well established. You will offer your services only to dentists operating in the geographic area that we and you designate (your "Protected Territory"). (See Items 11, 12 and 15) You will compete with other dental handpiece repair companies, dental supply companies, and handpiece manufacturers.

There are no regulations specific to the industry in which "The Dentist's Choice" Businesses operate, although you must comply with all local, state and federal laws that apply generally to all businesses. You also must comply with all local zoning, business licensing and other regulations applicable to your Franchised Business. Depending on the state in which your Franchised Business operates, you also may have licensing requirements.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **President, Chief Executive Officer and Director: Steven G. Everhart**

Steve Everhart has been our President and Chief Executive Officer, and one of our Directors, since March 1998.

#### **General Manager: James David Morgan**

David Morgan has been our GM since October 1999.

#### **Technician and Trainer: Bud Smith**

Bud Smith has been a Technician and Trainer since June 2004.

#### **Director and Administrator: Nona Everhart**

Nona Everhart has been our Administrator and one of our Directors since March 1998.

## **Item 3**

### **LITIGATION**

No litigation to report.

## **Item 4**

### **BANKRUPTCY**

No person identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in any bankruptcy proceedings required to be disclosed in this Item.

## **Item 5**

### **INITIAL FEES**

When you sign your Franchise Agreement, you must pay us a lump sum initial franchise fee of \$50,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is nonrefundable unless

we reject your franchise application after you have sent us the Initial Franchise Fee, then we will refund the entire \$50,000.

In addition to the Initial Franchise Fee, you purchase from us an initial supply dental hand tools, equipment, and communication materials for approximately \$5,000, as well as an initial inventory of replacement parts for approximately \$4,500 for a total of \$9,500. (See Items 7 and 8). You must mail a check for \$8,500 to our corporate offices at least 5 business days before your initial training session to ensure the materials arrive on time. The costs for equipment and inventory are not refundable under any circumstances.



## Item 6

### OTHER FEES

(1) Type of Fee <sup>(1)</sup>	(2) Amount	(3) Due Date	(4) Remarks
Royalty/Service Fee	5% of Annual Gross Sales <sup>(1)</sup> up to \$60,000, thereafter 4% of Annual Gross Sales from \$60,001 to \$120,000, and 3% of Annual Gross Sales exceeding \$120,000 For the 1 <sup>st</sup> 30 months the Minimum is \$250 per month. Thereafter, the minimum is increased to \$350 per month.	10 <sup>th</sup> of each month	Based upon Gross Sales during the previous calendar month
Required Purchases	A minimum of \$5,000 each calendar quarter and after 30 months a minimum of \$7,000 each calendar quarter	As incurred	You must buy certain products and services from us (or if we, in our sole judgment, determine, from designated or approved suppliers) or, for certain goods, that meet our standards and specifications
Transfer Fee	\$10,000	Before we approve the transfer	Due upon transfer of the franchise, your interest in the Franchise Agreement or the Franchised Business or an ownership interest in you. Does not apply when you transfer to a corporation or other business entity that you control
Training Fee – Additional Staff	\$5,000 per attendee	As incurred	We will train an additional person or persons you designate at later times. The fee is \$5,000 per person and is payable in advance of the training event.
Audit Expenses Fee	Cost of inspection or audit (approximately \$1,000 to \$3,000)	15 days after the completion of the audit	Due only if audit shows an understatement of at least 10% of Gross Sales or if you fail to furnish reports or other information on time
Costs and Attorneys' Fees	Will vary with the circumstances	As incurred	Due upon your failure to comply with the Franchise Agreement

(1) Type of Fee <sup>(1)</sup>	(2) Amount	(3) Due Date	(4) Remarks
Indemnification	Will vary with the circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your operation of the Franchised Business or breach of the Franchise Agreement
Interest on Late Payments	Highest commercial contract rate the law allows or 1.5% per month, whichever is less. The highest interest rate allowed in California is 10%.	As incurred	Interest is charged beginning 60 days after the invoice date
Liquidated Damages for Competing with Us After Franchise Agreement Terminates or Expires	20% of the monthly Gross Sales of the competing business	As incurred	Due only if you own or perform services for a business that competes with us or our franchisees during the 2-year period after the Franchise Agreement terminates or expires

**Notes:**

- (1) Unless otherwise indicated, all fees are uniformly imposed (or based on uniform calculations), nonrefundable, and imposed and collected by and payable to us.
- (2) "Gross Sales" means all sums, property or other value which you receive (whether in cash or in kind, without any deductions of any type) resulting directly or indirectly from the operation of your Franchised Business or through the use of our Marks in any way.

We intend the term "Gross Sales" to include all value which you receive from all sources related to the Franchised Business, except sales tax, customer refunds and the sale in bulk of the assets of your Franchised Business.

**Item 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

(1) Type of expenditure	(2) Amount *	(3) Method of Payment	(4) When due	(5) To whom payment is to be made
Initial Franchise Fee (1)	\$50,000	Lump sum	On signing Franchise Agreement	Us
Equipment, Sales material and Hand Tools (2)	\$5,000	Lump sum	As incurred	Vendors, Us
(1) Type of expenditure	(2) Amount *	(3) Method of Payment	(4) When due	(5) To whom payment is to be made
Initial Parts Inventory (3)	\$4,500	Lump sum	As incurred	Us
Training Expenses (4)	\$1,500 to \$2,500	Lump sum	As incurred	Vendors, Us
Insurance, Licenses, Permits and other Miscellaneous Opening Costs (5)	\$500 to \$1,500	As incurred	Before opening	Third Parties or government
Real Estate	(See Note 7)	(See Note 7)	(See Note 7)	Landlord
Additional Funds – 3 Months (6)	\$2,500 to \$5,000	As incurred	As incurred	Suppliers, employees, Us
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b> (excluding real estate costs) (7)	\$64,000 to \$68,500			

\* Except for the Initial Franchise Fee (see Item 5), all payments for your initial investment are non-refundable unless otherwise stated or agreed.

**Explanatory Notes:**

1. **Initial Franchise Fee.** We describe the Initial Franchise Fee in detail, along with the conditions for its refund, in Item 5.
2. **Equipment and Hand Tools.** This includes the cost of equipment and hand tools necessary to repair both high-speed and slow-speed dental handpieces, as well as letterhead, stationery, presentation folders and other supplies. This also includes the cost (approximately \$500) for a compressor (3 Q.F.M. minimum) you must purchase from a

third party. During the Franchise Agreement's term, you must purchase all equipment and hand tools from us unless we direct otherwise. (See Item 8)

3. **Initial Parts Inventory.** You must purchase from us a start-up package of initial parts inventory used to repair high-speed and slow-speed dental handpieces. During the Franchise Agreement's term, you must purchase all replacement parts inventory from us unless we direct otherwise. (See Item 8)
4. **Training Expenses.** This figure represents the travel, food and lodging expenses you incur during training. (See Item 11)
5. **Insurance, Licenses, Permits and Other Miscellaneous Opening Costs.** This covers business licenses and permits, costs for installing telephones (where necessary), legal and accounting expenses and other miscellaneous costs.
6. **Additional Funds.** This figure represents your operating expenses during the first 3 months of operation, including working capital needed for additional parts inventory, but does not include amounts for your living expenses. This estimate does not include the cost of any financing or interest, or the amount of debt service obligation that you might undertake.

The estimates given in this item are averages and reflect expenses for a typical franchise under typical circumstances. Your situation might not be typical, and unforeseen circumstances might arise. You should review these figures carefully with a business advisor before you make a decision to acquire the franchise. A variety of factors, such as your skill and business acumen, how closely you follow our methods and procedures, economic conditions, the local market for dental handpiece repair and local competition will affect many of the described expenses. We relied on our experience in franchising, and our franchisees' experience in operating, "The Dentist's Choice" Businesses since 1994 to compile these estimates.

7. **Total Estimated Initial Investment.** This amount reflects our current estimate of your initial investment for a "The Dentist's Choice" franchise. The amounts shown are our best estimates of the amounts that franchisees typically spend for the purposes indicated. However, your actual costs might be higher or lower depending on your particular circumstances and the circumstances of your franchise, including your decisions to use your residence or lease business premises and to open additional locations, your decision to hire employees, discretionary expenditures and other factors.

We anticipate that you will operate the Franchised Business from an office in your home. Therefore, this chart does not include any estimates for the purchase or lease of real property, construction, leasehold improvements, decorating costs, fixtures or utility deposits. If you decide to purchase or rent office space for the Franchised Business, it will likely be located in an office building, strip mall or similar space consisting of approximately 500 square feet. Your monthly rent and security deposit or monthly mortgage payments will depend upon the size, condition and location of the premises and the demand for the premises among other possible tenants or purchasers. If you purchase or lease office space you also must purchase signs for the premises that

conform to our standards and specifications. This chart does not include any estimate for the cost of signs.

We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

## **Item 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Standards and Specifications**

You must operate the Franchised Business under our standards and specifications, which may regulate, among other things, the brands, types and models of products and the types of services that you offer and sell to customers; supplies, equipment and other items you use to operate your Franchised Business; required or authorized products or product categories; and designated or approved suppliers of these items (if we determine, in our sole judgment, to designate or approve suppliers other than us). To maintain the quality of the goods and services that "The Dentist's Choice" Businesses sell and the reputation of "The Dentist's Choice" franchise network, you must purchase or lease products that you offer and sell to customers, supplies, equipment and similar items that meet our minimum standards and specifications and, if we require, from us or suppliers that we designate or approve (see below). We issue and modify our standards and specifications based on our experience in franchising and our franchisees' experiences in operating dental handpiece repair businesses, and these standards and specifications may impose minimum requirements for product quality, prices and consistency. We will notify you in our Manuals or other written materials of our standards and specifications and, if we determine (in our sole judgment) to designate or approve suppliers other than us, the names of designated or approved suppliers. There might be situations where you may obtain items (such as certain office supplies) from any supplier whose products can satisfy our standards and specifications.

#### **Designated and Approved Suppliers**

Currently, you must purchase all hand tools, dental handpiece repair equipment and replacement parts inventory used to operate your Franchised Business throughout the franchise term from us. Otherwise, there are no items for which we or an affiliate is an approved supplier or the only approved supplier of that good or service. If, in the future, we determine (in our sole judgment) to designate or approve suppliers other than us for these items, you must purchase them only from those suppliers that we designate or approve. In addition, you must buy communication materials (see Item 5) and we may obtain bulk quantities of brochures, mailings or similar promotional materials which you may purchase from us. During 2020, our revenue from franchisee purchases was \$1,733,450, which is 73% of our total revenue of \$2,389,534 during that period. We currently do not receive any payments or other material consideration from suppliers based on franchisee purchases, but we reserve the right to in the future.

Collectively, the purchases described above represent approximately 95% to 100% of your total purchases from us in establishing and operating the Franchised Business.

Except as described above, there currently are no fixtures, equipment,, computer hardware or software, real estate, or comparable items related to establishing or operating the Franchised Business that you must purchase from us or from designated or approved suppliers. However, all goods and materials that you use to operate your Franchised Business must be purchased from us or meet our standards and specifications, and you may not purchase any item that we have not approved. If you want to use any product in operating your Franchised Business that we have not authorized, you must submit sufficient information about the product so that we can determine whether the item complies with our standards and specifications. Within a reasonable time (usually 2 days) after receiving all information, we will approve or reject the proposed product. We charge no fees to secure a product's approval. If, in the future, we determine (in our sole judgment) to approve suppliers other than us for any items, we may condition our approval of a proposed supplier on product quality, product availability, pricing, consistency, reliability, financial capability, labor and customer relations and similar criteria, and the procedure for securing supplier approval would be similar to the procedure for securing product approval. If we determine at any time that a product or supplier no longer satisfies our standards, we may revoke our approval by notifying you and/or the supplier in writing. There currently are no purchasing or distribution cooperatives, but we occasionally negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees. There currently are no suppliers of products or services to franchisees in which one of our officers owns an interest (except for us).

### **Advertising**

Before you use them, you must send us for approval samples of all advertising, marketing and promotional materials that you wish to use to promote your Franchised Business, unless we have prepared or previously approved the materials. We will ordinarily approve or disapprove your advertising materials within 2 days after we receive all information we require. You may not use any advertising, marketing or promotional materials that we have not approved or have disapproved, and we may revoke our approval of these materials at any time. These restrictions apply to any information you have on a "Website" (defined as an interactive electronic document contained on a network of computers linked by communications software) connected with the Franchised Business, and you may not have a Website relating to your Franchised Business (or change any information on an approved Website) unless we approve. You may not conduct commerce or directly or indirectly offer or sell any products or services using any Website, another electronic means or medium, or otherwise over the Internet.

## 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.**

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
(a) Site selection and acquisition/lease	Section 3 in Franchise Agreement	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 9.2 and 9.8 in Franchise Agreement	Items 7, 8 and 11
(c) Site development and other pre-opening requirements	Sections 3, 8.2, 9.2 and 9.8 in Franchise Agreement	Items 7, 8 and 11
(d) Initial and ongoing training	Sections 4.3 and 4.4 in Franchise Agreement	Items 6, 7 and 11
(e) Opening	Section 3.2 in Franchise Agreement	Item 11
(f) Fees	Sections 5, 6, 7, 8.2, 8.3, 9.7, 11.1, 12.2, 14.4 and 24 in Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies/operating manual	Sections 4.2 and 9.1 to 9.6 in Franchise Agreement	Items 8 and 11
(h) Trademarks and proprietary information	Sections 4.1, 9.9, 14.1 and 14.2 in Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section 9.1 in Franchise Agreement	Items 8, 11 and 16
(j) Warranty and customer service requirements	Section 9.4 in Franchise Agreement	Item 16
(k) Territorial development and sales quotas	Sections 9.12 in Franchise Agreement	Items 12 and 17
(l) On-going product/service purchases	Sections 4.7(f), 9.1, 9.2 and 9.3 in Franchise Agreement	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Not applicable	Not applicable
(n) Insurance	Section 9.8 in Franchise Agreement	Items 6, 7 and 8
(o) Advertising	Section 8 in Franchise Agreement	Items 8 and 11
(p) Indemnification	Sections 9.7 and 11.1 in Franchise Agreement	Items 6 and 13
(q) Owner's participation/management/staffing	Sections 1.2 and 9.5 in Franchise Agreement	Items 11 and 15

	<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
(r)	Records and reports	Sections 7.4, 9.6(a) and 9.6(b) in Franchise Agreement	Item 6
(s)	Inspections and audits	Sections 9.6(b) and 9.6 (c) in Franchise Agreement	Item 6
(t)	Transfer	Section 12 in Franchise Agreement	Items 6 and 17
(u)	Renewal	Section 1.3 in Franchise Agreement	Items 6 and 17
(v)	Post-termination obligations	Section 14 in Franchise Agreement	Item 17
(w)	Non-competition covenants	Sections 14.4 and 16 in Franchise Agreement	Item 17
(x)	Dispute resolution	Sections 18, 21, 22 and 23 in Franchise Agreement	Item 17
(y)	Warranty on products purchases from us <sup>(1)</sup>	Section 11.2 in Franchise Agreement	
(z)	Waiver of punitive damages and jury trial <sup>(2)</sup>	Section 23 in Franchise Agreement	

- (1) We warrant that all replacement parts, hand tools, and other items that we sell to you will be free from defects in materials, workmanship and design for 90 days from the date you place the item “in service” (i.e., the date on which you install the replacement part or begin using the hand tools and other items). If you discover such a defect within that 90 day period, and we agree, you may return the part to us for a refund credit. Except as explicitly described above, we shall not be liable to you or any other person with respect to the services, inventory, products or equipment used in connection with your Franchised Business or the sale of any services or items bearing the Marks, including the performance characteristics, fitness or suitability of any of them for any purpose. Except as explicitly described above, we make no warranties, express or implied, with respect to the use of the Marks or your equipment or inventory, the use or characteristics of any products, goods, or items sold to you, or the performance, results, or effects of any of them. We disclaim any implied warranty of merchantability and any implied warranty of fitness for a particular purpose with respect to any items which we sell to you. Notwithstanding any other provision of the Franchise Agreement, we disclaim any liability for incidental or consequential damages or losses of any sort arising from the signing of the Franchise Agreement, our furnishing services to you, our selling items to you or as a consequence of any goods or services which you provide to your clients under the Marks, whether or not arising from defects, malfunctions or failure to conform to specifications.
- (2) Except with respect to your obligation to indemnify us and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, we and you and your owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and you (or your owners), the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you (and each of your owners) irrevocably waive trial by



jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

### **Item 10**

#### **FINANCING**

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

### **Item 11**

#### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING**

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

Before you open your Franchised Business, we will:

1. Negotiate with you and agree to the boundaries of your Protected Territory. (Franchise Agreement - Section 2.1) (See Items 5 and 12)
2. Loan to you one copy of our Manuals (the "Manuals"), which currently consists of our Repair Manual and Marketing and Operations Manual. The Manuals contains mandatory and suggested specifications, standards and operating procedures we periodically prescribe for "The Dentist's Choice" Businesses, as well as information about your other obligations under the Franchise Agreement and in operating your Franchised Business. We may modify the Manuals periodically to reflect changes in the specifications, standards and operating procedures for "The Dentist's Choice" Businesses, to disclose information concerning new products or services that we may prescribe for sale by "The Dentist's Choice" Businesses, or to specify makes, brands and models of equipment, supplies or other materials that our franchisees may or must use in operating "The Dentist's Choice" Businesses. You must keep your copy of the Manuals current by immediately inserting all modified pages or other materials that we furnish. If a dispute arises about the contents of the Manuals, the master copies that we maintain at our principal office will control. You may not at any time copy any part of the Manuals. The Manuals' table of contents is Exhibit E. (Franchise Agreement - Section 4.2) The Marketing & Operations Manual contains 604 pages; the Repair Manual contains 187 pages.
3. Loan to you one copy of our Marketing and Operations Manual (which constitutes a part of the Manuals) which contains general and specific advice on establishing, marketing and operating your Franchised Business. (Franchise Agreement - Section 4.6). We will provide you with samples of brochures and other promotional items and assistance in developing sales presentations for dentists.

4. Sell you an initial supply of hand tools, equipment, supplies and dental handpiece replacement parts inventory. (Franchise Agreement - Section 4.5) (See Items 5, 7 and 8)

During your operation of your Franchised Business, we will:

1. At no additional cost to you, provide you with reasonable ongoing continuing guidance and advice during normal business hours via telephone regarding your Franchised Business' operation, including the mechanics of dental handpiece repair, accounting, inventory control, marketing and basic management. (Franchise Agreement - Section 4.7(a)) We also may, at our judgment, supplement this telephone support with periodic visits to your Franchised Business location(s) to discuss your dental handpiece repair practices, marketing, accounting, and other operating methods; however, we need not make any such visits.
2. Conduct research into improved products and services for sale by, and ways to operate and market, "The Dentist's Choice" Businesses. We will share our results with you at no additional cost. We may establish maximum, minimum or other pricing requirements to the fullest extent allowed by law. (Franchise Agreement - Sections 4.7(b) and 9.1)
3. Provide you with reasonable guidance and assistance in selecting your media purchases, scheduling your ongoing promotions and developing sales presentations to dentists and sources of referrals. (Franchise Agreement - Section 4.7(c))
4. Provide you with updated lists of certain products, equipment, inventory and supplies that we authorize for use by "The Dentist's Choice" Businesses and, if we determine (in our sole judgment) to designate or approve suppliers other than us, lists of designated or approved suppliers. (Franchise Agreement - Section 4.7(e)) (See Item 8)
5. Continue to sell you a supply of hand tools, equipment, supplies and dental handpiece replacement parts inventory. (Franchise Agreement - Section 4.5) (See Items 5, 7 and 8)

### **Advertising**

Periodically during the Franchise Agreement's term we will, in our judgment, furnish you with: (a) samples of certain promotional packages, brochures, newspaper inserts, direct mail flyers, advertising slicks, graphic designs, layouts, letterhead, envelopes and similar items which you must pay to duplicate; (b) multiple copies of written advertisements and brochures which we will provide to you at no additional cost; and (c) packages of mailings and other materials which you may purchase from us. These printed advertising materials may come from us or from an outside advertising agency and be local, regional or national in scope. (Franchise Agreement - Sections 4.7(c) and 4.7(d)) However, we will not place, run or pay the media placement costs of any print media advertisements, commercials or promotions for you. We need not spend any

amount on advertising in the geographic area where your Franchised Business is located. There currently are no advertising funds, cooperatives or councils for “The Dentist’s Choice” franchisees. You may not use any advertising or marketing materials that we have not approved or have disapproved. (See Item 8)

### **Computer System**

We currently do not require you to purchase or use any specific type or brand of computer system to operate the Franchised Business, though owning and using one is integral to your business.

