

## FRANCHISE DISCLOSURE DOCUMENT

The Grout Medic, LLC  
a Delaware limited liability company  
126 Garrett Street, Suite J  
Charlottesville, VA 22902  
(434) 995-5582  
[pflick@premiumservicebrands.com](mailto:pflick@premiumservicebrands.com)  
[www.thegroutmedic.com](http://www.thegroutmedic.com)



The franchise offered is for the establishment and operation of a home-based, mobile business that offers a wide variety of interior grout and tiling cleaning, restoration, recaulking, and protection services in both residential and commercial markets.

The total investment necessary to begin operation of a THE GROUT MEDIC franchise is \$92,000 to \$125,000. This includes \$70,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Paul Flick at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902, (434) 995-5582.

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: March 25, 2022

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully. Is the franchise system stable, growing, or shrinking? Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only The Grout Medic business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a The Grout Medic franchisee?</b>	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in the state of the franchisor's principal place of business, which is currently Virginia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in the franchisor's state than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Personal Liability.** Each principal owner entering into the franchise agreement attached to this franchise disclosure document must guarantee all obligations of franchisee under the franchise agreement, thereby placing all his/her assets at risk.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.

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

**STATE OF MICHIGAN**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913, (517) 373-7117.

**THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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## **ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document, the words “**The Grout Medic,**” “**Grout Medic,**” “**we,**” “**our**” and “**us**” refer to The Grout Medic, LLC, the franchisor of this business. The words “**you,**” “**your,**” “**yourself,**” or “**Franchisee**” refer to the person who buys the franchise, whether you are an individual or a corporation, limited liability company, or other legal entity. If you are a corporation, limited liability company, or other business entity, “you” also may mean your owners.

### ***The Franchisor***

The Grout Medic, LLC is a limited liability company formed in the State of Delaware on September 7, 2021. Our principal place of business is 126 Garrett Street, Suite J, Charlottesville, VA 22902. We do business only under our corporate name and the name “THE GROUT MEDIC.” As of December 31, 2021, there were 35 The Grout Medic franchisees in the U.S. operating 68 territories. Our agents for service of process are listed in Exhibit A to this Disclosure Document. The name and address of our Agent for Service of Process in Delaware is: United States Corporation Agents, Inc., 221 N. Broad Street, Suite 3A, New Castle, DE 19709.

### ***Our Parents, Predecessor and Affiliates***

#### Our Parents

We are 100% owned by PSB Group, Inc. (“**PSB Group**”), a Delaware entity formed on May 14, 2021, with its principal place of business at 126 Garrett Street, Suite J, Charlottesville, Virginia, 22911. PSB Group is 99.9% owned by Premium Service Brands, LLC (“**PSB**”), a Delaware entity formed on January 20, 2015, with its principal place of business at 126 Garrett Street, Suite J, Charlottesville, Virginia, 22911. PSB’s sole parent is AE Capital, LLC (“**AE Capital**”), a Delaware entity formed on January 20, 2015, with its principal place of business at 126 Garrett Street, Suite J, Charlottesville, Virginia, 22911. None of PSB Group, PSB, or AE Capital offer franchises in any line of business, nor do any of them provide products or services directly to our franchisees, but our training program, our internally-prepared marketing and technology services are provided by PSB personnel who are leased to us based on an allocated share of their costs.

#### Our Predecessor

We acquired substantially all of the assets of The Grout Medic, LLC (“**TGM TEX**”), a Texas limited liability company, on September 17, 2021. TGM TEX, was organized on July 17, 2012 and began offering franchises after purchasing the assets of The Grout Medic, LLC, a Illinois limited liability company, on December 21, 2018. The principal business address of TGM TEX was 2121 Lohmans Crossing, Suite 504-228, Austin, TX 78734. TGM TEX never operated a business substantially similar to the franchises offered in this Disclosure Document and did not offer franchises in any other line of business.

#### Our Affiliates

Our affiliate, 360 Painting, LLC (“**360 Painting**”) is the franchisor of businesses that provide a full range of painting and wall finishing services for both exterior and interior portions of residences and “light commercial” buildings under the name “360 Painting.” 360 Painting’s principal place of business is the same as ours. 360 Painting has offered franchises since its formation on April 1, 2013. 360 Painting is the successor of 360 Painting, Inc., which offered and sold franchises from September 2, 2006 until April 1, 2013. 360 Painting does not and has not previously offered franchises in any other line of business. 360



Painting engages in no other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2021, there were 127 360 Painting franchisees in the U.S.

Our affiliate, Pro-Lift Doors Franchise, LLC (“**Pro Lift**”) is the franchisor of businesses that offer and sell a full range of residential and commercial overhead garage services under the name “Pro Lift Garage Doors.” Pro Lift’s principal place of business is the same as ours. Pro Lift has been offering franchises since September 1, 2015. Pro Lift does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2021, there were 47 Pro Lift franchisees in the U.S. operating 51 territories.

Our affiliate, Maid Right, LLC (“**Maid Right**”) is the franchisor of businesses that offer and sell residential cleaning and related services under the name of “Maid Right”. Maid Right’s principal place of business is the same as ours. Maid Right has been offering franchises since April 2018. Maid Right does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2021, there were 21 Maid Right franchisees in the U.S. operating 23 territories, 9 of which are master franchisees offering unit franchises in the U.S.

Our affiliate, House Doctors, LLC (“**House Doctors**”) is the franchisor of businesses that provide handyman services for both exterior and interior portions of residences and “light commercial” buildings under the name of “House Doctors”. House Doctors’ principal place of business is the same as ours. House Doctors was originally named Handyman Pro, LLC (“Handyman Pro”) and began offering Handyman Pro franchises in April 2018. On September 30, 2021, Handyman Pro acquired the assets of the House Doctors brand and formally changed its name effective on November 9, 2021. As of December 31, 2021, there were 38 House Doctors franchisees operating 41 territories in the U.S. and 7 Handyman Pro franchises (6 in the U.S. and 1 in Canada), which are in the process of being rebranded as House Doctors businesses. House Doctors does not currently have any plans to offer Handyman Pro franchises in the future. House Doctors does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises.

Our affiliate, Kitchen Wise, LLC (“**Kitchen Wise**”) is the franchisor of businesses that market, design, sell and install custom products and shelving for kitchen and bathroom cabinets and closets under the name “Kitchen Wise”. Kitchen Wise’s principal place of business is the same as ours. Kitchen Wise has been offering franchises since October 2019. Kitchen Wise does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2021, there were 12 Kitchen Wise franchisees in the U.S. operating 15 territories.

Our affiliate, Renew Crew, LLC (“**Renew Crew**”) is the franchisor of businesses that offer a full offering of cleaning, restoration and protection services for exterior surfaces under the name of “Renew Crew”. Renew Crew’s principal place of business is the same as ours. Renew Crew has been offering franchises since January 2020. Renew Crew does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31, 2021, there were 13 Renew Crew franchisees in the U.S. operating 19 territories.

Our affiliate, Rubbish Works, LLC (“**Rubbish Works**”) is the franchisor of businesses that offer full-service junk removal for residential consumers under the name of “Rubbish Works”. Rubbish Works’ principal place of business is the same as ours. Rubbish Works has been offering franchises since November 2020 and does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any businesses similar to the one it franchises. As of December 31,

2021, there was one Rubbish Works licensed business operating in St. Louis, Missouri and 7 Rubbish Works franchisees in the U.S. operating 9 territories.

Our affiliate, RooterMan, LLC (“**RooterMan**”) is the franchisor of businesses that offer plumbing and sewer services for residential and commercial consumers under the name of “RooterMan”. RooterMan’s principal place of business is the same as ours. RooterMan has been offering franchises since February 2022 and does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any similar businesses to the one it franchises. As of December 31, 2021, there were 87 RooterMan franchisees operating 743 units in the U.S. and Canada.

### ***Our Business & the Franchise Offered***

We grant franchises to qualified individuals and business entities to establish and operate home-based, mobile businesses that offer a wide variety of interior grout and tile cleaning, repair, restoration recaulking, and protection services in both residential and commercial markets under the name “The Grout Medic” and certain other trademarks, service marks, trade names, and logos we designate from time to time (collectively referred to as the “**Marks**”). We refer to The Grout Medic business you will operate as the “**The Grout Medic Business**” or simply your “**Business.**” We began offering franchises in October 2021. We do not offer and have not previously offered franchises in any other line of business. We do not operate any businesses similar to the Business.

You will identify and solicit customers for your The Grout Medic Business and we are not obligated to provide customers or accounts to you. The Grout Medic Businesses are typically operated from a van or truck and a home office.

You must operate your The Grout Medic Business under the terms of a franchise agreement (“**Franchise Agreement**”). A copy of our current form Franchise Agreement is attached as Exhibit C to this Disclosure Document. The geographic area granted to you under the Franchise Agreement is referred to as the “**Protected Territory.**” Your The Grout Medic Business must offer only authorized services and products we specify or authorize. We have the right to add, modify, or delete any services or products that you must offer or sell in your The Grout Medic Business at any time.

Each The Grout Medic Business must operate in accordance with our “**System**”. The distinguishing characteristics of the System include among other things, brand standards and procedures for business operations and management; procedures and strategies for marketing, advertising and promotions, signage, vehicle wrapping, inventory and materials; methods and techniques for cleaning, restoring, repairing, recaulking and protecting interior surfaces; methods and techniques for inventory and cost control; the Marks; the Brand Standards Manual; brand standards, specifications and procedures; record keeping, accounting, billing, collections and account management; all of which are designed to enhance the brand and the business and managerial aspects of the interior grout and tile cleaning, repair, restoration, recaulking and protection services business.

### ***General Description of the Market and Competition***

Our concept is targeted towards any residential real estate owners who are looking for quality tile restoration, regrouting, recaulking, and protection services, primarily for kitchens and bathrooms. As a Franchisee, you will compete in a developed market with local businesses as well as regional or national chains of businesses offering similar services and products, including contractors that focus generally on interior cleaning and tile repair. Depending on your geographic location, your Business may be seasonal, with limited revenue in winter months.

### ***Regulations Specific to the Industry***

As a tile restoration, regrouting, and recaulking services contractor, you may be required to obtain a contractor's license in certain states. You should investigate whether this requirement will apply to your Business. Additionally, federal, state, and local laws, rules, regulations and ordinances may apply to the operation of a The Grout Medic Business, including those which: (a) establish general standards, specifications and requirements for the construction, design and maintenance of real property improvements; (b) set standards pertaining to employee health and safety; and (c) protect the environment by, for example, regulating disposal of wastewater, airborne concentrations of lead, lead paint removal and disposal of hazardous chemicals and waste. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating a The Grout Medic Business, and you should consider both their effect and the cost of compliance.

Laws and regulations vary widely from place to place. You should consult an advisor in your area to determine all applicable laws and regulations. You must obtain all contractor permits and licenses and operational licenses. We are not required to provide any guidance in compliance with these laws and regulations, and any guidance that is provided is not guaranteed. You should consult with your attorney concerning these and other laws, regulations and ordinances that may affect the operation of the Business. You are solely responsible for investigating and complying with all of these applicable laws, regulations and other requirements, despite any advice or information that we may give you. We have not specifically researched these laws in your state and locality to determine their applicability to your Business.

### **ITEM 2: BUSINESS EXPERIENCE**

#### **Chief Executive Officer: Paul Flick**

Mr. Flick has served as our CEO at our headquarters in Charlottesville, VA since January 2020. Mr. Flick has also served as the CEO of PSB at its headquarters in Charlottesville, VA since January 2015. Mr. Flick also serves as the CEO of our affiliated companies, all of which are headquartered in Charlottesville, VA: 360 Painting, since its inception in April 2013; Pro Lift, since September 2015; Handyman Pro, since April 2018; Maid Right, since April 2018; Kitchen Wise, since September 2019; Rubbish Works, since November 2020; House Doctors and The Grout Medic since September 2021; and RooterMan since January 2022.

#### **VP of Learning: Deborah Jewell**

Ms. Jewell has served as Vice President of Learning of PSB since April 1, 2021. From May 2015 to March 2021, Ms. Jewell served as Senior Director for the University of Virginia Darden School Foundation.