### **Site Selection**

You must operate your Franchised Business from one or more locations within the Protected Territory, which may be your home or an outside office. (Franchise Agreement - Section 3.1) We do not provide assistance in locating a site or negotiating the purchase or lease of a site. If you choose to operate your Franchised Business from an outside office within the Protected Territory, the location you choose must conform to local ordinances, building codes and you must obtain any required permits for the location. Although we need not approve the location(s) and you may open additional locations within the Protected Territory at any time, you must inform us of the address for the location(s).

### **Business Opening**

We estimate that you will open and begin operating your Franchised Business approximately 60 days after you sign the Franchise Agreement (which is when you first pay consideration for the Franchised Business). The interval depends on the time required to purchase your hand tools, equipment and replacement parts inventory; your schedule and time of completing your training; the time required to print your brochures and business cards; and state and local licensing requirements. You may not open and begin operating your Franchised Business until: (a) you (or your principal owner) and one employee have completed our initial training program to our satisfaction; (b) you have purchased all supplies, equipment, inventory and other materials required to open the Franchised Business; (c) you provide us evidence of insurance coverage for the Franchised Business; and (d) you notify us of the location of the Premises. You must open and begin operating the Franchised Business within 90 days after signing the Franchise Agreement. (Franchise Agreement - Section 3.2)

### **Training**

After you sign the Franchise Agreement, we will provide a 5-day training course for up to 2 people associated with your Franchised Business, including you (or your principal owner) or, if we approve, your designated Manager (see Item 15). (Franchise Agreement - Section 4.3) The training program is mandatory and includes information relating to marketing, sales, the mechanics of dental handpiece repair, accounting, inventory control, advertising and basic management. We currently conduct training at our office in Irvine, California. Because there is no set interval (*i.e.*, bi-monthly) for training, we will conduct our initial training program at various times mutually agreed upon by both of us.

You (or your principal owner) or your Manager must complete the initial training program to our satisfaction before you open and begin operating the Franchised Business. The training sessions are conducted and/or supervised by Steve Everhart (our President), Bud Smith (our Trainer and Technician), David Morgan (our General Manager) and Nona Everhart (our Director and Administrator) (See Item 2). We use the Repair Manual, Marketing and Operations Manual and other training aids during the initial training program. We currently provide the following initial training:

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Location</b>
Dental Handpiece Repair	32	0	Irvine, California
Marketing	6	0	Irvine, California
Accounting & Admin	2	0	Irvine, California

We may in the future choose to offer supplemental or refresher training to persons who complete our initial training program. (Franchise Agreement - Section 4.4) We will not require you to attend these courses, but we strongly recommend that you do so if we offer them. We will not charge tuition for the supplemental or refresher training; however, you must pay all of your and your employees' costs and expenses in attending this supplemental or refresher training, such as wages, travel, lodging and food.

### **Item 12**

### **TERRITORY**

Before you sign your Franchise Agreement, we will discuss and negotiate with you to designate your Exclusive Territory based on the number of dentists (at least 400) which are located within a geographic area. We use information from Direct Dental Lists, a reputable list provider, to determine the number of dentists in your Exclusive Territory. Because they are based on population, Exclusive Territories in densely populated areas will cover a smaller geographic area than those in less densely populated areas.

During the Franchise Agreement's term, if you are complying with the terms of the Franchise Agreement, we will not, directly or through any affiliates:

(a) operate or grant the right to operate a "The Dentist's Choice" Business to be physically located within your Exclusive Territory; or

(b) sell, or grant the right to sell, products and services which are identified by the Marks and are identical or similar to those your Franchised Business offers

(regardless of the distribution channel) to dentists physically located within your Exclusive Territory.

Throughout the franchise term, we may:

(1) operate and grant the right to operate "The Dentist's Choice" Businesses to be physically located anywhere outside your Exclusive Territory (subject to (b) above);

(2) sell, and grant the right to sell, products and services which are identified by the Marks and are identical or similar to those your Franchised Business offers (regardless of the distribution channel) to any dentists physically located anywhere outside your Exclusive Territory; and

(3) sell, and grant the right to sell, products and services which are identified trademarks or service marks other than the Marks and are not identical or similar to those your Franchised Business offers (regardless of the distribution channel) to any dentists physically located anywhere within or outside your Exclusive Territory.

We need not compensate you if we solicit or accept orders in your Exclusive Territory for products or services unrelated to dental handpiece repair. We and our affiliates may not use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales to dentists physically located within your Exclusive Territory under the Marks. However, we may do so under other trademarks for products or services unrelated to dental handpiece repair. You must notify us of the address for the location(s) of your Franchised Business (which must be within the Exclusive Territory). You must maintain these locations in a suitable condition. You may not open another office or operate from an additional location outside your Exclusive Territory without acquiring an additional franchise from us.

You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales to any dentists located outside your Exclusive Territory, because you may only make sales to dentists physically located within your Exclusive Territory. You may not solicit (directly or indirectly) or use any advertising or promotional materials targeted towards dentists who are located outside your Exclusive Territory. We have not established and have no present plans to establish other franchises or company-owned outlets or another channel of distribution selling or leasing similar products or services under a different trademark, although we may do so in the future.

Beginning 6 months after you complete the initial training program, if your Franchised Business fails to achieve at least \$15,000 in Gross Sales during each calendar quarter throughout the franchise term, we may terminate the Franchise Agreement. Beginning 30 months after you complete the initial training program, if your Franchised Business fails to achieve at least \$20,000 in Gross sales during each calendar quarter throughout the franchise term, we may terminate the Franchise Agreement. Continuation of your rights in the Exclusive Territory does not depend on your achieving a certain market penetration or any other contingency, and except as described above, we may not alter your Exclusive Territory or territorial rights. You have no options, rights of first refusal or similar rights to acquire additional franchises within the Exclusive Territory or contiguous territories.

## **Item 13**

### **TRADEMARK**

You must use the Marks to operate your Franchised Business. We registered one of our principal service marks, THE DENTIST'S CHOICE, with the Principal Register of the United States Patent and Trademark Office (the "PTO") on September 24, 1996 (Registration No. 2,003,547), and renewed the mark on December 7, 2015. The PTO acknowledged our Sections 8 and 15 filings for this Mark on November 10, 2001. We also registered our logo on the PTO's Principal Register on April 3, 2001 (Registration No. 2,440,206). The PTO acknowledged our Sections 8 and 15 filings for this mark on March 15, 2007 and our Sections 8 and 9 renewal filing for this mark on April 23, 2010. Our logo is registered with the Canadian Intellectual Property Office as of February 3, 2010 (Canadian Trademark No: TMA758,691).

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending infringement, opposition or cancellation proceedings or material litigation involving the Marks or our use or ownership rights in any Mark. No agreement significantly limits our right to use or license the Marks in a manner material to the franchise. We do not know of either superior prior rights or infringing uses that could materially affect a franchisee's use of the Marks in any state.

You must follow our rules when you use the Marks.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or of any person's claim of any rights in any Mark or similar mark or name, and you may not communicate with any person other than us (and our affiliates) and our (and their) attorneys regarding with any infringement, challenge or claim. We may take any action we deem appropriate (including no action) and protectedly control any litigation, PTO proceeding or other administrative proceeding relating to any infringement, challenge or claim or otherwise relating to any Mark. You must sign any documents and take any actions that, in our or our attorneys' opinion, are necessary or advisable to protect and maintain our interests in any litigation or PTO or other proceeding or to otherwise protect and maintain our interests in the Marks.

We need not protect your right to use the Marks nor protect you against claims of infringement or unfair competition arising from your use of the Marks. We need not participate in your defense nor indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark or if the proceeding is resolved unfavorably to you.

If it becomes advisable at any time in our sole judgment for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We will reimburse you for your reasonable out-of-pocket costs of complying with our directions. However, we need not reimburse you for any loss of revenue due to any modified or discontinued Mark or for your expenses in promoting a modified or substitute trademark or service mark.

## **Item 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

No patents or patent applications are material to the franchise. We claim copyrights in the Manuals, our advertising and promotional materials, customer lists and similar materials used in operating the Franchised Business. We have not registered these copyrights with the United States Registrar of Copyrights.

There currently are no effective determinations of the PTO, the United States Copyright Office or any court regarding any of the copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any infringing uses that could materially affect you. You must notify us of infringements or potential infringements of the copyrights so that we may take any action that we deem appropriate (or no action). No agreement requires us to protect copyrights or confidential information or to defend or indemnify you for any expenses or damages you incur in any judicial or administrative proceeding involving any of the copyrighted materials or any claims arising from your use of copyrighted materials. If we require, you must modify or discontinue using any of the copyrighted materials.

The Manuals and other materials contain our confidential or proprietary information and trade secrets. This information includes methods, techniques, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of dental handpiece repair businesses, including: (1) knowledge of programs, concepts or results relating to categories or sources of goods sold from or used by "The Dentist's Choice" Businesses, services performed by "The Dentist's Choice" Businesses, and advertising and promotional programs; and (2) the customer lists, approved supplier lists (if we, in our sole judgment, decide to approve or designate suppliers other than us), franchisee lists and other reference materials used by "The Dentist's Choice" franchisees (collectively, the "Confidential Information"). We will disclose certain Confidential Information to you in the initial training program, the Manuals and in guidance we furnish to you throughout the Franchise Agreement's term.

You will not acquire any interest in the Confidential Information other than the right to use certain Confidential Information in developing and operating your Franchised Business during the term. You must promptly disclose to us all ideas, concepts, techniques or materials concerning a "The Dentist's Choice" Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, and these ideas, concepts, techniques or materials will be our property, part of our franchise system and our works made-for-hire. To the extent that any item does not qualify as our "work-made-for-hire," you assign ownership of that item, and all related rights to that item, to us and must sign whatever documents we require to show our ownership or to help us get intellectual property rights in the item.

You must not use the Confidential Information in any other business or capacity nor make any copies of it, and you must maintain its confidentiality and implement any reasonable procedures we prescribe to prevent its unauthorized use or disclosure during the Franchise

Agreement's term, including requiring any of your employees with access to the Confidential Information to sign covenants by which they agree to be bound by these conditions.

### **Item 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

In most cases, you (or your principal owner) must participate personally and use your (or his or her) best efforts to operate and enhance the business of your Franchised Business. However, we may, in our judgment, allow you to appoint a full-time manager whom we approve to be responsible for the day-to-day operation of the Franchised Business (the "Manager"). We recommend that you (or your principal owner) participate personally in operating your Franchised Business.

You (or your principal owner) or your Manager must attend and complete our initial training program to our satisfaction. (See Item 11) Although neither the Manager nor any of your employees need to have an equity interest in the Franchised Business or in you, we may require any employee who completes our initial training program to sign a covenant in a form we specify by which they agree not to disclose or copy, and to maintain the confidentiality of, our Confidential Information.

If you are a corporation, limited liability company, limited partnership or other similar business entity, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, both monetary and non-monetary obligations, including the restrictions on competition. This "Guaranty and Assumption of Obligations" is part of the Franchise Agreement. Spouses are not required to sign the personal guarantee.

### **Item 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer all products and perform all services that we periodically require for "The Dentist's Choice" Businesses. You may not offer any products or perform any services that we have not authorized. Our standards and specifications may regulate required or authorized products, product categories and services that your Franchised Business may or must offer, and you have 180 days from the date we notify you to add to the types of products and services your Franchised Business offers. There are no other limits on our right to change the types of required or authorized products and services. In addition, you must offer a 90 day warranty on all parts and labor which you supply.



## Item 17

### RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

#### THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
(a) Length of the franchise term	Section 1.1 of the Franchise Agreement	10 years
(b) Renewal or extension of the term	Section 1.3 of the Franchise Agreement	If you have substantially complied with the Franchise Agreement during its term and are not then in default, and we are granting "The Dentist's Choice" franchises in the geographic area surrounding your Protected Territory, you may renew the franchise for additional consecutive 10-year terms
(c) Requirements for franchisee to renew or extend	Section 1.3 of the Franchise Agreement	You notify us of your intention to renew at least 90 days but not more than 12 months before the previous term expires, sign our then current form of franchise agreement, and sign a general release (if state law allows). "Renewal" means signing our new franchise agreement for additional consecutive 10-year terms, which could contain materially different terms (including fees).
(d) Termination by franchisee	Section 13.2 of the Franchise Agreement	The franchisee may terminate the Franchise Agreement on any grounds available by law.
(e) Termination by franchisor without cause	None	We may not terminate the Franchise Agreement without cause
(f) Termination by franchisor with cause	Section 13.1 of the Franchise Agreement	We may terminate only if you (or one of your owners) commit any of several violations (see (g) and (h) below)
(g) "Cause" defined – curable defaults	Sections 13.1 of the Franchise Agreement	You have 15 days to cure any monetary default, inaccurate report or failure to submit reports and 30 days to cure operational and other defaults not listed in Section 13.1 (See (h) below)

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
(h) "Cause" defined – non-curable defaults	Sections 13.1 of the Franchise Agreement	Non-curable defaults include: your (or your owner's) conviction of or pleading no contest to a felony, performing an act that might put the Marks or franchise system into disrepute or being declared insane; your abandonment or operating without a business telephone and answering service for 15 consecutive days; your (or your owner's) becoming insolvent, suffering a declaration of bankruptcy or having a receiver appointed for your or the Franchised Business's assets, an assignment for the benefit of creditors or admission of your inability to pay debts generally when they become due; failure to maintain a Franchised Business location within the Protected Territory; maintaining one or more locations outside the Protected Territory; unauthorized use of the Marks or copyrights or unauthorized use or disclosure of the Confidential Information; competing with us during the franchise term; failure to satisfactorily complete training; unauthorized transfer; material misrepresentations or omissions; willful violation of a law or ordinance relating to the Franchised Business; failure to order inventory for 3 consecutive months; failure to achieve \$4,500 per calendar quarter in Gross Sales; and repeated defaults
(i) Franchisee's obligations on termination/non-renewal	Section 14 of the Franchise Agreement	Pay all amounts (including interest) that you owe us and/or our affiliates, cease using the Confidential Information, complete de-identification, and assign website domain name, telephone listing and number to us (see also (r) below)
(j) Assignment of contract by franchisor	Section 12.7	There is no restriction on our right to assign; however, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.
(k) "Transfer" by franchisee-defined	Section 12.1 of the Franchise Agreement	Includes transfer of any interest in the Franchise Agreement, the Franchise, an ownership interest in you or the Franchised Business

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
(l) Franchisor's approval of transfer by franchisee	Section 12.2 of the Franchise Agreement	You may not transfer without our approval
(m) Conditions for franchisor approval of transfer by franchisee	Section 12.2 of the Franchise Agreement	You are in good standing and pay us and our affiliates all amounts due; the transferee qualifies, obtains our approval and completes training satisfactorily; you or the transferee pays transfer fee; transferee signs our then current form of franchise agreement; you (and your owners) sign a general release (if state law allows) and any other legal documentation we reasonably require; and you comply with (r) below. Some conditions do not apply to transfers to a wholly-owned corporation or limited liability company
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 12.3 of the Franchise Agreement	We may match any offer for your Franchised Business or an ownership interest in you
(o) Franchisor's option to purchase franchisee's business	None	We do not have this right
(p) Death or disability of franchisee	Section 12.4 of the Franchise Agreement	Transfer of the franchise or ownership interest in you to an approved buyer within 6 months
(q) Non-competition covenants during the term of the franchise	Section 16 of the Franchise Agreement	No direct or indirect ownership interest in or performing services for a dental handpiece repair business within the U.S. or Canada
(r) Non-competition covenants after the franchise is terminated or expires	Sections 14.4 of the Franchise Agreement	For 2 years, if you, your owners or any members of your or their respective immediate families own, operate or perform services for any dental handpiece repair business located within 100 miles of your Protected Territory or any then existing "The Dentist's Choice" Business, you must pay us 20% of the monthly Gross Sales of that business
(s) Modification of the agreement	Section 25 of the Franchise Agreement	No modification without a written agreement signed by you and us, but the Manuals are subject to change

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
(t) Integration/merger clause	Section 25 of the Franchise Agreement	Only the terms of the Franchise Agreement (including the Manuals) and its exhibits are binding (subject to state law). Any other promises might not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim any representation made in the disclosure document
(u) Dispute resolution by arbitration or mediation	Section 18 of the Franchise Agreement	Except for certain claims, we and you must arbitrate all disputes within 10 miles of our then existing principal business address
(v) Choice of forum	Section 22 of the Franchise Agreement	Subject to arbitration requirement, litigation generally must be in the state and city where we then maintain our principal business address (subject to state law)
(w) Choice of law	Section 21 of the Franchise Agreement	Except for Federal Arbitration Act and other federal law, Nevada law governs (subject to state law)  The forgoing 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.

In addition to the provisions noted in the chart above, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive, exemplary, and treble damages. We recommend that you carefully review all of these provisions, and the entire agreement, with a lawyer.

### **Item 18**

#### **PUBLIC FIGURES**

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

### **Item 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised 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.

As of the date of this Disclosure Document, we wish to provide you with the following information which is based on the experience of our franchisees.

The financial information that follows was derived using our weekly reports submitted by franchisees and their respective purchases of replacement parts from us for the period beginning January 2017 up to and including December 31, 2019. Written substantiation of the data used to prepare the financial information will be made available to prospective franchisees on reasonable request.

This financial performance representation lists the Average (median) Gross Revenues (Gross sales less discounts, allowances and returns) and Average Gross Margin (as defined below) for certain of our franchisees in business for more than 2 years. We segregated the Franchisees into 2 groups. For 2017, both the “top half” and the “bottom half” contain 18 franchisees. For 2018, the “top half” contains 19 franchisees and the “bottom half” contains 20 franchisees. For 2019, both the “top half” and the “bottom half” contain 19 franchisees. In each year, some of the “bottom half” franchisees operated their Dentist’s Choice Business on a part-time basis.