#### **Chief Operating Officer: David Raymond**

Mr. Raymond has served as our Chief Operating Officer since March 2021. From July 2019 to February 2021, Mr. Raymond served as Vice President of Operations. From October 2018 to June 2019, Mr. Raymond was Vice President of our affiliated company, Pro Lift in Charlottesville, VA. From February 2016 to October 2018, Mr. Raymond was President of DoorAbility Inc. in Tampa, FL. Mr. Raymond was a Senior Franchise Business Consultant at College Hunks Hauling Junk and Moving from August 2015 to December 2018 in Tampa, FL.

#### **Chief Marketing Officer: Mark Montini**

Mr. Montini has served as Chief Marketing Officer of PSB in Charlottesville, VA since September 2021. From October of 2019 to March 2021, Mr. Montini served as Chief Marketing Officer for Tropical

Smoothie Café in Atlanta, GA. From January 2018 to October 2019, Mr. Montini served as Chief Marketing Officer for Floor Coverings International in Atlanta, GA. From January 2017 to October 2017, Mr. Montini served as Chief Executive Officer of Naranga.

Chief Financial Officer: J. Patrick Dannelly

Mr. Dannelly joined Premium Service Brands, LLC in Charlottesville in April 2021. From May 2019 to April 2021, Mr. Dannelly served as Interim Chief Financial Officer for several private equity sponsored companies in Columbia, Maryland. From 2013 to May 2019, Mr. Dannelly served as Chief Financial Officer of Authority Brands in Columbia, Maryland.

Chief Legal Officer: Russell Kruse

Mr. Kruse joined Premium Service Brands, LLC in Charlottesville, Virginia in February 2021. From January 1, 2019 to February 2021, Mr. Kruse served as a partner of the law firm of Royer Caramanis, PLC in Charlottesville, Virginia, where he served as outside counsel to Premium Service Brands, LLC. From August 2016 to December of 2018, Mr. Kruse was an associate with the law firm of Tucker Griffin Barnes, P.C. in Charlottesville, Virginia. Prior to August 2016, Mr. Kruse was an attorney with The Paullin Law Firm, P.C. in Richmond, Virginia.

**ITEM 3: LITIGATION**

The following litigation relates to our affiliate 360 Painting and our CEO, Paul Flick:

Pending Actions

None.

Prior Actions

*360 Painting, LLC v. The DeGregorio, LLC, et al.*, (U.S. N.D. Ill., East. Div., Case # 1:21-cv-04577). Filing date: August 27, 2021. 360 Painting, LLC filed a Complaint against former franchisee Greg DeGregorio and several associated corporate entities based on Breach of Franchise Agreement, Breach of Personal Guaranty, and Fraud/Negligent Misrepresentation based on former franchisee's royalty reporting. The parties entered into a settlement of all claims, with neither party admitting fault or liability, on December 24, 2021, pursuant to which 360 Painting paid \$21,000. An agreed dismissal order requesting a dismissal of all claims with prejudice was entered by the Court on January 11, 2022.

*Deborah Carreno v. 360 Painting, LLC, et al.* (U.S. District Court, Southern District of California, Case No. 19cv2239-LAB-BGS). On November 22, 2019, a former 360 Painting franchisee, brought an action against 360 Painting and other unnamed defendants, alleging breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, intentional misrepresentation, unjust enrichment and unfair business practices. Generally, Plaintiff claims that its difficulty in obtaining state licensing required to operate the franchised business constituted a default by 360 Painting of its responsibility to support Plaintiff in opening and operating the franchised business. Plaintiff also claims that 360 Painting was obligated to provide advertising materials which were specifically adapted to California's requirements. Plaintiff also claims that 360 Painting failed to provide sufficient field training. Plaintiff seeks unspecified compensatory and special damages, litigations costs and other relief. 360 Painting filed a motion to dismiss Plaintiff's claims for breach of the implied covenant of good faith and fair dealing and unjust enrichment on December 18, 2019, which the Court granted on March 17, 2020. 360 Painting denies the Plaintiff's remaining allegations and filed a counterclaim on March 16, 2020 seeking damages resulting from plaintiff's breach

of the franchise agreement. Plaintiff amended its complaint on June 17, 2020 alleging substantially the same claims as the original complaint and including a claim for rescission based on fraud. The parties entered into a settlement of all claims in November 2021, pursuant to which 360 Painting agreed to pay Plaintiff \$57,500. Both parties claims were dismissed with prejudice by Order dated November 18, 2021.

*Leslie Owens Brown, et al v. 360 Painting Inc. and Paul Flick* (Case # CAL13-14582, Circuit Court for Prince George's County, Maryland). In 2013, Plaintiff brought an action against 360 Painting Inc. and Paul Flick alleging that 360 Painting, Inc. sold an unregistered franchise to plaintiff in the state of Maryland. The parties entered into a consent order dated October 10, 2013, wherein 360 Painting agreed to pay Leslie Brown \$46,000 (the franchise fee, costs, and attorney's fees) without conceding the allegations in the complaint.

*MMG-360 LLC, et al. v. Paul Flick, Home Service Franchising, Inc., 360 Painting LLC, Maintenance Made Simple LLC, et al.* (Case No. CV-11-752725, Court of Common Pleas, Cuyahoga County, Ohio). On April 6, 2011, Plaintiff brought an action against Defendants alleging fraud in the inducement and seeking refund of Plaintiff's purchase price in a transaction in which Plaintiff entities purchased assets of Defendant entities for \$140,000, which transactions were rescinded shortly after their occurrence; fraud and breach of contract based on the rescission or settlement agreement entered into between Plaintiffs and Defendants in which Plaintiffs agreed to accept \$100,000 from Defendants in full repayment of the \$140,000 original purchase price paid by Plaintiffs; and seeking declaratory judgment that certain ancillary agreements were canceled and terminated and that exclusive control over Plaintiff entities revert to Plaintiff Merry Meeting, Inc. Plaintiffs and Defendants filed cross motions for summary judgment. Plaintiff's summary judgment motion was granted control over Plaintiffs MMG- 360, LLC; MMG-MMS, LLC; and MMG-MC, LLC is returned to Plaintiff Merry Meeting, Inc. The parties ultimately settled in July 2013.