Year	Average	Median **	Top 50%	Bottom 50%
2019				
- Gross Revenues	\$153,543	\$108,402	\$169,421	\$62,397
- Gross Profit	\$106,103	\$73,861	\$113,784	\$41,476
2018				
- Gross Revenues	\$146,198	\$101,735	\$158,532	\$69,088
- Gross Profit	\$105,588	\$75,748	\$97,398	\$45,615
2017				
- Gross Revenues	\$149,560	\$101,422	\$154,423	\$72,025
- Gross Profit	\$104,678	\$67,314	\$100,970	\$51,398

The Gross Profit of the franchisees represents the Gross Revenues minus the replacement parts (the “Cost of Goods Sold”) that are required to do the repairs and overhauls on the handpieces and attachments. The Cost of Goods Sold averages approximately 35% of Gross Revenues. There are other costs and expenses that Franchisees incurred which are not directly associated with Gross Profit. Some of these costs and expenses include Service fees (royalties) paid to us, shipping and transportation, shipping, marketing materials and supplies and in a few cases rent and payroll.

For all of these reasons, you should not interpret average gross profit as representing net income of franchisees in a particular group. The costs we used to calculate the figures in the

table above do not include all of the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross profit to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses, in addition to total product costs, that you will incur in operating your business. Franchisees listed in this disclosure document, may be one source of this information.

**Some outlets have sold and earned these amounts. Your individual results may differ. There is no assurance that you'll sell and earn as much.**

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. IF you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Steve Everhart the President.

**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

All 2018, 2019 and 2020 numbers appearing in Tables 1 through 4 below are as of December 31st in each year.

**Table No. 1  
System Wide Outlet Summary  
For years 2018 to 2020**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2018	103	104	1
	2019	104	100	-4
	2020	100	99	-1
Company- Owned	2018	10	10	0
	2019	10	10	0
	2020	10	10	0
Total Outlets	2018	113	114	1
	2019	114	100	-4
	2020	110	109	-1

**Table No. 2****Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2018 to 2020**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Alabama	2018	0
	2019	0
	2020	0
Georgia	2018	0
	2019	0
	2020	0
Idaho	2018	2
	2019	0
	2020	0
Kansas	2018	0
	2019	2
	2020	0
Missouri	2018	0
	2019	1
	2020	0
New Jersey	2018	2
	2019	0
	2020	0
Oregon	2018	1
	2019	0
	2020	0
Pennsylvania	2018	0
	2019	0
	2020	1
Texas	2018	3
	2019	0
	2020	0



Washington	2018	1
	2019	0
	2020	0
West Virginia	2018	0
	2019	0
	2020	0
Canada	2018	0
	2019	0
	2020	2
Totals	2018	9
	2019	3
	2020	3

**Table No. 3****Status of Franchised Outlets  
For years 2018 to 2020**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Alabama	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Arkansas	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Arizona	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
California	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Colorado	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Connecticut	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Delaware	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Florida	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Georgia	2018	5	0	0	0	0	0	5

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Idaho	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Illinois	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Indiana	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Iowa	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Kansas	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Kentucky	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Louisiana	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Maryland	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	1	1
Massachusetts	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Michigan	2018	8	0	0	0	0	0	8
	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
Minnesota	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Mississippi	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Missouri	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Nebraska	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Nevada	2018	2	0	0	0	0	2	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
New Hampshire	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
New Jersey	2018	4	0	0	0	0	1	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
New Mexico	2018	2	0	0	0	0	0	2
	2019	2	0	2	0	0	0	0
	2020	0	0	0	0	0	0	0
New York	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2020	1	0	0	0	0	0	1
North Carolina	2018	4	0	1	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
North Dakota	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Ohio	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Oklahoma	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Oregon	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Pennsylvania	2018	7	0	0	0	0	0	7
	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	0	7
South Carolina	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Tennessee	2018	1	0	0	0	0	0	1
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
Texas	2018	8	3	2	0	0	1	8
	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	1	7
Utah	2018	3	0	0	0	0	0	3

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Virginia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Washington	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
West Virginia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Wisconsin	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Canada	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Puerto Rico	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Totals	2018	103	6	3	0	0	2	104
	2019	104	0	4	0	0	0	100
	2020	100	1	0	0	0	1	100

**Table No. 4****Status of Company-Owned Outlets  
For years 2018 to 2020**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
California	2018	10	0	0	0	0	10
	2019	10	0	0	0	0	10
	2020	10	0	0	0	0	10
Totals	2018	10	0	0	0	0	10
	2019	10	0	0	0	0	10
	2020	10	0	0	0	0	10

**Table No. 5****Projected Openings as of December 31, 2020**

State	Franchise Agreements Signed As of 12/31/20 But Outlet Not Open as of 12/31/20	Projected New Franchised Outlets to Open in 2021	Projected New Company- Owned Outlets to Open In 2021
Arkansas	0	0	0
California	0	1	0
Connecticut	0	0	0
Florida	0	1	0
Illinois	0	0	0
Indiana	0	1	0
Massachusetts	0	0	0
Minnesota	0	0	0
New Jersey	0	0	0
Nevada	0	1	0
Oregon	0	0	0
Tennessee	0	0	0
Virginia	0	0	0
Washington	0	0	0
Wisconsin	0	0	0
Totals	0	4	0

Exhibit A is a list of our franchisees as of December 31, 2020 and the addresses and telephone numbers of their franchised businesses. Exhibit A-1 is a list of the names, cities and states, and telephone numbers of franchisees who had franchised businesses terminated, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under our franchise agreement, during our last fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of the issuance date of this disclosure document, no franchisees have signed confidentiality clauses and there are no trademark-specific franchisee organizations associated with "The Dentist's Choice" franchise system.

### **Item 21**

#### **FINANCIAL STATEMENTS**

Exhibit B contains our audited financial statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018.

### **Item 22**

#### **CONTRACTS**

The Franchise Agreement is Exhibit C to this disclosure document.

### **Item 23**

#### **RECEIPTS**

A receipt in duplicate is attached to this disclosure document as Exhibit G. You should sign both copies of the receipt. Keep one copy of the receipt for your own records and return the other signed copy to:

The Dentist's Choice, Inc.  
9070 Irvine Center Dr, Ste 280  
Irvine, CA 92618



**EXHIBIT A**  
**LIST OF FRANCHISEES**

**EXHIBIT A  
CURRENT LIST OF FRANCHISEES  
DECEMBER 31, 2020**

<b>Owner's Name</b>	<b>City</b>	<b>Telephone #</b>	<b># of Franchises</b>
<b>Alabama (5)</b>			
Jim Scott	Wetumpka, AL	(334) 478-4558	5
<b>Arizona (5)</b>			
Charles Harvey	Cave Creek, AZ	(480) 342-7075	2
Richard Razo	Oro Valley, AZ	(520) 906-6383	3
<b>Arkansas (2)</b>			
Jared Cooper	Springfield, MO	(417) 860-1899	1
Mike Root	Tyler, TX	(903) 216-0779	1
<b>California (4)</b>			
Ben Nafus	Bakersfield, CA	(661) 535-8119	1
Irwin Bayever	Sherman Oaks, CA	(818) 427-6140	3
<b>Colorado (6)</b>			
Jay Eubanks	Colorado Springs, CO	(719) 576-1663	4
Cory Fisher	Golden, CO	(303) 862-8869	2
<b>Florida (6)</b>			
John Grodzki	Ft. Myers, FL	(239) 848-0084	1
John Wagner	Orlando, FL	(407) 489-4464	5
<b>Georgia (5)</b>			
Jeoff Hamilton	Fayetteville, GA	(770) 412-3605	2
Monte Bruner	Alma, GA	(770) 438-6522	1
Jim Scott	Wetumpka, AL	(334) 478-4558	2
<b>Idaho (2)</b>			
Ben & Jenny Harris	Kuna, ID	(208) 989-4193	2
<b>Indiana (5)</b>			
Tony Davis	Sellersburg, IN	(812) 989-0931	5
<b>Kansas (2)</b>			
John McKinnon	Weston, KS	(816)341-5080	2
<b>Kentucky (4)</b>			
Tony Davis	Sellersburg, IN	(812) 989-0931	4
<b>Louisiana (1)</b>			
Mike Root	Tyler, TX	(903) 216-0779	1
<b>Maryland (1)</b>			
Mark Sallitt	Columbia, MD	(443) 636-7866	1
<b>Michigan (8)</b>			
Dane Westphall	Clarkston, MI	(810) 691-6018	3
Mel Marx	Livonia, MI	(734) 293-7503	5
<b>Minnesota (2)</b>			
Mike Bellefeuille	Eden Prairie, MN	(952) 322-7384	2
<b>Massachusetts (2)</b>			
Sean Ward	Revere, MA	(781) 325-2300	2
<b>Mississippi (1)</b>			
Brian & Amanda Clegg	Madison, MS	(601) 750-0058	1
<b>Missouri (5)</b>			
John McKinnon	Weston, KS	(816)341-5080	1
Jared Cooper	Springfield, MO	(417) 860-1899	1
Aaron & Naomi Miller	Troy, MO	(636) 262-6453	3
<b>New Hampshire (1)</b>			

Phil Pichette	Bedford, NH	(603) 440-8353	1
<b>New Jersey (3)</b>			
Andrey Malinovsky	Franklin Lakes, NJ	(201) 988-7455	2
Brad Newcomb	Hazlet, NJ	(201) 914-6411	1
<b>New York (1)</b>			
Rochester Technical Group	Rochester, NY	(585) 482-8100	1
<b>North Carolina (3)</b>			
Bailey Tucker	Raleigh, NC	(919) 755-1129	3
<b>Oregon (1)</b>			
Ben & Jenny Harris	Kuna, ID	(208) 989-4193	1
<b>Pennsylvania (7)</b>			
Jeremy Sensenig	Millerstown, PA	(717) 940-6911	1
Keith Kamalich	Sewickly, PA	(412) 429-9755	2
John Sisti	Yardley, PA	(267) 346-9929	4
<b>Texas (7)</b>			
Jay Eubanks	Colorado Springs, CO	(719) 576-1663	1
Bo Smith	Mansfield, TX	(817) 453-9266	1
Dale Giddings	San Antonio, TX	(210) 505-7337	3
Mike Root	Tyler, TX	(903) 216-0779	2
<b>Utah (3)</b>			
Ron Bogden	Bluffdale, UT	(801) 253-0158	3
<b>Virginia (1)</b>			
Arlin Fynaardt	Midlothian, VA	(804) 399-1449	1
<b>Washington (1)</b>			
Ben & Jenny Harris	Kuna, ID	(208) 989-4193	1
<b>West Virginia (1)</b>			
Nate Bogess	Charleston, WV	(304) 932-3663	1
<b>Wisconsin (1)</b>			
Mike Bellefeuille	Eden Prairie, MN	(952) 322-7384	1
<b>Canada (4)</b>			
John Vieira	London, ON	(519) 488-3300	1
Gordon Perry	Mississauga, ON	(905) 286-4600	1
Andre Kamraz	Toronto, ON	(416) 333-8789	1
Nick Macridis	Toronto, ON	(416)993-7104	1

**EXHIBIT A-1**

**LIST OF FRANCHISEES WHO LEFT THE SYSTEM**

**EXHIBIT A-1**

**LIST OF FRANCHISEES WHO LEFT THE SYSTEM  
January 2020 to December 2020**

- |    |                  |                          |                |
|----|------------------|--------------------------|----------------|
| 1. | Rick Sylvester   | Pickering, ON, CA        | (905) 509-6841 |
| 2. | Steven Von Feldt | Crawley, TX              | (214) 755-5989 |
| 3. | Harvey Fox       | Lititz, PA               | (717) 940-6911 |
| 4. | Ray Wilson       | Silver Spring, MD        | (301) 512-1225 |
| 5. | Travis Gilcrest  | Middle Sackville, NS, CA | (866-405-3113) |

**Item 23**

**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 The Dentist’s Choice, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York State law requires a franchisor to provide the franchise 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 The Dentist’s Choice, 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 the appropriate state agency identified on Exhibit D.

The franchisor is The Dentist’s Choice, Inc., located at 774 Mays Blvd. Suite 10-297, Incline Village, Nevada 89451. Its telephone number is (800) 757-1333.

Issuance date: May 26, 2021 (with the effective dates in franchise registration states as noted on the third page of this Franchise Disclosure Document).

California effective date: May 26, 2021.

The franchise seller for this offering is Steven Everhart, 774 Mays Blvd. Suite 10-297, Incline Village, Nevada 89451, (800) 757-1333.

We authorize the respective state agencies identified on Exhibit D to receive service of process for us in the particular state.

I received a disclosure document from The Dentist’s Choice, Inc. dated as of May 26, 2021 that included the following Exhibits:

- |             |  |
|-------------|--|
| Exhibit A   | List of Franchisees                                |
| Exhibit A-1 | List of Franchisees Who Left System                |
| Exhibit B   | Financial Statements                               |
| Exhibit C   | Franchise Agreement                                |
| Exhibit D   | State Administrators/Agents for Service of Process |
| Exhibit E   | Manual Table of Contents                           |
| Exhibit F   | State-Specific Additional Disclosures and Riders   |

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

(Date, Sign, and Keep for Your Records)

\_\_\_\_\_  
Prospective Franchisee [Signature]

**Item 23**

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| Exhibit F   | State-Specific Additional Disclosures and Riders   |

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

(Date, Sign, and Return to Us)

\_\_\_\_\_  
Prospective Franchisee [Signature]

You may return the signed receipt either by signing, dating, and mailing it to us at our address above or by faxing a copy of the signed and dated receipt to us at (949) 443-2074.

**EXHIBIT B**  
**FINANCIAL STATEMENTS**



**EDWARD A. ROSE, JR.**

CERTIFIED PUBLIC ACCOUNTANT, P.C.

(LICENSED IN TEXAS, CALIFORNIA, & NEVADA)

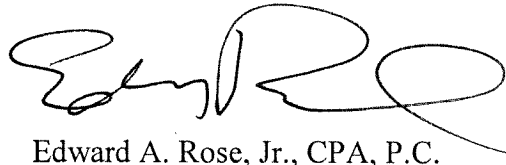
ONE HARBOUR SQUARE  
3027 MARINA BAY DRIVE, SUITE 208  
LEAGUE CITY, TEXAS 77573

edrose@edroseattorneycpa.com

OFF: 713-581-6029  
CELL: 760-580-7511  
FAX: 832-201-9960

### **Independent Auditor's Consent**

Edward A. Rose, Jr., CPA, P.C. consents to the use in the Franchise Disclosure Document issued by The Dentist's Choice, Inc. ("Franchisor") on April 13, 2021, as it may be amended, of our report dated April 13, 2021, relating to the financial statements of Franchisor for the period ending December 31, 2020.



Edward A. Rose, Jr., CPA, P.C.  
League City, Texas 77573  
April 13, 2021

**THE DENTIST'S CHOICE, INC.  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**THE DENTIST'S CHOICE, INC.**  
**DECEMBER 31, 2020**  
**TABLE OF CONTENTS**

Independent Auditor's Report	1-2
Financial Statements:	
Balance Sheet	3
Statement of Income	4
Statement of Shareholders' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

# EDWARD A. ROSE, JR.

CERTIFIED PUBLIC ACCOUNTANT, P.C.

(LICENSED IN TEXAS, CALIFORNIA, & NEVADA)

ONE HARBOUR SQUARE  
3027 MARINA BAY DRIVE, SUITE 208  
LEAGUE CITY, TEXAS 77573

edrose@edroseattorneycpa.com

OFF: 713-581-6029  
CELL: 760-580-7511  
FAX: 832-201-9960

## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS  
THE DENTIST'S CHOICE, INC.  
INCLINE VILLAGE, NEVADA

### Report on the Financial Statements

We have audited the accompanying financial statements of The Dentist's Choice, Inc. which comprise the balance sheet as of December 31, 2020, and the related statements of income, shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dentist's Choice, Inc. as of December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Edward A. Rose, Jr.", with a stylized, cursive script.

Edward A. Rose, Jr., CPA  
League City, Texas

April 13, 2021

**THE DENTIST'S CHOICE, INC.**  
**BALANCE SHEET**  
**December 31, 2020**

ASSETS

CURRENT ASSETS:

Cash	\$	157,563
Accounts Receivable, Net		205,114
Inventory, at Cost		402,022
Prepaid Expenses		3,064
Total Current Assets		767,763

PROPERTY AND EQUIPMENT

Property and Equipment, Net		103,634
-----------------------------	--	---------

OTHER ASSETS

Franchise Held For Sale		31,082
Advances to Related Parties		949,265
		949,265

TOTAL ASSETS	\$	1,851,744
--------------	----	-----------

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts Payable	\$	347,705
Note Payable- Vehicle		22,748
Total Current Liabilities		370,453

LONG TERM DEBT

		-
Total Long Term Debt		-

SHAREHOLDERS' EQUITY

Common Stock, No Par Value, 75,000 shares authorized, 10,000 shares issued and outstanding		22,000
Additional Paid-In Capital		404,440
Retained Earnings		1,054,851
Total Shareholders' Equity		1,481,291

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	1,851,744
--	----	-----------

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2020**

REVENUES

Franchise Fees	\$ 127,490
Royalty Fees	178,848
Parts and Tools	1,694,081
Service	214,473
Warehouse Parts and Freight	39,369
Other	<u>26,312</u>
Total Revenues	2,280,573
Cost of Sales	<u>1,347,225</u>
Gross Profit	933,348
Operating Expenses	<u>967,593</u>
Operating Income (Loss)	(34,245)
Other Income (Expense)	
Interest Income	161
Interest Expense	(6,157)
Net Income (Loss) from Operations	<u>(40,241)</u>
Other Income	108,800
Income Tax Expense	<u>0</u>
Net Income (Loss)	<u><u>\$ 68,559</u></u>

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2020**

	No Par Value Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Total</u>
January 1, 2020	10,000	\$ 22,000	\$ 849,517	\$ 986,292	\$ 1,857,809
Capital Distribution			\$ (445,077)	-	\$ (445,077)
Net Income				\$ 68,559	\$ 68,559
				-	-
December 31, 2020	<u>10,000</u>	<u>\$ 22,000</u>	<u>\$ 404,440</u>	<u>\$ 1,054,851</u>	<u>\$1,481,291</u>

The accompanying notes are an integral part of these financial statements



**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2020**

Cash Flows from Operating Activities:	
Net Loss From Operations	\$ (40,241)
Adjustments to Reconcile Net Income to Net Cash	
Provided by (Used In) Operating Activities:	
Depreciation	45,110
Decrease (Increase) in Accounts Receivable	(36,667)
Decrease (Increase) in Accounts Receivable - Related Party	1,171
(Increase) Decrease in Inventory	41,685
Decrease (Increase) in Prepaid Expenses	(1,870)
Increase (Decrease) in Accounts Payable	<u>9,771</u>
Net Cash Provided by Operating Activities	18,959
Cash Flows from Investing Activities:	
Purchase of Vehicle	(63,197)
Net Cash Used by Investing Activities	(63,197)
Cash Flows From Financing Activities:	
Capital Distribution	(445,077)
Payment on Note Payable- Due Related Party	(120,000)
Payment on Note Payable- Vehicle	(22,152)
Note Payable- SBA Payroll Protection Loan	<u>108,800</u>
Net Cash Used By Financing Activities	(478,429)
Net Decrease In Cash and Cash Equivalents	<u>(522,667)</u>
Cash and Cash Equivalents, Beginning of Year	<u>680,230</u>
Cash and Cash Equivalents, End of Year	<u>\$ 157,563</u>

**SUPPLEMENTAL DISCLOSURES FOR STATEMENT OF CASH FLOWS**

Interest Paid	<u>\$ 6,157</u>
Taxes Paid	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1: THE ORGANIZATION AND OPERATIONS**

On June 7, 1994, The Dentist's Choice, Inc. (the "Company") was incorporated in the State of California. The Company reincorporated in Nevada on October 17, 2005. During that time the shareholders of the Company invested additional monies in the Company without issuing additional stock. The Company operates principally as a franchisor of dental hand-piece repair businesses. The Company maintains its franchise sales office in Incline Village, Nevada. The Company provides administration, initial training and on-going part sales, and technical support to franchisees and others from its Irvine, California office. Franchisees of the Company are located throughout the United States and foreign countries. The Company also provides sales and service to its franchisees and others.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

Cash consists of demand deposits in FDIC insured financial institutions. At December 31, 2020, the Company did not have any cash balances excess of the FDIC insurance limit of \$250,000. For purposes of the Statement of Cash Flows the Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts for both trade accounts and notes receivable based on management's review and analysis of specific receivables and also considers the age of past due accounts even though Management does not believe the Company has any significant concentration of credit risk in its accounts and notes receivable.

**Inventory**

Inventory consists principally of dental hand-piece parts, tools and franchise supplies and is stated at the lower of cost or market. Cost of retail inventory is determined primarily by using the first-in-first-out method.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prepaid Expenses**

Costs incurred which in the opinion of management will benefit future periods, are deferred and amortized over the periods to be benefited. At December 31, 2020 the Company had prepaid expenses in the amount \$3,064.

**Property**

Property, autos, leasehold improvements and equipment are stated at cost. Gains and losses on the disposition of property, autos and equipment are reflected in income as realized. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to five years. The Company expenses all items with a cost of \$500 or less.

**Income Taxes**

In June 2004, the Company elected to be taxed under the Internal Revenue and California Revenue and Taxation Codes as an "S" corporation. The stockholders of an "S" corporation are taxed on the Company's taxable income. The Company prepares and files its Federal tax return using the accrual basis of accounting and depreciation methods applicable to such filings. The State of Nevada does not assess corporate income taxes. The Company's income tax filings are subject to audit by taxing authorities. The Company's open audit periods are for the years ended December 31, 2018, 2019, and 2020.

**Revenue Recognition**

The Company currently requires an initial franchise fee payment for new franchisees. This fee includes initial training and support. In addition to the franchise fee, new franchisees also purchase an initial inventory of parts and supplies. The Company uses the accrual method of accounting. The Company provides on-going parts sales and repair services to franchisees and others. Such sales are recognized in the period in which the merchandise is shipped or repair services provided. Franchisees are required to report their total revenues to the Company on a monthly basis. The Company bills the franchisees on a monthly basis for a minimum royalty or royalties based on total revenues.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Advertising**

All costs incurred by the Company for marketing and advertising are expensed as incurred. There were no advertising costs for the year ended December 31, 2020.

**Freight**

All costs incurred by the Company for freight are expensed as incurred. Total freight cost was \$ 6,267. for the year ended December 31, 2020.

**Compensated Absences**

The Company provides its full-time employees with various vacation, sick and other leave benefits in accordance with policies that it has established. Part-time and seasonal employees are generally not eligible to receive any compensated absences. The Company's cost of these employee benefits is expensed as the liability for them is paid.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurement**

The Company has determined the fair value of current assets and liabilities through application of FASB ASC 820-10, Fair Value Measurements ("Fair Value Measurements"). Fair Value Measurements establish a hierarchy that prioritizes the

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Fair Value Measurement Continued**

inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under Fair Value Measurements are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Short-term financial instruments, including cash, accounts receivable, accounts payable and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, approximated their carrying values. The carrying amount of long-term debt approximates fair value because those financial instruments generally bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

All assets and liabilities are Level 1 Inputs.

**NOTE 3 –ACCOUNTS RECEIVABLE -NET**

Trade accounts receivable represent amounts due from the sale of dental hand-piece parts, tools and supplies and royalties from Franchise Owners. Notes receivable principally represent amounts due to the Company for its financing of certain franchise sales. The Accounts Receivable as of December 31, 2020 is as follows:

Accounts Receivable- Trade	\$ 197,968
Accounts Receivable- Royalties	14,271
Less: Allowance for Doubtful Accounts	<u>(7,125)</u>
Accounts Receivable – Net	\$205,114

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2020 consists of the following:

Computers	\$ 4,893
Automobiles	270,495
Office Furniture and Equipment	<u>19,171</u>
Total Property and Equipment	294,559
Less: Accumulated Depreciation and Amortization	<u>(190,925)</u>
Net Property and Equipment	<u>\$ 103,634</u>

**NOTE 5 – COMMITMENTS**

**Office Lease**

The Company leases its California and Nevada offices from related parties and is responsible for payment of gross rent. In 2020 the Company paid a related party \$112,000. for rent. The Company is on month-to-month lease with related parties.

**NOTE 6- FRANCHISE HELD FOR SALE**

On February 11, 2019, the Company paid off its Note Payable for the re-purchase of a Franchise from one of its Franchisees at a substantial discount.

**NOTE 7 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 13, 2021, the date the financial statements were available to be issued. On March 18, 2021, the Payroll Protection Program Loan obtained from the Small Business Administration (SBA) in the amount of \$108,800. on May 3, 2020 was approved for loan forgiveness.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 8- PURCHASE OF VEHICLE**

On December 6, 2017 the Company purchased a vehicle for \$92,299 at 2.89% interest per annum. The principal payments due are as follows:

<b>2021</b>	<b>22,748</b>
-------------	---------------

On May31, 2018 the Company entered into a non-cancelable lease for a copier for a period of sixty-three (63) months at a minimum monthly payment of \$86. The minimum lease payments due are as follows:

2021	\$ 1,032.
2022	1,032.
2023	<u>688.</u>
<b>Total</b>	<b>\$ 2,752.</b>

**NOTE 9 – OTHER RELATED PARTY TRANSACTIONS**

The Company has various transactions with entities, which have common ownership with the Company. Such transactions include the purchase of various services, making or receipt of various loans, distributions and advances. These transactions are summarized below.

The Company paid another related party a total of \$132,000. for management fees for various administrative, executive and other services provided by them to the Company during 2020. The Company also provides certain employee type health benefits and the other perquisites to its nonemployee, executive managers.

The Company previously advanced monies to a related party. At December 31, 2020 the amount is \$949,265 at zero interest rate with no definite repayment date.

**NOTE 10: IMPAIRMENT OF LONG-LIVED ASSETS**

The Organization does not estimate any impairment loss on its assets that are held and used. The carrying value of its assets approximate fair market value.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 11: SBA PAYROLL PROTECTION (PPP LOAN)**

On May 3, 2020, the Company received a loan in the amount of \$108,800. under the Payroll Protection Program (PPP Loan) from Zions Bancorporation, N.A. The PPP Loan has a 2-year term and bears interest at an annual rate of 1% interest. Monthly principal and interest payments are deferred for 10 months, and the maturity date is May 3, 2022. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted forgiveness for, all or a portion of the PPP loan and accrued interest. Such forgiveness will be determined, subject to limitations, based on the use of the PPP loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, and retention of employees and maintaining salary levels. However, no assurance is provided that forgiveness for any portion of the PPP Loan will be obtained.

As stated in Note 7 above, on March 18, 2021, the Payroll Protection Program Loan obtained from the Small Business Administration (SBA) in the amount of \$108,800. on May 3, 2020 was approved for loan forgiveness. This is classified as "Other Income" on the Statement of Income.

**NOTE 12: ACCOUNTING STANDARD ADOPTED IN 2019**

As of January 1, 2019, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606), as amended. ASU 2014-09 replaced most existing revenue recognition guidance in U.S. GAAP and applies to exchange transactions with customers that are bound by contracts or similar arrangements. The ASU establishes a performance obligation approach to revenue recognition.

The Company has analyzed the provisions of ASU 2014-09 and has determined that no changes are necessary to conform to the new standard. The Company's sale of a franchise is recognized as each performance obligation is satisfied under the Franchise Agreement.



**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 13: HEALTH EPIDEMICS**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the State of California, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to The Dentist's Choice, Inc.'s operations and finances.

**EDWARD A. ROSE, JR.**

CERTIFIED PUBLIC ACCOUNTANT, P.C.

( LICENSED IN TEXAS, CALIFORNIA, & NEVADA )

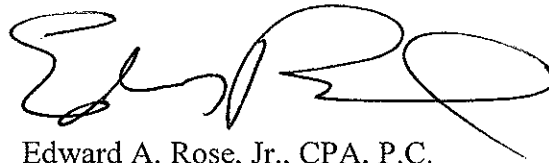
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LEAGUE CITY, TEXAS 77573

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CELL: 760-580-7511  
FAX: 832-201-9960

### **Independent Auditor's Consent**

Edward A. Rose, Jr., CPA, P.C. consents to the use in the Franchise Disclosure Document issued by The Dentist's Choice, Inc. ("Franchisor") on April 17, 2020, as it may be amended, of our report dated April 17, 2020, relating to the financial statements of Franchisor for the period ending December 31, 2019.

A handwritten signature in black ink, appearing to read 'E. A. Rose, Jr.', with a large, stylized flourish at the end.

Edward A. Rose, Jr., CPA, P.C.  
League City, Texas 77573  
April 17, 2020

**THE DENTIST'S CHOICE, INC.**  
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**THE DENTIST'S CHOICE, INC.**  
**DECEMBER 31, 2019**  
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Financial Statements:	
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Statement of Income	4
Statement of Shareholders' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13

# EDWARD A. ROSE, JR.

CERTIFIED PUBLIC ACCOUNTANT, P.C.

(LICENSED IN TEXAS, CALIFORNIA, & NEVADA)

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## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS  
THE DENTIST'S CHOICE, INC.  
INCLINE VILLAGE, NEVADA

### Report on the Financial Statements

We have audited the accompanying financial statements of The Dentist's Choice, Inc. which comprise the balance sheet as of December 31, 2019, and the related statements of income, shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

EDWARD A. ROSE, JR.  
CERTIFIED PUBLIC ACCOUNTANT, P.C.  
(LICENSED IN TEXAS, CALIFORNIA, & NEVADA)

ONE HARBOUR SQUARE  
3027 MARINA BAY DRIVE, SUITE 208  
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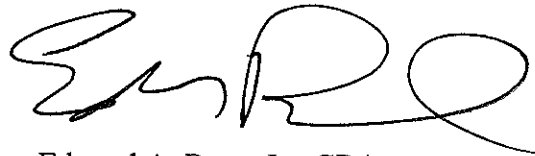
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dentist's Choice, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Edward A. Rose, Jr., CPA  
League City, Texas

April 17, 2020

**THE DENTIST'S CHOICE, INC.**  
**BALANCE SHEET**  
**December 31, 2019**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$	680,230
Accounts Receivable, Net		168,447
Accounts Receivable - Related Party		1,171
Inventory, at Cost		443,707
Prepaid Expenses		1,194
Total Current Assets		1,294,749

**PROPERTY AND EQUIPMENT**

Property and Equipment, Net		85,546
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**OTHER ASSETS**

Franchise Held For Sale		31,082
Advances to Related Parties		949,265

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>2,360,642</b>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Accounts Payable		337,933
Note Payable- Vehicle		22,157
Total Current Liabilities	\$	360,090

**LONG TERM DEBT**

Note Payable- Vehicle		22,743
Note Payable- Related Party		120,000
Total Long Term Debt	\$	142,743

**SHAREHOLDERS' EQUITY**

Common Stock, No Par Value, 75,000 shares authorized, 10,000 shares issued and outstanding		22,000
Additional Paid-In Capital		849,517
Retained Earnings		986,292
Total Shareholders' Equity	\$	1,857,809

<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b>2,360,642</b>
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The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2019**

REVENUES

Sales of Franchises	\$ 45,000
Royalties	195,502
Parts and Tools	1,989,425
Service	301,239
Warehouse Parts and Freight	22,826
Other	<u>213,508</u>
Total Revenues	2,767,500
Cost of Sales	<u>1,542,759</u>
Gross Profit	1,224,741
Operating Expenses	<u>1,004,792</u>
Operating Income	219,949
Other Income (Expense)	
Interest Income	964
Interest Expense	(2,767)
Income before Tax Expense	<u>218,146</u>
Income Tax Expense	<u>0</u>
Net Income	<u><u>\$ 218,146</u></u>

The accompanying notes are an integral part of these financial statements



**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2019**

	No Par Value Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	<u>Shares</u>	<u>Amount</u>			
January 1, 2019	10,000	\$ 22,000	\$ 349,517	\$ 768,146	\$ 1,139,663
Capital Contribution			\$ 500,000		\$ 500,000
Net Income				218,146	218,146
					-
December 31, 2019	<u>10,000</u>	<u>\$ 22,000</u>	<u>\$ 849,517</u>	<u>\$ 986,292</u>	<u>\$1,857,809</u>

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2019**

Cash Flows from Operating Activities:	
Net Income	\$ 218,146
Adjustments to Reconcile Net Income to Net Cash	
Provided by (Used In) Operating Activities:	
Depreciation	45,171
Loss on Disposal of Vehicle	2,000
Adjust Franchise Held for Sale	3,178
Decrease (Increase) in Accounts Receivable	24,145
Decrease (Increase) in Accounts Receivable - Related Party	5,855
(Increase) Decrease in Inventory	(4,568)
Decrease (Increase) in Prepaid Expenses	2,963
Increase (Decrease) in Accounts Payable	<u>(9,415)</u>
Net Cash Provided by Operating Activities	\$287,475
Cash Flows from Investing Activities:	
Purchase of Equipment	(2,457)
Loan to Officer- Repaid	154,759
Net Cash Provided by Investing Activities	152,302
Cash Flows From Financing Activities:	
Capital Contribution	500,000
Franchise Repurchased	(14,356)
Advances to Related Party	(109,265)
Note Payable- Related Party	(15,000)
Payment on Note Payable- Vehicle	(21,530)
Note Payable- Line of Credit	<u>(250,000)</u>
Net Cash Provided By Financing Activities	89,849
Net Increase In Cash and Cash Equivalents	<u>529,626</u>
Cash and Cash Equivalents, Beginning of Year	<u>150,604</u>
Cash and Cash Equivalents, End of Year	<u>\$ 680,230</u>

**SUPPLEMENTAL DISCLOSURES FOR STATEMENT OF CASH FLOWS**

Interest Paid	<u>\$ 2,767</u>
Taxes Paid	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1: THE ORGANIZATION AND OPERATIONS**

On June 7, 1994, The Dentist's Choice, Inc. (the "Company") was incorporated in the State of California. The Company reincorporated in Nevada on October 17, 2005. During that time the shareholders of the Company invested additional monies in the Company without issuing additional stock. The Company operates principally as a franchisor of dental hand-piece repair businesses. The Company maintains its franchise sales office in Incline Village, Nevada. The Company provides administration, initial training and on-going part sales, and technical support to franchisees and others from its Irvine, California office. Franchisees of the Company are located throughout the United States and foreign countries. The Company also provides sales and service to its franchisees and others.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

Cash consists of demand deposits in FDIC insured financial institutions. At December 31, 2019, the Company did have cash balances of \$428,519 in excess of the FDIC insurance limit of \$250,000. For purposes of the Statement of Cash Flows the Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts for both trade accounts and notes receivable based on management's review and analysis of specific receivables and also considers the age of past due accounts even though Management does not believe the Company has any significant concentration of credit risk in its accounts and notes receivable.

**Inventory**

Inventory consists principally of dental hand-piece parts, tools and franchise supplies and is stated at the lower of cost or market. Cost of retail inventory is determined primarily by using the first-in-first-out method.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prepaid Expenses**

Costs incurred which in the opinion of management will benefit future periods, are deferred and amortized over the periods to be benefited. At December 31, 2019 the Company had prepaid expenses in the amount \$1,194.

**Property**

Property, autos, leasehold improvements and equipment are stated at cost. Gains and losses on the disposition of property, autos and equipment are reflected in income as realized. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to five years. The Company expenses all items with a cost of \$500 or less.

**Income Taxes**

In June 2004, the Company elected to be taxed under the Internal Revenue and California Revenue and Taxation Codes as an “S” corporation. The stockholders of an “S” corporation are taxed on the Company’s taxable income. The Company prepares and files its Federal tax return using the accrual basis of accounting and depreciation methods applicable to such filings. The State of Nevada does not assess corporate income taxes. The Company’s income tax filings are subject to audit by taxing authorities. The Company’s open audit periods are for the years ended December 31, 2017, 2018, and 2019.

**Revenue Recognition**

The Company currently requires an upfront payment of a franchise fee for new franchisees. This fee provides for use of the Company’s registered trade name, “The Dentist’s Choice,” and specified franchisee territories. Franchise agreements are generally for a ten-year period. In addition to the franchise fee, new franchisees also purchase an initial inventory of parts and supplies. Following the franchise sale, the Company provides on-going technical and other support to the franchisees during the franchise period.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue Recognition Continued**

The Company provides on-going parts sales and repair services to franchisees and others. Such sales are recognized in the period in which the merchandise is shipped or repair services provided. Franchisees are required to report their total revenues to the Company on a monthly basis. The Company bills the franchisees on a monthly basis for a minimum royalty or royalties based on total revenues.

**Advertising**

All costs incurred by the Company for advertising are expensed as incurred. Total advertising cost was \$12,113. for the year ended December 31, 2019.

**Freight**

All costs incurred by the Company for freight are expensed as incurred. Total freight cost was \$ 14,725. for the year ended December 31, 2019.

**Compensated Absences**

The Company provides its full-time employees with various vacation, sick and other leave benefits in accordance with policies that it has established. Part-time and seasonal employees are generally not eligible to receive any compensated absences. The Company's cost of these employee benefits is expensed as the liability for them is paid.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurement**

The Company has determined the fair value of current assets and liabilities through application of FASB ASC 820-10, Fair Value Measurements ("Fair Value Measurements"). Fair Value Measurements establish a hierarchy that prioritizes the

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**Fair Value Measurement Continued**

inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under Fair Value Measurements are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Short-term financial instruments, including cash, accounts receivable, accounts payable and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, approximated their carrying values. The carrying amount of long-term debt approximates fair value because those financial instruments generally bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

All assets and liabilities are Level 1 Inputs.

**NOTE 3 –ACCOUNTS RECEIVABLE -NET**

Trade accounts receivable represent amounts due from the sale of dental hand-piece parts, tools and supplies and royalties from Franchise Owners. Notes receivable principally represent amounts due to the Company for its financing of certain franchise sales.

**Accounts Receivable at December 31, 2019**

Accounts Receivable	\$ 162,852
Royalties Receivable	11,356
Less: Allowance for Doubtful Accounts	<u>(5,761)</u>
Accounts Receivable – Net	\$168,447

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2019 consists of the following:

Computers	\$ 26,619
Automobiles	207,299
Office Furniture and Equipment	82,393
Leasehold Improvements	<u>93,728</u>
Total Property and Equipment	410,039
Less: Accumulated Depreciation and Amortization	<u>(324,493)</u>
Net Property and Equipment	<u>\$ 85,546</u>

**NOTE 5 – COMMITMENTS**

**Office Lease**

The Company leases its California and Nevada offices from related parties and is responsible for payment of gross rent. In 2019 the related party did not assess any lease charges against the Company. The Company is on month-to-month leases with related parties.

**NOTE 6- FRANCHISE HELD FOR SALE**

On February 11, 2019, the Company paid off its Note Payable for the re-purchase of a Franchise from one of its Franchisees at a substantial discount and reduced the value of the Franchise held for sale by \$38,918.