#### Litigation Against Franchisees in Last Fiscal Year

None.

#### Governmental Actions

*In the Matter of 360 Painting, LLC f.k.a. 360 Painting, Inc., and Paul Flick*, Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2015-0477, as modified by Order Modifying Consent Order dated January 4, 2017. On or about February 23, 2016, the Securities Division of the Office of the Attorney General of the State of Maryland initiated an investigation into the franchise related activities of 360 Painting, LLC and Paul Flick. On August 18, 2016, the defendants entered into a Consent Order with the Securities Commissioner, in which they agreed, without admitting or denying any of the Commissioner's statements of fact or conclusions of law, except as to the Commissioner's jurisdiction in the proceeding, (1) to immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Registration and Disclosure Law; (2) to promptly file with the Securities Division and diligently pursue the completion of an initial application to register the 360 Painting franchise offering in Maryland; and (3) to send offers of rescission to two Maryland Franchisees, offering them the right to rescission of their 360 Painting franchise agreements and to obtain a refund of initial franchise fees. In an Order Modifying Consent Order dated January 4, 2017, the Consent Order was modified so that 360 Painting was not required to register its 360 Painting franchise offering in Maryland as long as no offers or sales of 360 Painting franchises were made in Maryland or to any Maryland residents. In the Consent Order, the Commissioner concluded that defendants had violated §§ 14-214, 14-216, 14-228 and 14-229 of the Maryland Franchise Registration and Disclosure Law by offering and selling franchises in Maryland and to Maryland residents while not registered to offer and sell franchises in Maryland and using a Franchise Disclosure Document that failed to set forth all information the Securities Division requires to be included in a Maryland registered Franchise Disclosure Document under the

Maryland Franchise Registration and Disclosure Law and Maryland's Franchise Regulations. Specifically, the Commissioner found that, in the Franchise Disclosure Documents distributed to the Maryland Franchisees, defendants failed to disclose the lawsuit filed by Leslie Owens Brown referenced above in Item 3. 360 Painting has corrected this error. The two Maryland Franchisees accepted the rescission offer.

*In the Matter of 360 Painting, LLC*, No. 20-AVC-F001, investigation by Illinois Attorney General's Office. In January 2020, the Illinois Attorney General's Office began an investigation of potential violations of the Illinois Franchise Disclosure Act by 360 Painting regarding its failure to obtain a signed Illinois amendment to the franchise agreement for Illinois franchises between April 2017 and December 2019. 360 Painting did not contest that Illinois amendments were not executed by Illinois franchisees during this period, but asserted that: (a) each Illinois franchisee received a properly registered franchise disclosure document, including an addendum to the disclosures and an amendment to the franchise agreement containing modifications required by Illinois law; and (b) because each franchisee received the required disclosures, the failure to obtain executed amendments from each franchisee could not have affected the franchisees' decision to purchase the franchise. The Illinois Attorney General asserted that because 360 Painting brought suit against an Illinois franchisee in Virginia (before unilaterally dismissing the case by filing a Motion to Non-Suit), Illinois franchisees were harmed. On May 22, 2020, 360 Painting entered into an Assurance of Voluntary Compliance ("AVC"), under which 360 Painting agreed to offer affected franchisees the opportunity to rescind their franchise agreements, make a \$6,000 payment to the state, disclose the AVC in its disclosure document, and comply with the Illinois Franchise Disclosure Act in the future.

*In the matter of Commonwealth of Virginia, ex. rel. State Corporation Commission v. 360 Painting, LLC*, No. SEC-2020-00055, investigation by the Virginia State Corporation Commission. In 2020, the Virginia State Corporation Commission began an investigation of potential violations of the Virginia Retail Franchising Act Rules of the Virginia Administrative Code, 21 VAC 5-110-10 *et seq.* (the "Act"), regarding alleged failures to disclose necessary litigation, administrative, or material civil actions involving 360 Painting or Flick, in its 2017-2020 Franchise Disclosure Documents ("FDD's"). 360 Painting contested whether the litigation was required to be included in the relevant FDD's and neither admitted nor denied the SCC's allegations. On March 2, 2021, an agreed Settlement Order was entered by the State Corporation Commission's Clerk's Office under which 360 Painting agreed to pay \$10,000 in monetary penalties, \$1,000 to defray costs of investigation, and agreed not to violate the Act in the future.

*In The Matter of the Commissioner of Financial Protection and Innovation v. 360 Painting, LLC, Pro-Lift Doors Franchise, LLC, Maid Right, LLC, Handyman Pro, LLC, Kitchen Wise, LLC, Renew Crew, LLC, Rubbish Works, LLC, and Paul Flick, an individual*, Administrative Proceeding Before the Department of Financial Protection and Innovation of the State of California, File Origination ID 33649, 26267, 110487, 293487, 292987, 339827, 99696, 365318, 403947, Consent Order dated November 19, 2021. In early 2021, the Commissioner of Financial Protection and Innovation ("Commissioner") opened an informal inquiry regarding alleged failures by defendants to disclose certain litigation, administrative, or material civil actions involving defendants in their Franchise Disclosure Documents ("FDD's") as well as related allegations of misrepresentations and omissions in connection with defendant 360 Painting, LLC's 2017 FDD and related sales activities in California. Defendants contested the Commissioner's allegations, but on November 19, 2021, the defendants elected to enter into a Consent Order with the Commissioner, in which they agreed, without admitting or denying any of the Commissioner's statements of fact or conclusions of law, (1) to immediately and permanently cease and desist from the offer and sale of franchises in violation of the California Franchise Investment Law; (2) to pay penalties of \$72,500 and costs of \$10,500 to the Commissioner; (3) to disgorge all initial franchise fees paid by California franchisees to defendant 360 Painting, LLC and refrain from enforcing or collecting judgments against California franchisees; (4) to disclose to the Commissioner pending and concluded governmental agency matters, pending and concluded administrative, criminal and civil actions against defendants and bankruptcies and debt discharges filed by defendants; (5) to a stop order related to the effectiveness of defendant's 2021

California applications; and (5) to a bar order against defendant Paul Flick from offering or selling franchises or filing franchise registrations in California for 36 months.