**NOTE 7 – BANK LOAN**

The Company maintains a line of credit with California Bank & Trust in the amount of \$250,000. and bears interest at 4.25% per annum with loan repayment guaranteed by the Company's stockholders. At December 31, 2019, the balance was \$ 0. This amount was fully paid in January of 2019.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 8 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 17, 2020, the date the financial statements were available to be issued.

**NOTE 9- PURCHASE OF VEHICLE**

On December 6, 2017 the Company purchased a vehicle for \$92,299 at 2.89% interest per annum. The principal payments due are as follows:

2020	22,157
2021	<u>22,743</u>
<b>Total</b>	<b>\$ 44,900</b>

**NOTE 10 – OTHER RELATED PARTY TRANSACTIONS**

The Company has various transactions with entities, which have common ownership with the Company. Such transactions include the purchase of various services, making or receipt of various loans, distributions and advances. These transactions are summarized below.

The Company paid another related party a total of \$132,000. for management fees for various administrative, executive and other services provided by them to the Company during 2019. The Company also provides certain employee type health benefits and the other perquisites to its nonemployee, executive managers.

The Company advanced additional monies to a related party in the amount of \$109,265. At December 31, 2019, the balance was \$949,265 at zero interest rate with no definite repayment date.

At December 31, 2019 the Corporation also owed another related party \$120,000 for operating capital at zero interest rate with no definite repayment date.

In December of 2019 the shareholders contributed \$500,000. to the capital of the Company.



**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 11: HEALTH EPIDEMICS**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the United States have declared a state of emergency. Potential impacts to our business include disruptions or restrictions on our ability to increase our revenues. COVID-19 could adversely affect the economy of the United States which could result in an economic downturn. However, we believe the impact on the Dental Care Industry will be minimal that could impact our operating results. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

**EDWARD A. ROSE, JR.**

CERTIFIED PUBLIC ACCOUNTANT, P.C.

(LICENSED IN TEXAS, CALIFORNIA, & NEVADA)

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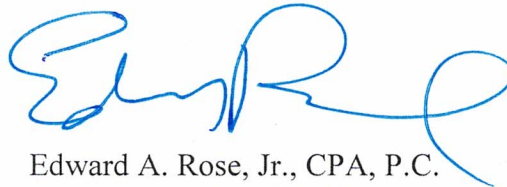
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CELL: 760-580-7511  
FAX: 832-201-9960

### **Independent Auditor's Consent**

Edward A. Rose, Jr., CPA, P.C. consents to the use in the Franchise Disclosure Document issued by The Dentist's Choice, Inc. ("Franchisor") on April 11, 2019, as it may be amended, of our report dated March 28, 2019, relating to the financial statements of Franchisor for the period ending December 31, 2018.



Edward A. Rose, Jr., CPA, P.C.  
League City, Texas 77573  
March 28, 2019

**THE DENTIST'S CHOICE, INC.  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**THE DENTIST'S CHOICE, INC.**  
**DECEMBER 31, 2018**  
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# EDWARD A. ROSE, JR.

CERTIFIED PUBLIC ACCOUNTANT, P.C.

( LICENSED IN TEXAS, CALIFORNIA, & NEVADA )

---

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## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS  
THE DENTIST'S CHOICE, INC.  
INCLINE VILLAGE, NEVADA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Dentist's Choice, Inc. which comprise the balance sheet as of December 31, 2018, and the related statements of income, shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

# EDWARD A. ROSE, JR.

CERTIFIED PUBLIC ACCOUNTANT, P.C.

( LICENSED IN TEXAS, CALIFORNIA, & NEVADA )

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dentist's Choice, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Edward A. Rose, Jr., CPA  
League City, Texas

March 28, 2019

**THE DENTIST'S CHOICE, INC.**  
**BALANCE SHEET**  
**December 31, 2018**

ASSETS

CURRENT ASSETS:

Cash	\$	150,604
Accounts Receivable, Net		192,592
Accounts Receivable - Related Party		7,026
Inventory, at Cost		439,139
Prepaid Expenses		4,157
Total Current Assets		793,518

PROPERTY AND EQUIPMENT

Property and Equipment, Net		130,261
-----------------------------	--	---------

OTHER ASSETS

Franchise Held For Sale		70,000
Note Receivable-Officer		154,759
Advances to Related Parties		840,000
TOTAL ASSETS	\$	1,988,538

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts Payable		347,348
Note Payable-Purchase of Franchise		23,624
Note Payable- Vehicle		21,527
Note Payable- Related Party		15,000
Total Current Liabilities	\$	407,499

LONG TERM DEBT

Note Payable-Purchase of Franchise		26,473
Note Payable- Vehicle		44,903
Note Payable- Related Party		120,000
Note Payable - Bank Line of Credit		250,000
Total Long Term Debt	\$	441,376

SHAREHOLDERS' EQUITY

Common Stock, No Par Value, 75,000 shares authorized, 10,000 shares issued and outstanding		22,000
Additional Paid-In Capital		349,518
Retained Earnings		768,145
Total Shareholders' Equity	\$	1,139,663

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	1,988,538
--	----	-----------

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2018**

REVENUES

Sales of Franchises	\$ 201,500
Royalties	186,456
Parts and Tools	2,003,774
Service	359,151
Warehouse Parts and Freight	19,777
Other	<u>193,370</u>
Total Revenues	2,964,028
Cost of Sales	<u>1,851,489</u>
Gross Profit	1,112,539
Operating Expenses	<u>1,183,863</u>
Operating Loss	(71,324)
Other Income (Expense)	
Interest Income	634
Interest Expense	(6,631)
Loss Before Taxes	<u>(77,321)</u>
Income Tax Expense	<u>0</u>
Net Loss	<u><u>\$ (77,321)</u></u>

The accompanying notes are an integral part of these financial statements



**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2018**

	No Par Value Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Total</u>
January 1, 2018	10,000	\$ 22,000	\$ 349,518	\$ 845,466	\$ 1,216,984
Net Loss				(77,321)	(77,321)
	-----	-----	-----	-----	-----
December 31, 2018	<u>10,000</u>	<u>\$ 22,000</u>	<u>\$ 349,518</u>	<u>\$ 768,145</u>	<u>\$1,139,663</u>

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2018**

Cash Flows from Operating Activities:

Net Loss	(\$77,321)
Adjustments to Reconcile Net Loss to Net Cash	
Provided by (Used In) Operating Activities:	
Depreciation and Amortization	44,305
Decrease (Increase) in Accounts Receivable	5,380
Decrease (Increase) in Accounts Receivable - Related Party	220,833
(Increase) Decrease in Inventory	(47,963)
Decrease (Increase) in Prepaid Expenses	3,608
Increase (Decrease) in Accounts Payable	<u>15,178</u>

Net Cash Provided by Operating Activities \$164,020

Cash Flows from Investing Activities:

Purchase of Equipment	(7,122)
Loan to Officer	(154,759)

Net Cash Used by Investing Activities (161,881)

Cash Flows From Financing Activities:

Payment on Loan from Officer	(178,000)
Payment on Note Payable- Franchise	(14,601)
Payment on Note Payable- Vehicle	(20,869)
Note Payable- Line of Credit	<u>250,000</u>

Net Cash Provided By Financing Activities 36,530

Net Increase In Cash and Cash Equivalents 38,669

Cash and Cash Equivalents, Beginning of Year	<u>111,935</u>
Cash and Cash Equivalents, End of Year	<b>\$ 150,604</b>

**SUPPLEMENTAL DISCLOSURES FOR STATEMENT OF CASH FLOWS**

Interest Paid	<u>\$ 6,631</u>
Taxes Paid	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1: THE ORGANIZATION AND OPERATIONS**

On June 7, 1994, The Dentist's Choice, Inc. (the "Company") was incorporated in the State of California. The Company reincorporated in Nevada on October 17, 2005. During that time the shareholders of the Company invested additional monies in the Company without issuing additional stock. The Company operates principally as a franchisor of dental hand-piece repair businesses. The Company maintains its franchise sales office in Incline Village, Nevada. The Company provides administration, initial training and on-going part sales, and technical support to franchisees and others from its Irvine, California office. Franchisees of the Company are located throughout the United States and foreign countries. The Company also provides sales and service to its franchisees and others.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

Cash consists of demand deposits in FDIC insured financial institutions. At December 31, 2017, the Company did not have any cash balances in excess of the FDIC insurance limit of \$250,000 even though at times, such amounts may be in excess of FDIC insurance limits. For purposes of the Statement of Cash Flows the Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts for both trade accounts and notes receivable based on management's review and analysis of specific receivables and also considers the age of past due accounts even though Management does not believe the Company has any significant concentration of credit risk in its accounts and notes receivable.

**Inventory**

Inventory consists principally of dental hand-piece parts, tools and franchise supplies and is stated at the lower of cost or market. Cost of retail inventory is determined primarily by using the first-in-first-out method.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prepaid Expenses**

Costs incurred which in the opinion of management will benefit future periods, are deferred and amortized over the periods to be benefited. At December 31, 2018 the Company had prepaid expenses and deposits in the amount \$4,157.

**Property**

Property, autos, leasehold improvements and equipment are stated at cost. Gains and losses on the disposition of property, autos and equipment are reflected in income as realized. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to five years. The Company expenses all items with a cost of \$500 or less.

**Income Taxes**

In June 2004, the Company elected to be taxed under the Internal Revenue and California Revenue and Taxation Codes as an "S" corporation. The stockholders of an "S" corporation are taxed on the Company's taxable income. The Company prepares and files its Federal tax return using the accrual basis of accounting and depreciation methods applicable to such filings. The State of Nevada does not assess corporate income taxes. The Company's income tax filings are subject to audit by taxing authorities. The Company's open audit periods are for the years ended December 31, 2016, 2017, and 2018.

**Revenue Recognition**

The Company currently requires an upfront payment of a franchise fee for new franchisees. This fee provides for use of the Company's registered trade name, "The Dentist's Choice," and specified franchisee territories. Franchise agreements are generally for a ten-year period. In addition to the franchise fee, new franchisees also purchase an initial inventory of parts and supplies. Following the franchise sale, the Company provides on-going technical and other support to the franchisees during the franchise period.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue Recognition Continued**

The Company provides on-going parts sales and repair services to franchisees and others. Such sales are recognized in the period in which the merchandise is shipped or repair services provided. Franchisees are required to report their total revenues to the Company on a monthly basis. The Company bills the franchisees on a monthly basis for a minimum royalty or royalties based on total revenues.

**Advertising**

All costs incurred by the Company for advertising are expensed as incurred. Total advertising cost was \$31,723. for the year ended December 31, 2018.

**Freight**

All costs incurred by the Company for freight are expensed as incurred. Total freight cost was \$ 10,271. for the year ended December 31, 2018.

**Compensated Absences**

The Company provides its full-time employees with various vacation, sick and other leave benefits in accordance with policies that it has established. Part-time and seasonal employees are generally not eligible to receive any compensated absences. The Company's cost of these employee benefits is expensed as the liability for them is paid.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurement**

The Company has determined the fair value of current assets and liabilities through application of FASB ASC 820-10, Fair Value Measurements ("Fair Value Measurements"). Fair Value Measurements establish a hierarchy that prioritizes the

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Fair Value Measurement Continued**

inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under Fair Value Measurements are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Short-term financial instruments, including cash, accounts receivable, accounts payable and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, approximated their carrying values. The carrying amount of long-term debt approximates fair value because those financial instruments generally bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

All assets and liabilities are Level 1 Inputs.

**NOTE 3 –ACCOUNTS RECEIVABLE -NET**

Trade accounts receivable represent amounts due from the sale of dental hand-piece parts, tools and supplies and royalties from Franchise Owners. Notes receivable principally represent amounts due to the Company for its financing of certain franchise sales.

**Accounts Receivable at December 31, 2018**

Accounts Receivable	\$ 185,134
Royalties Receivable	13,495
Less: Allowance for Doubtful Accounts	<u>(6,037)</u>
Accounts Receivable – Net	\$192,592

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2018 consists of the following:

Computers	\$ 24,163
Automobiles	262,434
Office Furniture and Equipment	93,729
Leasehold Improvements	<u>82,392</u>
Total Property and Equipment	462,718
Less: Accumulated Depreciation and Amortization	<u>(332,457)</u>
Net Property and Equipment	<u>\$ 130,261</u>

**NOTE 5 – COMMITMENTS**

**Office Lease**

The Company leases its California and Nevada offices from related parties and is responsible for payment of gross rent. The total rental expense was \$84,000 in 2018. The Company is on month-to-month leases with related parties.

**NOTE 6- FRANCHISE HELD FOR SALE**

On September 26, 2017, the Company re-purchased a Franchise from one of its Franchisees for \$70,000 payable over three (3) years at 7% interest per annum. The principal payments due are as follows:

<b>2019</b>	<b>\$ 23,624</b>
<b>2020</b>	<b><u>26,473</u></b>
<b>Total</b>	<b>\$ 50,097</b>

In February of 2019 this Note was paid off at a substantial discount.

**NOTE 7 – BANK LOAN**

The Company maintains a line of credit with California Bank & Trust in the amount of \$250,000. and bears interest at 4.25% per annum with loan repayment guaranteed by the Company's stockholders. At December 31, 2018, the balance was \$250,000. This amount was fully paid in January of 2019.

**THE DENTIST'S CHOICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 8 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 28, 2019, the date the financial statements were available to be issued.

**NOTE 9- PURCHASE OF VEHICLE**

On December 6, 2017 the Company purchased a vehicle for \$92,299 at 2.89% interest per annum. The principal payments due are as follows:

2019	\$ 21,527
2020	22,157
2021	<u>22,746</u>
<b>Total</b>	<b>\$ 66,430</b>

**NOTE 10 – OTHER RELATED PARTY TRANSACTIONS**

The Company has various transactions with entities, which have common ownership with the Company. Such transactions include the purchase of various services, making or receipt of various loans, distributions and advances. These transactions are summarized below.

The Company paid another related party a total of \$132,000. for management fees for various administrative, executive and other services provided by them to the Company during 2018. The Company also provides certain employee type health benefits and the other perquisites to its nonemployee, executive managers.

The Company advanced monies to related parties. At December 31, 2018, the balance was \$840,000 at zero interest rate with no definite repayment date. An Officer also borrowed \$154,759. at zero interest rate with no definite repayment date.

At December 31, 2018 the Corporation also owed another related party \$135,000 for operating capital at zero interest rate with no definite repayment date.



**EXHIBIT C**  
**FRANCHISE AGREEMENT**

**THE DENTIST'S CHOICE, INC.**

**FRANCHISE AGREEMENT**

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**FRANCHISEE**

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**DATE**

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EXHIBIT A - PREMISES AND PROTECTED TERRITORY

GUARANTY AND ASSUMPTION OF OBLIGATIONS

**THE DENTIST'S CHOICE, INC.**  
**FRANCHISE AGREEMENT**

**THIS AGREEMENT** is made this \_\_\_\_ day of \_\_\_\_\_, 2021 (the "Agreement Date") by and between **THE DENTIST'S CHOICE, INC.**, a Nevada corporation whose principal business address is 774 Mays Blvd. Suite 10-297, Incline Village, Nevada 89451, and \_\_\_\_\_, whose principal address is \_\_\_\_\_.

**RECITALS:**

A. In this Agreement, "we," "us" or "the Company" means The Dentist's Choice, Inc., the franchisor. "You" means the person that acquires the franchise under this Agreement. If you are a corporation, partnership, limited liability company or other business entity, we refer to your owners, shareholders, partners, members or similar individuals as "owners" in this Agreement.

B. We have expended considerable time, money and effort to develop a system for the development and operation of dental handpiece repair service businesses. These businesses operate under the name "The Dentist's Choice" and use uniform service regimens, formats, procedures, business methods, forms, information, knowledge, policies and practices, all of which may be improved, expanded, further developed or otherwise modified from time to time (the "System"). We own the rights to, interest in and goodwill of, and use, promote and license, certain proprietary trademarks, service marks, trade names, logotypes and other commercial symbols, including the service mark "The Dentist's Choice" and associated logo (the "Marks").

C. We grant to persons who meet our qualifications, and who are willing to undertake the investment and effort and accept the terms, conditions and covenants set forth herein, a franchise to operate a "The Dentist's Choice" dental handpiece repair business offering the products and services we authorize and approve and operating under the System and the Marks. In this Agreement, we refer to these businesses as "The Dentist's Choice" Businesses, and we will refer to "The Dentist's Choice" Business that you will operate under this Agreement as the "Franchised Business."

NOW, THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

**1. GRANT AND RENEWAL OF FRANCHISE.**

**1.1 Grant of Franchise.**

Subject to the terms and conditions of this Agreement, we grant to you the non-exclusive right (the "Franchise") to establish and operate a "The Dentist's Choice" Business (the "Franchised Business") at the location listed on Exhibit A to this Agreement, and to use the Marks and the System in operating your Franchised Business, for a term of ten (10) years beginning on the Agreement Date (the "Term"), unless sooner terminated according to the terms of this Agreement.

## **1.2 Performance.**

You (or if you are an entity, your principal owner) agree to continuously exert your, his or her best efforts to operate and enhance the business of your Franchised Business. If we approve of a manager who will be responsible for the day-to-day operation of the Franchised Business (the "Manager"), such Manager must also continuously exert his or her best efforts to operate and enhance the business of your Franchised Business. You (and your owners) must at all times faithfully, honestly and diligently perform your obligations under this Agreement throughout the Term.

## **1.3 Renewal.**

You will have the right, subject to the conditions set forth below, to renew the Franchise for two (2) additional ten (10) year terms ("Renewal Term") only if all of the conditions hereinafter set forth have been fulfilled:

(a) You have fully complied with all of the provisions of this Agreement during the Term;

(b) Before the expiration of the Term, you have brought the Franchised Business into full compliance with the then-current specifications and standards then applicable for new or renewing "The Dentist's Choice" Businesses;

(c) You have given notice of renewal to us as provided hereinafter;

(d) You have satisfied all monetary obligations owed by you to us under this Agreement or any other Agreement entered into between you and us and any of our affiliates, and have timely met these obligations throughout the Term;

(e) You pay us a renewal fee equal to Five Thousand Dollars (\$5,000.00) ("Renewal Fee");

(f) You have executed, upon renewal, our then-current form of the Franchise Agreement (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of the renewal franchise), which Franchise Agreement shall supersede in all respects this Agreement and the terms of which may materially differ from the terms of this Agreement including, without limitation, different rates for Royalty Fees, as well as other material financial and non-financial terms and conditions;

(g) You have complied with our then-current qualifications and criteria as well as training requirements as set forth by us; and

(h) You have executed a full general release, in a form prescribed by us, of any and all claims that have arisen or could have arisen against us, our subsidiaries, affiliates and each of their respective officers, directors, agents, shareholders and employees.

If you desire to renew the Franchise, you must notify us at least ninety (90) days, but no more than twelve (12) months, prior to the expiration of the Term of your intention to renew.

## **2. TERRITORY.**

### **2.1 Protected Territory.**

You are granted a protected territory which is determined based on mutual agreement between you and us and the number of dentists operating within a geographic area (your "Protected Territory"). The specific boundaries of your Protected Territory are described in Exhibit A. Because some areas are more densely populated than others, you acknowledge and agree that the protected territories of other "The Dentist's Choice" franchisees may encompass a greater or smaller geographic area than your Protected Territory. You may not provide services to any dentist located outside your Protected Territory without our prior written permission. If we grant you permission to provide services to dentists located outside of your Protected Territory, we may, at any time thereafter, revoke our permission and you must immediately cease from providing services to dentists located outside of your Protected Territory. Except as provided in this Agreement, we will not operate or grant the right to operate a "The Dentist's Choice" Business to be physically located within your Protected Territory.