Other than these 8 actions, no litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

No actions are required to be disclosed in this Item.

**ITEM 5: INITIAL FEES**

***Franchise Fee***

The initial franchise fee (“**Franchise Fee**”) for a The Grout Medic Business is \$65,000. The Franchise Fee is payable by wire transfer and generally must be paid in one lump-sum upon execution of the Franchise Agreement. If you obtain third-party SBA financing, the terms of that financing may require that you pay a portion of the Franchise Fee (typically \$15,000) upon execution of the Franchise Agreement and the remainder (typically \$50,000) be paid after receiving funding. The Franchise Fee is not refundable.

Discounts Offered

We offer an incentive program for honorably discharged U.S. military veterans and individuals working in rescue, emergency services and policing who purchase a new Franchised Business. We also offer a discount if you already own and operate an existing franchise in a franchise system owned by us or one of our affiliates and you are in compliance with the terms of your franchise agreement. The amount of each discount is 10%. They may not be combined.

During our last fiscal year, in the period after the Franchisor acquired the brand, we did not sell any The Grout Medic Franchises.

***Initial Technology Fee***

You must pay to us an initial technology fee of \$5,000 in one-lump sum upon signing the Franchise Agreement. The Initial Technology Fee is not refundable.

**ITEM 6: OTHER FEES**

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Royalty	6% of Gross Sales; \$150 per week, minimum	Tuesday, weekly	Based on the previous week’s Gross Sales.
Marketing Fund	2% of Gross Sales	Tuesday, weekly	Based on the previous week’s Gross Sales.
Contact Center Fee	The greater of 2% of Gross Sales or \$220 per week, with a \$695 weekly maximum	Tuesday, Weekly	Based on the previous week’s Gross Sales.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Technology Fee	\$210 per week	Tuesday, weekly	Services include: website development, email, software or other services paid directly by us.
Late Fees and Insufficient Funds Fees	\$100 per late payment, plus 1.5% per month or the highest rate allowed by law, whichever is less; \$100/report/week.	Upon demand	Interest also applies to any amount due revealed by an audit.
Advertising Cooperative Fee	Up to \$10,000 or 2% of Gross Sales per year, whichever is greater.	Upon Demand	Determined by members of Cooperative; if applicable, the Advertising Cooperative Fee is not in addition to other required marketing spend.
Insurance Policies	Amount of unpaid premiums plus expenses in obtaining the policies	Upon demand	Payable if you fail to maintain required insurance coverage and we obtain coverage for you.
Renewal Fee	Greater of 25% of our then-current initial Franchise Fee or \$15,000	Prior to expiration	
Transfer Fee (or expenses)	Greater of \$10,000 or our actual out-of-pocket expenses	At the time of transfer	If you transfer the Business to an entity you control entirely, you will pay us only our costs for the transfer.
Annual Convention	Attendance fee varies (recently, \$400 per attendee, or \$600 for a double booking). \$1,000 if you do not attend, but we may modify the fees on notice to you based on our then current allocated costs.	Upon demand	Attendance fee varies depending on convention location.
Cost of Enforcement	All costs and expenses, including attorneys' fees	Upon demand	You must reimburse us for all costs and expenses incurred as a result of your default.
Indemnification	All damages and costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Business.
Taxes	Amount required to reimburse us for certain taxes imposed on payments to us	Upon demand	If any payments to us are taxed (not income tax), the Royalty will be increased so that the net payment to us is the same as without the tax.

## **NOTES**

1. Gross Sales. “**Gross Sales**” means the total of all monies and receipts you derive in connection with the Business. Gross Sales also include all commissions, finder's fees, referral fees, construction management fees or other compensation you receive arising from the operations of the Business. Gross Sales does not include (i) promotional allowances or rebates paid to Franchisee in connection with its



purchase of products or supplies; (ii) sales, use, merchants' or other taxes measured on the basis of the gross revenues of the Business imposed by governmental authorities directly on sales or use and collected from customers, if the taxes are added to the selling price of your goods and services and are in fact paid by you to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by you, or any bona fide discounts or customer refunds approved by us.

2. All costs and fees set forth in Item 6 are current as of the issuance date of this franchise disclosure document. We reserve the right to modify the amount, manner of payment and/or timing for payment for all fees payable to us or our affiliates, except that we will not modify the amount of the Royalty Fee or the Market Fund contribution you pay to us during the initial term of your Franchise Agreement. The current amounts, manner of payment, and timing for payment of all costs and fees will be described in our Brand Standards Manual from time to time.

3. Except as otherwise noted in this Item, all fees are uniformly imposed, fully earned when paid, and non-refundable. Except as otherwise noted in this Item, all fees are payable to, and imposed and collected by us.

[CONTINUED ON THE FOLLOWING PAGE]

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT (LOW/ HIGH)</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee <sup>1</sup>	\$65,000	Lump sum	On signing the Franchise Agreement	Grout Medic
Equipment Start-Up Package <sup>2</sup>	\$5,000/\$10,000	As determined by Vendors	Prior to opening	Outside Suppliers for purchase of cleaning and repair products
Travel and Living Expenses <sup>3</sup>	\$1,000 / \$2,000	As incurred	During training	Airlines, Hotels, Restaurants, etc.
Real Estate <sup>4</sup>	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Vehicle Decoration <sup>5</sup>	\$500/\$2,000	As determined by Vendors	Prior to opening	Supplier of branded Grout Medic logo package and local installer
Insurance <sup>6</sup>	\$500/\$1,500	As determined by vendors	As determined by vendors	Insurance providers, agents or brokers.
Legal	\$0/\$1,000	As incurred	Prior to opening	Attorneys and/or accountants
Opening Inventory <sup>7</sup>	\$0/\$500	As incurred	Prior to opening	Outside Suppliers for purchase of grout, sealer, stains and cleaners
Grand Opening <sup>8</sup>	\$5,000	As incurred	Between 30 Days Prior to opening and 60 days after opening	Vendors
Computer Equipment and Software <sup>9</sup>	\$0/\$1,500	As determined by Vendors	Prior to opening or as arranged with Vendors	Computer Store
Bookkeeping <sup>10</sup>	\$0/\$500	As determined by Vendors	Monthly	Designated vendor or software provider
Employees' Payroll <sup>11</sup>	\$0/\$11,000	Bi-weekly	As earned	Employees, if you choose to hire any in your initial period
Additional Funds (3 Month Initial Phase) <sup>12</sup>	\$10,000/\$20,000	As incurred	As incurred	Outside Vendors and Us
Technology Fee <sup>13</sup>	\$5,000	Lump Sum	On signing of Franchise Agreement	Us
<b>Estimated Totals:</b>	<b>\$92,000-\$125,000</b>			

Explanatory Notes:

Note 1. The initial franchise fee is \$65,000. The franchise fee is not refundable under any circumstances.