### **2.2 Reservation of Rights.**

We (and our affiliates) reserve and retain any and all rights with respect to the System and the Marks, the sale of products and services anywhere in the world, including, without limitation, the right, in our sole discretion, to now or in the future: (a) operate and grant the right to operate "The Dentist's Choice" Businesses offering the same products and services that are part of the System under the Marks, from locations anywhere outside the Protected Territory (including on the border of the Protected Territory); (b) to initiate and conduct national or major account programs in which large accounts contract directly with us for service on a national or regional basis, and agree upon pricing to be charged by us and/or our franchisees for servicing such accounts. We can fulfill services for national and major accounts in your Protected Territory without paying you any compensation. However, we may collect fees from national and major accounts with locations inside your Protected Territory and pay you a percentage of those fees to perform those services on our behalf. The amount and frequency of our payments to you based on servicing national or major accounts are at our sole and absolute discretion; (c) to develop and operate and license others to develop and operate businesses, other than a "The Dentist's Choice" Business, identified in whole or in part by the Marks, in your Protected Territory or proximate to your Protected Territory, including, but not limited to, businesses that offer the same or similar services as "The Dentist's Choice" Businesses; (d) to directly merchandise, sell and distribute products, services and supplies that are part of the System, under the Marks, or other names and marks, anywhere, including in your Protected Territory or proximate to your Protected Territory, through any other method or channel of distribution, including without limitation, catalogs, telemarketing, shopping clubs, wholesale or retail facilities, the internet or other direct marketing sales. If we sell products, services or supplies directly to dentists in your Protected Territory we may, but we are not obligated to, offer you a commission based on those purchases in our sole and absolute discretion. We may sell



consumable supplies directly to dentists within your Protected Territory and we may, in our sole and absolute discretion, pay you a commission based on those sales; (e) offer and sell products and services under the Marks or any other marks that are not part of the System through any distribution method anywhere, including within your Protected Territory; and (f) to purchase, merge, acquire or affiliate with any other chain or business regardless of the location of those businesses, and to operate, franchise, or license those businesses as “The Dentist’s Choice” Businesses operating under the System, the Marks, or any other mark following our purchase, merger, acquisition, affiliation, regardless of the location of such businesses (which may be within your Protected Territory and proximate to your Protected Territory).

### **3. SITE SELECTION/OPENING.**

#### **3.1 Locations.**

You must operate the Franchised Business only from a location within the Protected Territory (which may be your home or an outside office), and you must notify us of the address of the location. You represent and covenant that the location is suitable and adequate for operating the Franchised Business and that you will maintain the location in a condition suitable and adequate for operating the Franchised Business throughout the Term. You may not open another office within the Protected Territory without obtaining our prior written consent and you cannot operate from a location outside the Protected Territory without acquiring another franchise from us.

#### **3.2 Opening Requirements.**

You must open and begin operating your Franchised Business no later than ninety (90) days following the Agreement Date. If you fail to open and begin operating your Franchised Business during that period, we may, in our sole discretion, terminate this Agreement. You may not open and begin operating your Franchised Business until: (a) you (or your principal owner) or your Manager has completed our initial training program to our satisfaction; (b) you have purchased all supplies, equipment, inventory and other materials required to open the Franchised Business; (c) you provide us evidence of insurance coverage for the Franchised Business (if we require); and (d) you notify us of the location of your Franchise Business.

### **4. OBLIGATIONS OF FRANCHISOR.**

#### **4.1 Use of Our Marks.**

Subject to the terms and conditions of this Agreement, you are granted the right to use our Marks, copyrighted materials and certain other confidential information during the Term for the operation of the Franchised Business. During the Term we may elect to register or use other trademarks, trade names, service marks, logotypes, designs, patents, copyrights or other intellectual property. This other intellectual property will remain our property and we may, in our sole discretion, license any such intellectual property to you under the terms of a separate agreement.

## **4.2 Manual.**

When you attend our initial training program, we will loan to you for use during the Term one (1) copy of our Manuals (the "Manuals"), which currently consists of our Repair Manual and Marketing and Sales Manual. The Manuals contain mandatory and suggested specifications, standards and operating procedures that we prescribe from time to time for "The Dentist's Choice" Businesses, as well as information about other obligations you have under this Agreement and in operating your Franchised Business. We may modify the Manual from time to time to reflect changes in the specifications, standards and operating procedures of "The Dentist's Choice" Businesses, to disclose information concerning new products or services that we may prescribe for offer or sale by "The Dentist's Choice" Businesses, or to specify makes, brands and models of equipment, supplies or other materials that our franchisees may or must use in operating "The Dentist's Choice" Businesses. You must keep your copy of the Manuals current by immediately inserting all modified pages or other materials that we furnish. If a dispute arises about the contents of the Manuals, the master copies that we maintain at our principal office will control. You understand and agree that the Manuals contain our confidential information and you will not at any time copy any part of the Manuals.

## **4.3 Initial Training Program.**

Prior to the scheduled opening of your Franchised Business, we will train you and one (1) of your key employees in the operation of a Business at a time and location that we specify. All trainees from the Franchised Business must attend the training course at the same time and must complete the initial training program to our satisfaction. You must pay your and your employees' expenses in attending training, such as food, travel, lodging and all other costs, expenses and salaries.

We will also train an additional person or persons you designate at later times and the fee is \$5,000.00 per attendee payable in advance of the training event. You must also pay your designated person's expenses in attending training, such as food, travel and lodging.

## **4.4 Supplemental Training.**

We may, in our discretion, offer supplemental training and refresher courses or programs relating to the operation of a "The Dentist's Choice" Business during the Term. Although we will not require you to attend any supplemental training sessions, we recommend that you do so if we offer them. We will not charge tuition for the supplemental training; however, you must pay all of your and your employees' expenses in attending training, such as food, travel, lodging and all other costs, expenses and salaries.

## **4.5 Franchised Business Inventory and Equipment Selection.**

We will sell you the equipment, supplies, hand tools and dental handpiece replacement parts inventory required to open and begin operating your Franchised Business.

#### **4.6 Grand Opening Promotion.**

We will provide you with reasonable guidance and assistance regarding promotion for the grand opening of your Franchised Business. We also will provide assistance in developing sales presentations and provide you samples of brochures and other promotional items for the Franchised Business' grand opening.

#### **4.7 Ongoing Assistance.**

If you are complying with all of the terms and conditions of this Agreement, we will provide, at such times and in such methods and manners as we (in our own discretion) determine, the following guidance and assistance to you and your Franchised Business during the Term:

(a) **Operational Assistance.** We may furnish you such assistance in connection with the operation of the Franchised Business as we may from time to time deem appropriate in our sole discretion. This assistance may, but is not required to be provided by us in person, by telephone, e-mail, the internet, or through any other means as we deem appropriate. There is no particular type of assistance that is required to be provided by us at any time or on an ongoing basis. We may, in our sole discretion, decide to supplement this telephone support with periodic service calls to your Premises; provided, however, that we are not obligated to make any such service calls during the Term.

(b) **Ongoing Marketing Assistance.** Upon your request, and at such times as we deem appropriate, we will provide you with reasonable guidance and assistance in selecting your media purchases and developing sales presentations to clients and sources of referrals.

(c) **Printing and Supplies.** We will provide you with at least one sample of any newspaper inserts, direct mail flyers, point-of-purchase promotional pieces, advertising slicks, graphic designs, layouts, written copy and other print media marketing materials which we may, in our sole discretion, develop for use by "The Dentist's Choice" Businesses during the Term. However, there is no specific frequency or timetable upon which we must produce or distribute these advertising samples. You may duplicate these materials at your expense. We might, from time to time, make packages of brochures and other promotional materials available for you to purchase. However, we will not place, run or pay the media placement costs of any print media advertisements, commercials or promotions for you.

(d) **List of Approved Suppliers and Authorized Products.** We will provide you with updated lists of certain products, equipment, inventory and supplies that we authorize for use by "The Dentist's Choice" Businesses and, if we determine (in our sole discretion) during the Term to designate or approve suppliers other than us, lists of designated or approved suppliers from whom you may or must purchase these items.

## **5. INTITIAL FRANCHISE FEE.**

You must pay us a Fifty Thousand Dollar (\$50,000.00) initial franchise fee (the "Initial Franchise Fee") in a lump sum at the time you sign this Agreement. The Initial Franchise Fee is non-refundable.

## **6. APPROVAL OF FRANCHISE.**

We reserve the right to be selective in assigning franchises. If we present this Agreement to you for your review, this does not mean that we are offering you a franchise at this time or at any time in the future. You acknowledge and agree that your signing this Agreement and delivering it to us along with your Initial Franchise Fee merely constitutes your offer to purchase a franchise from us, which we will accept only by signing this Agreement and providing you with a fully executed copy. If we do not sign this Agreement, then we have not accepted your offer to purchase a franchise and will return your Initial Franchise fee within ten (10) business days of our decision.

## **7. FEES.**

### **7.1 Monthly Royalty Fee.**

Throughout the Term you agree to pay us, on or before the tenth (10th) day of each month, a monthly Royalty Fee ("Royalty Fee"). The Royalty Fee is equal to five percent (5%) of the "Gross Sales" (defined below) of your Franchised Business during the preceding calendar month. The Royalty Fee steps down or is reduced to four percent (4%) of the "Gross Sales" in excess of sixty thousand dollars (\$60,000.00) per calendar year and is further reduced to three percent (3%) of the "Gross Sales" in excess of one hundred and twenty thousand dollars (\$120,000.00) per calendar year. During the first thirty (30) months from the date you complete your training with us, the minimum Royalty Fee is Two Hundred Fifty Dollars (\$250.00). Beginning in the thirty-first (31<sup>st</sup>) month and continuing thereafter, the minimum Royalty Fee increases from Two Hundred Fifty Dollars (\$250.00) to Three Hundred and Fifty Dollars (\$350.00).

### **7.2 Gross Sales Defined.**

"Gross Sales" is defined as all sums, property or other value which you receive (whether in cash or in kind, without any deductions of any type) resulting directly or indirectly from the operation of your Franchised Business or through the use of our Marks in any way, plus the paid balances of any invoices for which you have provided a bill to a client for services rendered or for products you have supplied. We intend the term "Gross Sales" to include all value which you receive from all sources related to your Franchised Business, except sales tax, customer refunds and the sale in bulk of the assets of your Franchised Business.

### **7.3 Interest on Late Payments.**

All amounts which you owe us will bear interest thirty days after the invoice date at the rate of one and one-half percent (1.5%) per month or the highest commercial contract rate of

interest permitted by law, whichever is less. You acknowledge that this Subsection does not constitute our agreement to extend credit to or otherwise finance your operation of your Franchised Business. Your failure to pay us all amounts when due constitutes grounds for termination of this Agreement, notwithstanding the provisions of this Subsection.

#### **7.4 Required Report Forms.**

You also must send us certain required reports, including weekly reports of your “Gross Sales” which help us track the development of your Franchised Business at such times and using such forms as we may prescribe from time to time. You acknowledge that these reports are very important to the System.

### **8. ADVERTISING.**

#### **8.1 Solicitation Restrictions.**

You may not solicit (directly or indirectly) or use any advertising or promotional materials targeted towards dentists who are located outside your Protected Territory without our written consent.

#### **8.2 Compliance With Our Advertising Standards.**

You must conduct all advertising and promotional activities for the Franchised Business, including any advertising or other information on the Internet or a “Website” (defined as an interactive electronic document contained in a network of computers linked by communications software), according to our requirements as reflected in the Manual or our written or oral instructions to you. You shall not have a Website in connection with the Franchised Business unless we approve the contents in writing. Before you use them, you must submit to us for our approval samples of all advertising, marketing and promotional materials (other than materials we have prepared or previously approved), including brochure copy and promotions activities and any information on a Website (or any change in information on an approved Website). You may not use any materials or conduct any promotion that we have not approved. We may prevent you from soliciting or using certain media or advertising materials that are targeted towards dentists located outside your Protected Territory.

### **9. FRANCHISEE’S OBLIGATIONS.**

#### **9.1 Standard Product and Service Line.**

In order to promote uniformity and the high quality of products and services required to protect the goodwill associated with our Marks and our System, you must sell only those items, products and services (including “same-day” and similar offers) which we authorize in writing and in the manner and method that we prescribe. You also must offer for sale all goods and services that we specify. In the event that we wish to expand the types of services or products offered for sale by "The Dentist's Choice" Businesses, you agree to comply with these changes and to acquire all equipment, supplies, tools, replacement parts inventory and other items

necessary for such change or modification within one hundred eighty (180) days after you receive written notice from us.

## **9.2 Standard Displays, Signs, Equipment, Parts and Supplies.**

To promote uniformity throughout the System, you must purchase and use in operating your Franchised Business only those displays, signs, equipment, dental handpiece replacement parts inventory, supplies and other materials that comply with our standards and specifications. We will provide these standards and specifications to you in the Manual or, if you request, otherwise in writing. You acknowledge and agree that we may, at any time during the Term, improve, expand, further develop or otherwise modify our standards and specifications by providing notice to you, and you agree to comply with all such modifications within a reasonable time.

## **9.3 Standard Sources of Supply.**

You must purchase all hand tools, equipment and dental handpiece replacement parts inventory that you use in operating the Franchised Business from us (or if we, in our sole discretion, decide to designate or approve suppliers for any of these items, from only those suppliers). You may not purchase any item used in operating your Franchised Business from any supplier that we have disapproved. If you want to use any product in operating your Franchised Business that we have not authorized (or if we, in our sole discretion, designate or approve suppliers other than us, purchase from a supplier that we have not approved), you must first submit to us sufficient information, specifications and samples for us to determine whether the product complies with our standards and specifications (or the supplier meets our criteria). You may not use the product or purchase from any supplier unless and until you receive our approval.

## **9.4 Replacement Parts Quota.**

Beginning six (6) months from the date you complete your training with us and continuing throughout the remainder of the Term, your Franchised Business must purchase from us at least Five Thousand Dollars (\$5,000.00) in replacement parts each calendar quarter. Beginning the thirty-first (31<sup>st</sup>) month and continuing throughout the remainder of the Term, your Franchised Business must purchase from us at least Seven Thousand Dollars (\$7,000.00) in replacement parts each calendar quarter. Failure to achieve this minimum level of replacement parts purchased is grounds for termination of this Agreement.

## **9.5 Quality of Service.**

You must maintain the quality of service in your Franchised Business which corresponds to the high standards we have established for the System and which complies with all applicable federal, state and local laws, ordinances and regulations. You must maintain sufficient inventory, supplies, and staff to enable your Franchised Business to satisfy local customer demand and to provide service offering completion of work ordered within a reasonable period of time determined by us. You also must provide to your customers a ninety (90) day warranty on parts and labor or such other warranty as we may prescribe during the Term.

## 9.6 Management Standards.

(a) **Dress and Service.** All agents or employees who represent your Franchised Business shall during working hours dress and present a neat and clean appearance according to our reasonable standards and shall render competent, efficient service to your customers.

(b) **Personal Conduct.** You (and your owners) and your employees must refrain from committing any act or pursuing any course of business conduct that tends to bring the Marks, the System or any Business into disrepute.

(c) **Conformity with Manual.** The practices, methods, and operating procedures you must use in operating your Franchised Business are set forth in the Manual or in our written or oral instructions to you, and we require you to conform your practices with national programs that we have designed and promulgated as part of our System. You must train and instruct your employees according to the provisions of the Manual before beginning to operate your Franchised Business and continue such training and instruction for the duration of their employment.

## 9.7 Standard Forms and Records.

(a) **Invoices.** You must make an invoice for each product sold and service rendered by your Franchised Business.

(b) **Books and Accounts.** You must establish and maintain the books, accounts, records, order receipts, etc. that we require and keep and maintain accurate records of purchases and other calculations relating to the Franchised Business in the manner we prescribe. To promote the standardization and uniformity of our franchised units and to determine whether you are complying with this Agreement, you must open your books and records for our inspection and audit at all reasonable times upon prior notice. If we conduct an audit of your Franchised Business and find that you have failed, for any reason, to properly report the Gross Sales of your Franchised Business to us, then you shall pay any deficiency we discover within fifteen (15) days of the completion of the audit, plus interest on any overdue amounts at the rate provided in this Agreement from the date originally due until the date of payment. Further, if an inspection or audit is made necessary by your failure to furnish reports, supporting records or other forms or information, or to furnish this information on a timely basis, or if the inspection or audit reveals that you understated the Gross Sales of your Franchised Business by more than ten percent (10%) during any period of not less than one (1) month, you must reimburse us for cost of the audit, including travel, lodging and wages reasonably incurred.

(c) **Inspections.** In order to maintain the high quality and uniform standards associated with the Franchise System and to protect its goodwill and reputation, you must permit us during business hours and upon prior notice to inspect the operation and location of your Franchised Business. You must allow us to confer with you and your employees and customers concerning the quality of your services, gather information about customer satisfaction levels, check your inventories or methods, and perform any

other inspection that we deem necessary to protect the standards of quality and uniformity of the System and to secure your performance under this Agreement. If we determine that you are not complying with this Agreement, the Manual or our operating procedures, in addition to any other remedies we may have under this Agreement, we may require you to immediately correct the deficiencies and cease using all products, materials or supplies which do not meet our standards and specifications.

## **9.8 Payment of Obligations.**

You agree to pay all current obligations and liabilities to suppliers, lessors and creditors (including us or our affiliates) on a timely basis. You further agree to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes and any other taxes arising from your operation of the Franchised Business. We will accept no liability for any of your debts or taxes, and you agree to indemnify and hold us (and our subsidiaries and affiliates) and our (and their) respective shareholders, directors, officers, employees, agents, representatives, successors and assignees (collectively the "Indemnified Parties") harmless against, and to reimburse the Indemnified Parties for, all claims, obligations, actual and consequential damages and taxes described in this Section, and for all costs reasonably incurred by any of the Indemnified Parties in the defense of any such claim, including without limitation reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses incurred during or in preparation for or contemplation of litigation or arbitration. We will have the right to defend any such claim.

## **9.9 Insurance.**

Before beginning to operate your Franchised Business, you must obtain, in such amounts and (if we require) from such carriers that we approve, public liability and property damage insurance covering the Premises and the operation your Franchised Business, as well as general liability insurance including personal property, fire and extended coverage on an all risk replacement cost basis. You must submit certificates (if we require) evidencing your coverage prior to opening the Franchised Business and maintain the insurance coverage that we require throughout the Term. You also must carry any insurance required by your landlord, lenders or equipment lessors, and such workers compensation insurance and other coverage as applicable law requires. At our option, all insurance policies must name us as an additional insured and provide us with thirty (30) days' prior written notice of a policy's material modification, cancellation or expiration. We may periodically increase the amounts of coverage required and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards and other relevant changes in circumstances.

## **9.10 Limitations on Use of Marks.**

(a) **Ownership and Goodwill of Marks.** You acknowledge that we own the Marks licensed to you under this Agreement, and that your right to use the Marks, including your right to use the Marks in connection with the Internet or Websites, is



derived solely from this Agreement and is limited to your Franchised Business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures we prescribe from time to time during the Term. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. You agree that your use of the Marks and any goodwill established thereby will inure to our exclusive benefit and you acknowledge that this Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement applicable to the Marks also will apply to any additional proprietary trade or service marks or commercial symbols we hereafter authorize and license you to use in connection with the Franchised Business. You may not at any time during or after the Term contest, or assist any other person in contesting, the validity or our ownership of any of the Marks.

(b) **Limitations on Your Use of Marks.** You agree to use the Marks as the sole identification of your Franchised Business, provided that you must identify yourself as the independent owner of your Franchised Business in the manner we prescribe. You may not use any Mark as part of any corporate or legal business name; with any prefix, suffix, or other modifying words, terms, designs or symbols (other than those we license to you), or in any modified form; as part of an Internet domain name, electronic address or otherwise in connection with a Website without our approval; in connection with the sale of any unauthorized product or service; or in any other manner that we do not expressly authorize in writing. You agree to prominently display the Marks in your approved advertising and marketing materials and on stationery, posters, displays and other forms we designate, and in the manner we prescribe. You also must give such notices of trade and service mark registrations and copyrights as we specify and obtain such fictitious or assumed name registrations as applicable law requires.

(c) **Notification of Infringements and Claims.** You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or of any person's claim of any rights in any Mark or similar trademark, service mark or tradename, and you may not communicate with any person other than us (and our affiliates) and our (and their) counsel in connection with any such infringement, challenge or claim. We (or our affiliates) will have sole discretion to take such action as we deem appropriate (including no action) and the right to exclusively control any litigation, Patent and Trademark Office proceeding or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as may, in our or our counsel's opinion, be necessary or advisable to protect and maintain our interests in any such litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

(d) **Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue using any Mark, and/or to use one or more additional or substitute trade or service marks, you agree to comply with our instructions within a reasonable time after receiving notice from us. You will be responsible for all out-of-pocket costs of complying with this obligation.

### **9.11 Telephone Service and Listing.**

You must provide adequate telephone service for your Franchised Business's customers and use the telephone numbers of the Franchised Business exclusively for the operation of the Franchised Business and for no other purpose.

### **9.12 Payment for Items Purchased.**

You agree to pay for all items purchased from us (or our affiliates) in accordance with the terms of such purchase, and to pay all other accounts or indebtedness owed to us (or our affiliates) when due. You must not withhold payment of any amounts owed to us (or our affiliates) on the grounds of our alleged non-performance of any of our obligations under this Agreement or for any other reason whatsoever. Failure to pay amounts past due and owing to us for more than thirty (30) days is grounds for termination of this agreement if not remedied within thirty (30) days of formal notice to you.

### **9.13 Sales Quota.**

Beginning six (6) months from the date you complete your training with us and continuing throughout the remainder of the Term, your Franchised Business must achieve Gross Sales of at least Fifteen Thousand (\$15,000.00) each calendar quarter. Beginning the thirty-first (31<sup>st</sup>) month from the date you complete your training with us and continuing throughout the remainder of the Term, your Franchised Business must achieve Gross Sales of at least Twenty Thousand (\$20,000.00) each calendar quarter. Failure to achieve this minimum level of Gross Sales is grounds for immediate termination of this Agreement.

## **10. CONFIDENTIAL INFORMATION/COPYRIGHTS.**

### **10.1 Confidential Information.**

We have developed proprietary confidential information comprising methods, techniques, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of dental handpiece repair businesses, including, but not limited to: (1) knowledge of programs, concepts or results relating to categories or sources of goods sold from or used by "The Dentist's Choice" Businesses, services performed by "The Dentist's Choice" Businesses, and advertising and promotional programs; and (2) the customer lists, approved supplier lists (if we, in our sole discretion, decide to approve or designate suppliers other than us), franchisee lists and other reference materials used by "The Dentist's Choice" franchisees (collectively, the "Confidential Information"). We will disclose certain Confidential Information to you in the initial training program, the Manual and in guidance furnished to you during the Term.

You understand and acknowledge that you will not acquire any interest in the Confidential Information, other than the right to use certain Confidential Information in developing and operating your Franchised Business under the Agreement during the Term. You must promptly disclose to us all ideas, concepts, techniques or materials concerning a "The Dentist's Choice" Business, whether or not protectable intellectual property and whether created

by or for you or your owners or employees, and these ideas, concepts, techniques or materials will be our property, part of the System and our works made-for-hire. To the extent that any item does not qualify as our "work-made-for-hire," you assign ownership of that item, and all related rights to that item, to us and must sign whatever documents we require to show our ownership or to help us get intellectual property rights in the item.

You acknowledge that the Confidential Information is proprietary and, except to the extent that it is or becomes generally known in the relevant industry or trade, the Confidential Information is our trade secret and is disclosed to you solely for your use in operating your Franchised Business pursuant to the terms and conditions of this Agreement and on the condition that you agree, and you do hereby agree, that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the confidentiality of the Confidential Information during and after the Term; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (4) will adopt and implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of any of the Confidential Information, including requiring any of your employees with access to the Confidential Information to sign covenants by which they agree to be bound by the provisions of this Section 10.

## **10.2 Copyright.**

We own copyrighted works which you may use in operating your Franchised Business. In order to protect the integrity of and preserve our rights in the copyrighted works, we may assert from time-to-time various restrictions on your use of the copyrighted materials, including without limitation the following:

(a) **Approval.** You must obtain our written approval before using any promotional packages or other material relating to your Franchised Business which contain our copyrighted material. We may grant or withhold our approval in our sole discretion.

(b) **Restrictions on Use.** You must not make any unlicensed use of the copyrighted works and you shall at no time do anything which will in any way impair our rights in the copyrighted works. You acknowledge and agree that you will not acquire or claim any title to or interest in the copyrighted works, other than your right to use them in developing and operating your Franchised Business according to the terms and conditions of this Agreement. You must notify us of any infringements or potential infringements of the copyrights, and we reserve the right to exclusively control any legal or administrative proceeding and take any action (including no action) that we deem appropriate.

(c) **Notice of Copyright.** When using any of our copyrighted works, you must display the copyright notice that we prescribe. Your failure to comply with these provisions for copyright protection constitutes breach of this Agreement.

## **11. INDEMNITY/DISCLAIMER.**

### **11.1 Indemnity.**

You agree to indemnify and hold the Indemnified Parties (as defined in Section 9.7) harmless against, and to reimburse the Indemnified Parties for, any and all claims and liabilities arising directly or indirectly out of the operation of your Franchised Business or your use of the Marks in any manner not in accordance with this Agreement, for which any of the Indemnified Parties are held liable, and for all costs reasonably incurred by any of the Indemnified Parties in the defense of any such claim brought against any of the Indemnified Parties or in any action in which any Indemnified Party is named as a party, including without limitation reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses incurred during or in preparation for or contemplation of litigation or arbitration. We will have the right to defend any such claim. The indemnities and assumptions of liabilities and obligations described in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

### **11.2 Warranty and Disclaimer.**

We warrant that all replacement parts that we sell to you will be free from defects in materials, workmanship and design for ninety (90) days from the date you place-in-service the part from us. If you discover such a defect within that ninety (90) day period, and we agree, you may return the part to us for a refund credit. This warranty applies to replacement parts inventory and to hand tools, equipment or other items we sell to you. Except as explicitly described above, we shall not be liable to you or any other person with respect to the services, inventory, products or equipment used in connection with your Franchised Business or the sale of any services or items bearing the Marks, including the performance characteristics, fitness or suitability of any of them for any purpose. Except as explicitly described above, we make no warranties, express or implied, with respect to the use of the Marks or your equipment or inventory, the use or characteristics of any products, goods, or items sold to you, or the performance, results, or effects of any of them. **WE HEREBY DISCLAIM ANY IMPLIED WARRANTY OF MERCHANTABILITY AND ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY ITEMS WHICH WE SELL TO YOU.** Notwithstanding any other provision of this Agreement, we disclaim any liability for incidental or consequential damages or losses of any sort arising from the execution of this Agreement, our furnishing services to you, our selling items to you or as a consequence of any goods or services which you provide to your clients under the Marks, whether or not arising from defects, malfunctions or failure to conform to specifications.

## **12. TRANSFER.**

### **12.1 Transfer Defined.**

As used in this Agreement, the term "transfer" includes any voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer by you (or your owners) of any interest in this Agreement, the Franchise, an ownership interest in you or the Franchised Business, and includes:

the transfer of ownership resulting from the sale of a stock or similar ownership interest in you or of a security convertible into your stock or ownership interest; the merger or consolidation of ownership interests in you; any transfers due to divorce, insolvency or corporate, partnership or similar dissolution; your death or disability or the death or disability of any of your owners; or any declaration of or transfer in trust, intestate succession, or otherwise by operation of law. You must not transfer your interest in this Agreement as a separate business independent of the Franchised Business or sell the Franchised Business by itself and separate it from your interest under this Agreement unless you receive our written consent to do so.

## **12.2 Transfer of the Franchise.**

You understand and acknowledge that the rights and obligations created by this Agreement are personal to you (or your owners) and that we have granted the Franchise to you in reliance upon our perception of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Therefore, you may not make any transfer without our prior approval. Any transfer without our approval constitutes a breach of this Agreement and is void and of no effect. You must not be in default (or, at our option, you must cure all defaults) under this Agreement and pay us all monies which you owe us before we will approve any transfer. Any transferee must complete and submit our franchise application, be of good moral character and financially capable of purchasing and operating the Franchised Business, and complete our training program to our satisfaction. You or the transferee also must pay us a transfer fee of Ten Thousand Dollars (\$10,000.00). If we approve the transfer, the transferee must sign our then current form of franchise agreement, which may contain terms and conditions different from this Agreement, for a full ten year (10) term and you (and your owners) must sign the form of general release that we prescribe. You (and your owners) and the transferee also must submit or sign such legal documentation as our legal counsel may reasonably deem necessary to properly and legally document the transfer. No transfer will release you from your obligation to perform the terms and conditions of this Agreement up to the date of any approved transfer. You (and your owners) must comply with all provisions of Section 14 of this Agreement after the transfer, which includes complying with the terms and conditions of Section 14.4 for two (2) years following the effective date of the transfer. Our consent to or approval of any transfer or transferee does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of your Franchised Business or the transferee, or a waiver of any claims we might have against you (or your owners) or of our right to demand the transferee's exact compliance with the terms and conditions of this Agreement or any other agreement between the transferee and us.

## **12.3 Right of First Refusal.**

If you (or your owners) at any time determine to transfer an interest in this Agreement and the Franchised Business or an ownership interest in you, we have a right of first refusal to purchase this interest. You must communicate the offer to us, in detail and in writing, and the offer must apply only to the Franchise, any interest in this Agreement or the Franchised Business, or any ownership interest in you. We then have thirty (30) days from our receipt of all of the terms of the offer within which to purchase such interest for the price and on the terms and conditions contained in the offer. We must notify you in writing within these thirty (30) days of

our intent to exercise this right. If you do not receive notification from us within these thirty (30) days, you may then transfer your interest to the third party on the exact terms and conditions of the offer, subject to our approval (as provided in Section 12.2). If at any time the terms of the offer change in any material way, this will be regarded as a new offer which is subject to our right of first refusal under this Subsection.

#### **12.4 Transfer Upon Death or Incapacity.**

If you (or your principal owner) should die or become incapacitated during the Term, any executor, administrator, guardian or other personal representative must transfer your, his or her interest in this Agreement or ownership interest in you to a third party that we approve within a reasonable time (not to exceed six (6) months). This transfer (including, without limitation, by bequest or inheritance) will be subject to all the terms and conditions specified in Section 12.2 hereof. Failure to transfer such interest within this period of time shall constitute a breach of this Agreement.

#### **12.5 Assignment to Wholly-Owned Corporation or Limited Liability Company.**

You may assign the Franchise and your interest in this Agreement to a corporation, limited liability company or other business entity which you control, without satisfying the requirements of Sections 12.2 and 12.3, provided that you sign a personal guarantee of performance in a form we prescribe, demonstrate that the business entity is financially solvent and own beneficially and of record one hundred percent (100%) of the voting and ownership interests in such business entity. Any transfer of the ownership interests of such corporation, limited liability company or other business entity during the Term is subject to our approval and right of first refusal under Sections 12.2 and 12.3 hereof.

#### **12.6 Legend.**

If you are a corporation, partnership, limited liability company or other business entity, all shares of capital stock or other ownership interest must bear a legend which informs a potential assignee of the restrictions regarding assignment in this Agreement.

#### **12.7 Transfer by Us.**

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interest in it.

### **13. TERMINATION.**

#### **13.1 Termination by Us.**

We will have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if:

- (a) You (or any of your owners) are convicted of or plead no contest to a felony, perform any act that might put our Marks or the System into disrepute or are declared insane by a civil or criminal court;
- (b) You abandon or fail to operate your Franchised Business continuously during the Term in accordance with the customary days and hours of operation we establish for a Business, or fail to operate without a business telephone and answering service for more than fifteen (15) consecutive business days;
- (c) You (or any of your owners) become insolvent, suffer a voluntary or involuntary declaration of bankruptcy, have a receiver appointed for any portion of your property or the assets of the Franchised Business, or make an assignment for the benefit of your creditors or admission of an inability to pay your Franchise-related obligations as they become due (in which event the termination of this Agreement is effective immediately without notice from us);
- (d) You fail to maintain a location for your Franchised Business within the Protected Territory;
- (e) You operate your Franchised Business from outside your Protected Territory;
- (f) You fail to comply with our provisions regarding protection of our Marks or copyright materials or the use or disclosure of the Confidential Information;
- (g) You (or any of your owners) violate the provisions of Section 16 of this Agreement;
- (h) You fail to complete our initial training program to our satisfaction;
- (i) You (or any of your owners) make any unauthorized assignment, transfer or encumbrance of any interest in this Agreement, the Franchised Business, the Franchise or any ownership interest in you;
- (j) You (or any of your owners) make any material misrepresentation or omission in your franchise application or in your statements to us prior to acquiring the Franchise;
- (k) You (or any of your owners) willfully violate any regulation, ordinance, statute or administrative ruling related to the Franchised Business;
- (l) You fail to order replacement parts inventory for a period of three (3) consecutive months;
- (m) Your Franchised Business fails to achieve the minimum level of Gross Sales provided in Section 9.13 of this Agreement;

(n) Your Franchised Business fails to purchase the minimum level of replacement parts provided in Section 9.4 of this Agreement;

(o) You (or any of your owners) willfully misrepresent the Gross Sales of the Franchised Business;

(p) You fail to submit any report required by this Agreement, including the report of "Gross Sales" for a period of three (3) consecutive months; submit an inaccurate report or fail to pay us any amount when due (including any Royalty Fee) and do not cure such failure within fifteen (15) days after we deliver written notice of such failure to you;

(q) You fail to comply with any other provision of this Agreement or the Manual and do not cure such failure within thirty (30) days after we deliver written notice of such failure to you; or

(r) You fail on three (3) or more occasions during any twelve (12) month period to comply with the provisions of this Agreement or the Manual, whether or not such failures are cured after we deliver notice.

## **14. YOUR OBLIGATIONS UPON EXPIRATION OR TERMINATION.**

### **14.1 Proprietary and Confidential Information.**

Immediately upon the expiration (without renewal) or termination of this Agreement, you must discontinue using any and all of our copyrighted materials and other Confidential Information. You must return to us all copies of the Manual, advertising materials and printed material pertaining to the Franchised Business as well as your customer lists, approved supplier lists (if any) and any other Confidential Information you possess in written or other tangible form.

### **14.2 Deidentification.**

Immediately upon the expiration (without renewal) or termination of this Agreement, you must discontinue using any and all of the Marks or any colorable imitations of our Marks, including all telephone listings, Internet domain names, Websites, advertising products, signs and other materials which display our Marks. Upon our request you shall assign to us the telephone numbers used in your Franchised Business according to the terms of the Telephone Number Assignment Agreement, which may include paying any outstanding amounts then owned to a telephone company, paying any transfer fees and signing such other documents and performing such acts as we may reasonably require to allow us to obtain your rights in the telephone numbers of the Franchised Business. Immediately upon the expiration (without renewal) or termination of this Agreement, you also must assign to us all Internet domain names, Websites or similar intellectual property and material, if any, used in operating your Franchised Business. In addition, you may not at any time following the expiration (without renewal) or termination of this Agreement identify yourself or any business as current or former "The Dentist's Choice" Business or as our current or former franchisee or licensee.



### **14.3 Accounting.**

Within thirty (30) days after the effective date of expiration (without renewal) or termination of this Agreement, you must submit to us an accounting which you will certify to accurately reflect the Gross Sales of your Franchised Business through the effective date of termination or expiration and which details all monies that you owe us with respect to any requirement under this Agreement. All payments owed to us under this Agreement are due within thirty (30) days of the expiration or termination of this Agreement.

### **14.4 Restrictive Covenant.**

You acknowledge and agree that you will have access to our proprietary methods of operation, procedures and systems used in operating a dental handpiece repair business, other forms of our Confidential Information and other proprietary information and copyrighted materials during the Term, and that the use of this information by any of the Restricted Persons (defined below) other than in connection with the operation of your Franchised Business would constitute an unfair method of competition with us, our affiliates and our franchisees. You therefore agree that, for the two (2) year period beginning on the effective date of expiration (without renewal) or termination or the date on which you cease to conduct business, whichever is later, if any of the Restricted Persons operates or has any direct or indirect interest as a disclosed or beneficial owner (other than the ownership of publicly-held securities that are traded on a stock exchange or on the over-the-counter market and which represent five percent (5%) or less of the class of securities of the issuer thereof outstanding), investor, partner, member, director, officer, employee, consultant, representative or agent, or in any other capacity, in a dental handpiece repair business which is located within forty (40) miles of your Protected Territory or any then existing "The Dentist's Choice" Business, you must pay us each month twenty percent (20%) of the monthly Gross Sales of such business to compensate us for such unfair competition. You acknowledge and agree that this restriction is a reasonable estimate of the damages resulting from such unfair competition and does not deprive any of the Restricted Persons of their personal goodwill or ability to earn a living. For purposes of this Agreement, the term "Restricted Persons" means you, your owners and members of your (or their) respective immediate families.

## **15. RELATIONSHIP OF THE PARTIES.**

We and you understand and agree that this Agreement does not create a fiduciary relationship, that we and you will be independent contractors and that nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose. You do not have, nor shall you hold yourself out as having, any right, power or authority to create any contract or obligation, either express or implied, on behalf of us, in our name, or binding upon us. Any act or omission by either party to this Agreement shall not obligate the other. You shall, upon our request, post notice that your Franchised Business is independently owned and operated under a franchise agreement with us. No employee of yours will be deemed to be an employee of ours. Neither you nor any employee of yours whose compensation for services is paid by you may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of ours for any purpose, most particularly with respect to any mandated or other insurance

coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees.

#### **16. EXCLUSIVE RELATIONSHIP.**

You acknowledge that we could not protect our Confidential Information and trade secrets against unauthorized use or disclosure if any Restricted Person (as defined in Section 14.4) holds an interest in a business similar to the Franchised Business. Therefore, to protect us and all of our franchisees, you agree that, during the Term, you shall not have any direct or indirect interest as a disclosed or beneficial owner (other than the ownership of publicly-held securities that are traded on a stock exchange or on the over-the-counter market and which represent five percent (5%) or less of the class of securities of the issuer thereof outstanding), investor, partner, member, director, officer, employee, consultant, representative or agent, or in any other capacity, in any dental handpiece repair business within the Continental United States and Canada, other than the one contemplated by this Agreement or any other franchise agreement which you sign with us.