Note 2. Equipment Start-up Package. The low estimate includes all of the equipment necessary to get started at a lower scale, while the high estimate includes equipment sufficient to start growing a business more rapidly through additional personnel.

Note 3. Travel and Living Expenses. The low estimate assumes driving to in-person training and does not have extensive meal, airfare or lodging costs. The high-end estimate is for two people flying to the training site and includes meals, airfare and lodging costs.

Note 4. Real Estate. The operation of the Franchised Business is recommended as home-based initially or permanently, and we do not recommend or encourage you to lease space outside of your home to operate the franchise, nor to purchase additional office furniture.

Note 5. Vehicle. You will need a vehicle to run the business, preferably a van, SUV or truck. Each estimate assume you already have a vehicle to be branded / wrapped.

Note 6. Insurance. This estimate includes the initial payments required to establish insurance policies during for the first three (3) months. This includes general liability insurance, an additional “hired auto” rider on your personal vehicle liability insurance, and workers’ compensation insurance. Your cost might be lower if you don’t have employees and you do not purchase a separate vehicle for use in the business. The Grout Medic, LLC must be named as an “Additional-Insured” on all policies before operations can begin.

Note 7. Opening Inventory. The low estimate assumes you are converting your current home renovation business and are well supplied with necessary inventory.

Note 8 Grand Opening. The estimates in the chart above reflect the amount you may, but are not required to, spend before opening. You may choose to spend more. Factors that may affect the actual amount you spend include the type of media used, local media cost, location of the Business, customer demographics in the surrounding area and local competition.

Note 9. Computer Equipment and Software. You are required to have a personal computing device that will enable you to be able to consistently access the Internet and communicate by electronic mail. We recommend that it be a durable device used for mobile computing such as laptop or tablet. The low estimate assumes that you already own such a device and will use it in the business.

Note 10. Bookkeeping. At your cost we require you to use a bookkeeping service, system or software that we designate, and we will have access to your profit and loss and other accounting data maintained by that vendor, and/or similar access via our Customer Relationship Management software.

Note 11. Employees’ Payroll. You are not required to hire any employees to operate a Grout Medic Outlet and we generally do not recommend that you do so until the business has obtained sufficient customer volume to cover such overhead. The high estimate assumes that you choose to incur staffing overhead from the start of your business.

Note 12. Additional Funds. This estimate includes other startup expenses you are likely to incur during the three (3) month phase after you complete training, including gasoline, upkeep of your personal vehicle as used to operate the business, payment for a mobile internet access service (such as “Smart Card”) for you to communicate electronically, payments to add an additional telephone line at your home office and your Continuing Fees due to us. This does not include any salary or draw for the owner of the franchise. This estimate is exclusive of expenses separately disclosed in this estimate.

Note 13. Technology Fee. There is a one-time technology fee payable to us prior to commencing operations, which is directed to the development and setup of the technology resources that allow franchisees to run their business.

These figures are estimates and you may have additional expenses starting your business. You should review these estimates carefully with business advisors before making any decisions to purchase the franchise.

## **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate your Business according to our System, which includes (among other things) using only certain products and services that we require or products and services that meet our specifications. In some cases, we require that you purchase those products and services only from specific vendors and suppliers, which may include us or one of our affiliates. We may revise or update the lists of mandatory and approved products and services, required vendors and suppliers and standards and specifications from time to time.

We estimate that required purchases will be approximately 65% of your purchases of goods and services in establishing your Business and 20% to 30% of your purchases of goods and services in operating your Business.

Except as indicated below, you are not required to purchase or lease products or services from us, from suppliers approved by us or under our standards and specifications.

### ***Required Purchases from Specified Sources***

You currently must purchase, obtain a license for and/or use the following products or services from vendors or suppliers we designate: contact center services, technology services (e.g. website set up, design, keyword optimization, business management software set up), business management software, bookkeeping software, bookkeeping services, digital marketing, and online reputation management.

We are currently the only approved supplier for contact center services and the technology services described above. You must obtain the required bookkeeping software, bookkeeping services and digital marketing from and pay directly third-party sources we designate. You must obtain and use business management software and initial digital marketing set-up from third-party vendors and suppliers we specify and arrange for on your behalf and for which you must pay us.

### ***Approved Products, Services and Vendors***

We require that certain other products and services that you use in the operation of your Business be purchased only from an approved vendor or otherwise meet our standards and specifications. In particular, we currently have approved vendors for: print marketing materials; direct mailing; merchant services; customer financing; job postings; payroll services; online portals for lead generation; background checks; insurance; and vehicle wraps. You are not required to purchase from these vendors. As noted in Items 7 and 11, you must purchase and utilize in the operation of the business a laptop computer that converts into a tablet and general business software (such as Microsoft Office). You may purchase this computer hardware and software and any other products or services which must meet our standards and specifications from any vendor you choose.

You must obtain the following insurance policies and minimum coverage amounts: (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Business, or your conduct of business with a minimum per occurrence coverage of \$1,000,000 and general aggregate liability coverage of \$2,000,000; (2) auto insurance for the Vehicles in an amount required by state law; (3) property and casualty insurance; (4) workers' compensation insurance that complies with the statutory requirements of the state in which the Business is located; and (5) employer liability coverage with a minimum limit of \$500,000. You may have to purchase additional coverage, either in dollar limits or types, if required by your state's laws. Factors that may affect your cost of insurance include the value and age of your equipment, number of employees, your safety record and record of workers' compensation claims, record of liability claims and driving record. You may purchase this insurance from a vendor of your choice.