#### **17. WAIVER.**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver we grant will be without prejudice to any other rights we may have, will be subject to our continuing review and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

We and you will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of the Term) by virtue of any custom or practice at variance with the terms of this Agreement; the failure, refusal or neglect by either us or you to exercise any right under this Agreement or to insist upon exact compliance by the other party with its obligations under this Agreement, including, without limitation, any provision of the Manual; our waiver, forbearance, delay, failure or omission to exercise any right, power or option, whether of the same, similar or different nature, with respect to other "The Dentist's Choice" Businesses; the existence of other franchise agreements for "The Dentist's Choice" Businesses which contain different provisions from those contained herein; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will constitute a waiver, compromise, settlement or accord and satisfaction. We are authorized to remove or obliterate any legend or endorsement, and such legend or endorsement will have no effect.

We and you will not be liable for loss or damage, or deemed to be in breach of this Agreement, if our or your failure to perform any obligations results from:

- (a) transportation shortages or the inadequate supply of equipment, products, supplies, labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof;
- (b) acts of God;
- (c) fires, strikes, embargoes, war or riot; or
- (d) any other similar event or cause.

Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of such occurrence or payment of royalty fees due on any sales thereafter.

## **18. ARBITRATION.**

At the request of either party, any unresolved controversy (except for controversies, disputes or claims related to or based on your use of the Marks) arising out of this Agreement, any provision of this Agreement or our relationship with you will be submitted for binding arbitration in the County of Orange, State of California, to one (1) independent arbitrator in accordance with the Commercial Arbitration Rules then in effect of the American Arbitration Association. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.) and not by any state arbitration law. Arbitration will be conducted on an individual, not a class-wide, basis. The decision of the arbitrators may be filed as a judgment in the Superior Court of California and shall be binding in any other jurisdiction. Notwithstanding anything to the contrary contained in this Section, we and you each have the right in a proper case to obtain temporary restraining orders or temporary or permanent injunctive relief from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section.

## **19. NOTICE.**

All notices under this Agreement shall be in writing and will be deemed delivered (a) at the time delivered by hand; (b) one (1) business day after transmission by telecopy with proof of receipt; (c) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or (d) three (3) business days after placement in the United States Mail for delivery by registered or certified mail, return receipt requested and addressed to the party's last known address and shall be considered lawful and valid process.

## **20. SEVERABILITY.**

Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion of this Agreement, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with

any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind both you and us, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires if you are a party to such proceeding, otherwise upon your receipt from us of a notice of non-enforcement.

If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity restricted, degree of restriction and/or length of time, but would be enforceable by reducing or otherwise modifying any part or all of such covenant, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement or of our refusal to enter into a renewal franchise agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions in this Agreement, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement, any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

## **21. CONTROLLING LAW.**

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of California, without regard to that state's conflict of laws principles, except that any law regulating the sale of franchises or "business opportunities" or governing the relationship between you and us (including, without limitation, the California Franchise Investment Law, the California Contracts for Seller Assisted Marketing Plans Law and the California Franchise Relations Act) will not apply unless its jurisdictional requirements are met independently without reference to this Section.

**22. CHOICE OF FORUM.**

Subject to Section 18, you and your owners agree that we may institute any action against you or them in any state or federal court of general jurisdiction in the State of California, and you and they irrevocably submit to the jurisdiction of such courts and waive any objection you, he or she may have to either the jurisdiction of or venue in such courts.

**23. WAIVER OF PUNITIVE DAMAGES/JURY TRIAL.**

Except with respect to your obligation to indemnify us and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, we and you and your owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and you (or your owners), the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you (and each of your owners) hereby irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

**24. COSTS AND ATTORNEYS' FEES.**

If we or any of our affiliates incur expenses in connection with your failure to pay when due amounts you owe to us or them, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, you agree to reimburse us and our affiliates for any of the costs and expenses that we or they incur, including, without limitation, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and related fees, costs of investigation and proof of facts, and any other reasonable fees, costs, or expenses incurred in preparation for or contemplation of arbitration or litigation.

**25. ENTIRE AGREEMENT.**

This Agreement (together with the Telephone Number Assignment Agreement and the Manual) contains the entire agreement of the parties with respect to the subject matter contained herein and is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns and successors in interest. There are no representations, either oral or written, except those contained in this Agreement. You acknowledge that you are entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of your own independent investigation of the franchised "The Dentist's Choice" Business and not as a result of any representations about us or the System made by our shareholders, members, officers, directors, employees, agents, independent contractors or other "The Dentist's Choice" franchisees that are contrary to the terms set forth in this Agreement or of any disclosure document or other similar document required or permitted to be given to you pursuant to applicable law. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation made by us in our most recent franchise disclosure document (including exhibits and amendments) that we delivered to you or your representative. Except with respect to our modifications to the Manual, neither this Agreement nor the relationship between the parties may be modified during the Term unless such modifications are set forth in writing and signed by both parties.

## 26. FRANCHISEE ACKNOWLEDGEMENTS.

(a) **Independent Investigations.** Each person indicated as "Franchisee" acknowledges that he or she has conducted an independent investigation of the Franchised Business contemplated by this Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon the those individuals' business abilities and efforts. You acknowledge that you have been given the opportunity to clarify any provision of this Agreement that you may not have initially understood and that we have advised you to have this Agreement reviewed by an attorney. Do not sign this Agreement if there is any question concerning its contents or any representations made.

(b) **No Guarantees of Earnings.** You acknowledge that we and any of our representatives or agents with whom you have met have not and are not making any guarantees as to the extent of your success in your Franchised Business, and have not and are not in any way representing or promising any earnings or profits in association with your Franchised Business. You acknowledge we have in fact told you that it is possible that you will achieve no income as result of any payments you make to us, or training or other services which we provide to you. You acknowledge that we have told you that we have no responsibility to secure clients for you or to assist in securing clients or business for you and you agree that we cannot be held responsible in the event that you fail to secure clients in your own interest. YOU AGREE THAT WE HAVE MADE NO REPRESENTATIONS OR PROMISES OF ANY KIND TO INDUCE YOU TO SIGN THIS AGREEMENT EXCEPT THOSE SPECIFICALLY STATED IN THIS AGREEMENT AND THE FRANCHISE DISCLOSURE DOCUMENT THAT HAS BEEN DELIVERED TO YOU.

(c) **No Personal Liability.** You acknowledge that our fulfillment of any and all of our obligations or promises under this Agreement or otherwise shall be the sole responsibility of The Dentist's Choice Inc. and no agent, representative or individual associated with us shall be held personally responsible.

(d) **Receipt of Offering Disclosure Document.** You acknowledge that our Franchise Disclosure Document has been in your possession for at least fourteen (14) business days before you signed this Agreement or paid any monies to us or our affiliate.

**IN WITNESS WHEREOF**, the parties hereto have executed this Franchise Agreement as of the Agreement Date.

**THE DENTIST'S CHOICE, INC.**,  
a Nevada corporation

**CORPORATION, PARTNERSHIP,  
LIMITED LIABILITY COMPANY OR  
PROPRIETORSHIP**

By: \_\_\_\_\_  
Title: \_\_\_\_\_ President

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDIVIDUALS:**

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

**EXHIBIT A**

**PREMISES AND PROTECTED TERRITORY**

Locations(s) of the Franchised Business:

Your Protected Territory is described as follows:

**THE DENTIST'S CHOICE, INC.,**  
a Nevada corporation

**CORPORATION, PARTNERSHIP,  
LIMITED LIABILITY COMPANY OR  
PROPRIETORSHIP**

By: \_\_\_\_\_  
Title: \_\_\_\_\_ **President**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDIVIDUALS:**

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]



**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by The Dentist's Choice, Inc. (the "Company"), each of the undersigned hereby personally and unconditionally (a) guarantees to the Company, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary and non-monetary obligations, including without limitation Sections 14.4 and 16 and all obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by the Company of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by an extension of time, credit or other indulgence which the Company may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this guaranty.

If the Company is required to enforce this guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If the Company is required to engage legal counsel in connection with any failure by the undersigned to comply with this guaranty, the undersigned shall reimburse the Company for any of the above-listed costs and expenses it incurs.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed.

**GUARANTORS:**

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**EXHIBIT D**

**LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE AGENCIES/AGENTS  
FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

**California**

Commissioner of Business Oversight:  
Toll Free: 1-866-275-2677

*Los Angeles*

320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7505

*Sacramento*

1515 K Street, Suite 200  
Sacramento, California 95814-4052  
(916) 445-7205

*San Diego*

1350 Front Street  
San Diego, California 92101-3697  
(619) 525-4044

*San Francisco*

One Sansome Street, Suite 600  
San Francisco, California 94104  
(415) 557-3787

**Hawaii**

(for service of process)  
Director, Department of Commerce  
and Consumer Affairs  
1010 Richards Street  
Honolulu, Hawaii 96813  
(808) 548-2722

**Hawaii (cont.)**

(for other matters)  
Business Registration Division  
Department of Commerce and Consumer  
Affairs  
P. O. Box 40  
Honolulu, Hawaii 96810  
(808) 586-2722

**Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**Indiana**

(for service of process)  
Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

(state agency)  
Indiana Secretary of State  
Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
(317)232-6681

## **Maryland**

(state agency)  
Office of the Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(for service of process)  
Maryland Securities Commissioner  
at the Office of Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

## **Michigan**

(state agency)  
Consumer Protection Division  
Department of Attorney General  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
(517) 373-7117

(for service of process)  
Michigan Department of Commerce,  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, MI 48909

## **Minnesota**

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East  
St. Paul, Minnesota 55101  
(651) 296-6328

## **New York**

(for service of process)  
Secretary of the State of New York  
41 State Street  
Albany, New York 12231  
(518) 474-4750

(for other matters)  
New York State Department of Law  
Investment Protection Bureau  
120 Broadway  
New York, New York 10271-0332  
(212) 416-8000

## **North Dakota**

Office of Securities Commissioner  
Fifth Floor  
600 East Boulevard  
Bismarck, North Dakota 58505  
(701) 328-2910

## **Oregon**

Department of Consumer and Business  
Services  
Division of Finance and Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4140

## **Rhode Island**

Division of Securities  
Suite 232  
233 Richmond Street  
Providence, Rhode Island 02903  
(401) 222-3048

### **South Dakota**

South Dakota Department of Commerce  
Division of Securities  
118 West Capitol  
Pierre, South Dakota 57501-2017  
(605) 773-4013

### **Wisconsin**

Department of Financial Institutions  
Division of Securities  
345 West Washington Avenue, 4th Floor  
Madison, Wisconsin 53703  
(608) 266-1064

### **Virginia**

(for service of process)  
Clerk, State Corporation Commission  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9733

(for other matters)  
State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street  
Ninth Floor  
Richmond, Virginia 23219  
(804) 371-9051

### **Washington**

(for service of process)  
Director Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

(for other matters)  
Department of Financial Institutions  
Securities Division  
P. O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

**EXHIBIT E**  
**MANUAL TABLE OF CONTENTS**



## THE DENTIST'S CHOICE

### MARKETING AND OPERATIONS MANUAL TABLE OF CONTENTS

<b>GETTING STARTED – SECTION 1 (74 pages)</b>	<b>Pages</b>
Lesson 1 – Understand the Business	1 - 2
Lesson 2 – Set Up the Business	13 - 40
Lesson 3 – Get Connected	41 - 54
Lesson 4 – Set Up the Office	55 - 64
Lesson 5 – Prepare for the Money	64 - 74
<b>AN INDUSTRY OVERVIEW – SECTION 2 (18 pages)</b>	
Lesson 1 – The Dental Industry	1 - 10
Lesson 2 – The Dental Handpiece Repair Industry	11 - 18
<b>DENTAL SALES BOOT KAMP – SECTION 3 (46 pages)</b>	
Lesson 1 – The Dental Sales System	1 - 8
Lesson 2 – Natural Laws of Human Nature	9 - 16
Lesson 3 – Anatomy of a Perfect Sale	17 - 26
Lesson 4 – A Few Rules of Thumb	27 - 32
Lesson 5 – Introduction to MGSALS	33 - 46
<b>MODEL THE BEST – SECTION 4 (112 pages)</b>	
Lesson 1 – Commitments for Success	1 - 32
Lesson 2 – State Management	33 - 52
Lesson 3 – The Power of Goals	53 - 76



Lesson 4 – Believe to Succeed	77 - 92
Lesson 5 – So Much Time, So Little to Do	93 - 112

### **GENERATE LEADS – SECTION 5 (90 pages)**

Lesson 1 – Build a Database	1 - 22
Lesson 2 - Build a “Top of Mind” Identity	23 - 40
Lesson 3 – Multiple Sources of Leads	41 - 58
Lesson 4 – The Power of Systems	59 - 74
Lesson 5 – Measure, Manage & Celebrate	75 - 90

### **SET APPOINTMENTS – SECTION 6 (78 pages)**

Lesson 1 – Instant Rapport	1 - 18
Lesson 2 – Create Interest	19 - 46
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### **ACCESS LEVERAGE – SECTION 7 (64 pages)**

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Lesson 2 – Why People Buy	19 - 36
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Lesson 5 – Megaprograms & Personality Types	55 - 64

### **LAY OUT YOUR OFFER – SECTION 8 (64 pages)**

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Lesson 2 – What Are The Benefits?	17 - 28
Lesson 3 – Test Closing	29 - 38
Lesson 4 – Amazing Presentations	39 - 52
Lesson 5 – Public Speaking	53 - 64

### **SEAL THE DEAL – SECTION 9 (58 pages)**

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Lesson 4 – Make it Easy to Buy	43 - 50
Lesson 5 – Customer Follow-Up	51 - 58

Total Pages in Manual	604
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## THE DENTIST'S CHOICE REPAIR MANUAL TABLE OF CONTENTS

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Highspeed Handpieces (86 pages)	
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- Jacobs Chuck	
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- Tradition Jacobs Chuck	
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▪ Star 430	45 - 53
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#### Slow Speed Motors (61 pages)

- Midwest Tru-Torc Single Speed 98 - 104
- Midwest Tru-Torc Two Speed 105 - 112
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- Midwest RDH/Rhino 127 - 135
- Star 20K Motor 136 - 140
  - 4 Hole Connector Style
  - Swivel Connector Style
- Star 5K Motor 141 - 146
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#### Attachments (18 pages)

- Midwest Nosecones 159 - 169
  - New NSK/MW Style Nosecone
  - Latch Style Nosecone
  - Old Style Nosecone
  - Red Stripe Nosecone
- Star Nosecones 170 - 173
  - Star Titan II Style (new)
  - Star Titan (old)
- Other Attachments 174 - 176
  - Star Motor to Angle Adapter
  - Other Adapters

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  - Star 4-hole Style
  - Star Swivel Style
- Other Scalers 182 - 187

Total Pages in Manual 187

**EXHIBIT F**

**STATE-SPECIFIC ADDITIONAL  
DISCLOSURES AND RIDERS**

ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
THE DENTIST'S CHOICE, INC.

The following are additional disclosures for the Franchise Disclosure Document of The Dentist's Choice, Inc. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently, without reference to these additional disclosures.

**CALIFORNIA**

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

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

The California Business and Professions Code Sections 20000 to 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains any provisions that are inconsistent with the law, the law will control.

The Franchise Agreement contains a restriction on competition which extends beyond the termination of the Franchise. This provision may not be enforceable under California law.

OUR WEBSITE, [WWW.THEDENTISTSCHOICE.COM](http://WWW.THEDENTISTSCHOICE.COM) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

The Franchise Agreement contains a liquidated damage clause, and under California Civil Code, Section 1671 certain liquidated damage clauses are unenforceable.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.)

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

Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

THE FRANCHISEE AGREEMENT REQUIRES YOU TO EXECUTE A GENERAL RELEASE OF CLAIMS UPON RENEWAL OR TRANSFER OF THE FRANCHISE AGREEMENT. CALIFORNIA CORPORATIONS CODE SECTION 31512 PROVIDES THAT ANY CONDITION, STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THAT LAW OR ANY RULE OR ORDER THEREUNDER IS VOID. SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS IN CERTAIN CIRCUMSTANCES UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTION 31000-31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS IN CERTAIN CIRCUMSTANCES UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000-20043).

Neither we nor any person or franchise broker disclosed in Item 2 of this Offering Circular 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 Sections 78a et seq., suspending or expelling the person from membership in the association or exchange.

The earnings claims figures in Item 19 do not reflect 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 offering circular, may be one source of this information.

## **ILLINOIS**

**ILLINOIS LAW WILL GOVERN THE AGREEMENT AND ALL LITIGATION WILL BE BROUGHT IN ILLINOIS COURTS.**

The Illinois Franchise Disclosure Act, Section 4, prohibits any agreement that specifies jurisdiction or venue of any lawsuit in a place outside of the state of Illinois. The Act does permit agreements to require you to arbitrate outside the state of Illinois. The Act prohibits choice of law provisions that would require the application of any laws except the laws of the state of Illinois (Section 41). You cannot waive any of your rights given to you by the Illinois Franchise Disclosure Act (Section 41). You may have other rights under the Illinois Franchise Disclosure Act or other laws of the state of Illinois. To the extent that the Franchise Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law shall apply.

1. The “Summary” section of Item 17(v), entitled **Choice of forum**, is deleted and replaced with the following:

Litigation must be in Illinois.

2. The “Summary” section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Except for federal law, Illinois law controls.

## **MINNESOTA**

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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



## **WASHINGTON**

The state of Washington has a statute, RCW 19.100.180 which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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.

**EXHIBIT G**

**RECEIPTS**

**Item 23**

**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 The Dentist’s Choice, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York State law requires a franchisor to provide the franchise 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 The Dentist’s Choice, 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 the appropriate state agency identified on Exhibit D.

The franchisor is The Dentist’s Choice, Inc., located at 774 Mays Blvd. Suite 10-297, Incline Village, Nevada 89451. Its telephone number is (800) 757-1333.

Issuance date: May 26, 2021 (with the effective dates in franchise registration states as noted on the third page of this Franchise Disclosure Document).

California effective date: May 26, 2021.

The franchise seller for this offering is Steven Everhart, 774 Mays Blvd. Suite 10-297, Incline Village, Nevada 89451, (800) 757-1333.

We authorize the respective state agencies identified on Exhibit D to receive service of process for us in the particular state.

I received a disclosure document from The Dentist’s Choice, Inc. dated as of May 26, 2021 that included the following Exhibits:

- |             |  |
|-------------|--|
| Exhibit A   | List of Franchisees                                |
| Exhibit A-1 | List of Franchisees Who Left System                |
| Exhibit B   | Financial Statements                               |
| Exhibit C   | Franchise Agreement                                |
| Exhibit D   | State Administrators/Agents for Service of Process |
| Exhibit E   | Manual Table of Contents                           |
| Exhibit F   | State-Specific Additional Disclosures and Riders   |

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

(Date, Sign, and Keep for Your Records)

\_\_\_\_\_  
Prospective Franchisee [Signature]

**Item 23**

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- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D State Administrators/Agents for Service of Process
- Exhibit E Manual Table of Contents
- Exhibit F State-Specific Additional Disclosures and Riders

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

(Date, Sign, and Return to Us)

\_\_\_\_\_  
Prospective Franchisee [Signature]

You may return the signed receipt either by signing, dating, and mailing it to us at our address above or by faxing a copy of the signed and dated receipt to us at (949) 443-2074.