There are currently no purchasing or distribution cooperatives. We have negotiated distribution and supply arrangements, commissions, and group rates for purchases of certain inventory and supplies necessary for the operation of the Business. The terms of these arrangements may vary, but may include preferential pricing or purchasing terms for franchisees, contributions to the Marketing Fund, franchisee training and educational programs provided by the vendor, rebates paid to us and/or payments to us to support our annual convention or other franchisee meetings. Rebates and other financial considerations from vendors may be flat payments or based on the aggregate amount of franchisee purchases.

We and our affiliates will derive revenues or other material consideration as a result of required purchases or leases by franchisees. We may use any payments, discounts, or other amounts received from suppliers, lessors, or other parties in connection with those arrangements without restriction. We are not required to give you any accounting of those payments, discounts or other amounts or share the benefit of them with you. Any amounts may be kept by us as compensation for locating and negotiating with suppliers for the System. We do not provide material benefits to franchisees based on their use of designated or approved suppliers.

### ***Alternative Products, Services and Vendors***

The standards and specifications for products and services – including computer hardware - you use in the Business (and, where applicable, the vendors approved for those products and services) are contained in the Brand Standards Manual. We may update the Brand Standards Manual with additional or modified standards and specifications from time to time and you must comply with any additional or modified standard or specification. If you wish to use any product or service that we have not evaluated or to buy or lease from a supplier that we have not yet approved or designated, you must provide us with sufficient information, specifications, and samples so that we may determine whether the product or service meets our standards and specifications and our supplier criteria. We do not charge you a fee for the evaluation. We will make our decision within 10 business days. We may establish procedures for requesting approval of additional products and services or vendors and we may limit the number of products, services or vendors as we decide best.

Supplier approval may depend on product quality, delivery capabilities, service standards, financial capacity, customer relations, concentration of purchases with limited suppliers to obtain better pricing or purchasing terms, warranties, incentives provided to us or the System and any other criteria we determine is appropriate. We do not make our criteria for approving vendors available to franchisees. We may revoke our approval of any vendor at any time, by providing written notice or updating the Brand Standards Manual.

***Our Interests***

As noted above, we are currently the only supplier for the contact center services and technology services (e.g., website set-up, design, keyword optimization, business management software set-up) for which you pay an initial technology fee and continuing services fees for your Business. Except for these services, neither we, our affiliates, nor any of our officers owns an interest in any of our suppliers.

Because Franchisor did not operate the franchise network in the 2021 fiscal year, we derived \$1,260 from franchisee purchases and leases, which is 0% of our total revenue of \$276,641. None of our affiliates derived any revenue from franchisee purchases in our 2021 fiscal year.

**ITEM 9: FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site Selection and Acquisition/Lease	FA Section 2.1	Items 11 & 12
b. Pre-Opening Purchases/Leases	FA Section 9	Items 7 & 8
c. Site Development and Other Pre-Opening Requirements	FA Sections 9, 11.1, and 13	Items 6, 7, 11 & 16
d. Initial and Ongoing Training	FA Sections 13.1 through 13.4	Items 6, 7 & 11
e. Opening	FA Sections 1, 2.1, and 11.1	Item 7 & 11
f. Fees	FA Sections 4 and 5	Items 5, 6 & 7
g. Compliance with Standards and Policies/Operating Manual	FA Sections 6, 7, 8, 9, 10, 11, 14, 18.3 and 21	Items 8, 13, 15 & 16
h. Trademark and Proprietary Information	FA Sections 7, 8, 14 and 18.3; Internet Web Sites and Listings Agreement; Telephone Listing Agreement	Items 11, 13 & 14
i. Restrictions on Products/Services Offered	FA Section 9	Items 8 & 16
j. Warranty and Customer Service Requirements	FA Section 9.9	Item 16
k. Territorial Development and Sales Quotas	N/A	Item 12
l. Ongoing Product/Service Purchases	FA Sections 6.1, 9 and 10.1	Items 8 & 11
m. Maintenance, Appearance and Remodeling Requirements	FA Section 9	Item 6
n. Insurance	FA Section 16.2	Items 6, 7 & 8
o. Advertising	FA Section 11; Internet Web Sites and Listings Agreement; Telephone Listing Agreement	Items 6, 7 & 11
p. Indemnification	FA Section 16.1; Internet Web Sites and Listings Agreement; Telephone Listing Agreement	Item 6

Obligation	Section in Agreement	Disclosure Document Item
q. Owner's Participation Management/Staffing	FA Sections 9.14, 13, 18.4 and 21	Item 15
r. Records and Reports	FA Sections 6.1 through 6.3	Item 11
s. Inspections and Audits	FA Section 6.4	Item 6, 11 & 13
t. Transfer	FA Section 17	Item 17
u. Renewal	FA Section 3.2	Item 17
v. Post-Termination Obligations	FA Section 20; Internet Web Sites and Listings Agreement; Telephone Listing Agreement	Item 17
w. Non-competition Covenants	FA Section 18	Item 17
x. Dispute Resolution	FA Section 27	Item 17

**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 SYSTEMS, AND TRAINING**

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

***Pre-Opening Obligations***

Before you open your Business, we will:

1. designate your Protected Territory, as further described in Item 12. (FA Section 2.1 and Exhibit C-1);
2. provide an initial training program. This training is described in detail later in this Item. (FA Section 13.1);
3. provide to you, on loan, one copy of the Brand Standards Manual, which includes (among other things) employment applications, interview questions, job descriptions, and suggested pay scales. Our current Brand Standards Manual is 226 pages long in hard copy format and includes links to approximately 80 hours of video content and additional dynamic print copy that changes as necessary to support franchisees. The Table of Contents of our Brand Standards Manual is attached to this Disclosure Document as Exhibit D. (FA Section 7);
4. provide you with a list of approved suppliers for equipment, signs, fixtures, opening inventory, and supplies which you will need to obtain. (FA Section 9.10);
5. assist you with setting up certain mandatory software systems, websites and other technology used in the operation of the business and provide you with an email account. (FA Sections 4.6 and 10.1); and

6. if you wish to operate the Business from a location other than your house, consult with you and respond within 30 days. (FA Section 2.1);

7. suggest pricing policies. You will set the minimum prices you charge for the products and services you offer. We may establish maximum prices for sales promotions, to the extent permitted by law. (FA Section 9.2); and

8. review an alternative location for your Business, if you do not operate from your home. (FA Section 2.1).

### ***Typical Length of Time Before Operation***

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a The Grout Medic business is approximately 60 days. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions, and delays in installation of equipment and fixtures. You must open your Business and be operational within three (3) months after signing the Franchise Agreement (FA Section 1), and you must complete our 4-week training program before opening.

### ***During the Operation of the Business***

After the opening of the Business, we will:

1. upon your request and if approved by us, provide you with additional opening assistance with sales, promotional and operations matters regarding the Business. This assistance will be provided on days and times as mutually agreed upon by you and us. (FA Sections 12 and 13);

2. periodically advise and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods. Our advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (FA Section 12);

3. at our discretion, make periodic visits to the Business for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the Business (FA Section 12) and make available to you operations assistance and ongoing training as we deem necessary (FA Sections 12 and 13.4);

4. provide you with changes and additions to the System, the Brand Standards Manual, the approved or designated suppliers, and the approved products and services, as generally made available to all franchisees. (FA Sections 7, 8, 9.10 and 9.13);

5. approve forms of advertising materials you will use for Local Advertising, Grand Opening Advertising and Cooperative Advertising. (FA Section 11.5);

6. maintain a contact center for the purpose of providing centralized customer service and scheduling for all businesses operating under the System and the Marks. (FA Section 9.20); and

7. suggest pricing policies. You will set the minimum prices you charge for the products and services you offer. We may establish maximum prices for sales promotions, to the extent permitted by law. (FA Section 9.2).



## ***Advertising and Promotion***

### **Marketing Fund**

We have a Marketing Fund to which you must contribute up to 2% (as we determine) of your Gross Sales to the fund. (FA Sections 4.3 and 11.1).

We may use Marketing Fund contributions, at our discretion, to meet any and all costs of maintaining, administering, directing, conducting, developing and preparing advertising, marketing, public relations and other promotional programs and materials, and any other activities which we believe will enhance the system, including the costs of preparing and developing print, radio and television advertising; Internet advertising; direct mail advertising; marketing surveys; employing advertising or public relations agencies; purchasing promotional items; and providing promotional and other marketing materials and services to businesses operating under the System. The coverage of the materials and programs may be local, regional or national. We may use the Marketing Fund to reimburse us or our affiliates for the internal expenses of operating an advertising department and administering the advertising program.

We will direct all Marketing Fund programs, with sole discretion over the concepts, materials and media used in the programs and the placement and allocation of them. The Marketing Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of The Grout Medic Businesses in the United States and Canada and the System. We are not obligated to make expenditures for you, on your behalf or in your Territory which are equivalent or proportional to your contributions or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

All monies paid into the Marketing Fund will be accounted for separately from our general operating revenues. We anticipate that all contributions to the Marketing Fund will be expended during the Marketing Fund's fiscal year in which they are received. The Marketing Fund is not a trust, and we assume no fiduciary duty in administering the Marketing Fund. Marketing Fund surpluses, if any, may be expended in the following fiscal year(s). We may advance money to the Marketing Fund from time to time. In this event, we may be reimbursed by the Marketing Fund for the monies advanced, including a reasonable interest rate. The Marketing Fund will not be audited, but at your request you may receive an annual report of expenditures and advertising contributions for the fiscal year most recently ended.

In 2021, Marketing Fund expenditures were not collected or expended by Franchisor except for a limited portion of 2021 and were predominantly collected and expended by our predecessor. To the extent they were collected and expended by Franchisor, it was as follows:

<b>Type of Expense</b>	<b>%</b>
Marketing Personnel	33%
Digital Marketing	41%
Public Relations	0%
Other Franchisee Marketing Costs	8%
General and Admin Costs	18%
<b>Total</b>	<b>100%</b>

All The Grout Medic Businesses owned by us or our affiliates will make similar contributions to the Marketing Fund as required of you. No portion of the Marketing Fund is used to solicit new franchise sales.

### Advertising Council

We may form, at our discretion, an advertising council consisting of The Grout Medic Businesses (the “**Advertising Council**”) in which you may be required to participate and provide advice and counsel regarding our use of the Marketing Fund. We select members of the Advertising Council based on a variety of objective and subjective factors, including volume of business, collaborative disposition, availability, and personal interest, among others. The Advertising Council will function in an advisory capacity only and will not exercise authority over the Marketing Fund or over us. We have not established any governing documents for the Advertising Council. We reserve the right to change or dissolve the advertising council after formation. You may be required to your own expenses associated with participating in Advertising Council activities and pay dues assessed for the administration of the Advertising Council. We will pay our proportionate share of Advertising Council dues based on the number of The Grout Medic Businesses we or our affiliates operate. From time to time, we may also seek input or feedback from the Advertising Council on System operational issues or other matters beyond advertising.

### Cooperative Advertising

Although we are not obligated to do so, we may create a Cooperative Advertising program for the benefit of all The Grout Medic businesses located within a particular region. We have the right to (a) allocate any Portion of the Marketing Fund to a Cooperative Advertising program, and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We will determine the geographic territory and market areas for each Cooperative Advertising program and notify each franchisee of their obligations to participate, in writing. We expect that any Advertising Cooperatives will include all units operating in a single advertising market. We may require cooperatives to be changed, dissolved or merged. We have not established any requirements relating to the form, content or availability of the financial statements, if any, for a Cooperative Advertising program, but we anticipate that any financial statements prepared by a Cooperative Advertising program will be available to each franchisee who is a member and to us. You must participate in any Cooperative Advertising program established in your region, and we may establish an advertising council for you and the other franchisees in that region to self-administer the program. Franchisee’s payments to any Advertising Cooperative shall be determined by Franchisee and those other franchisees of The Grout Medic System and/or Franchisor, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than the greater of \$10,000 or 2% of Gross Sales per annum in connection with any Advertising Cooperative. (FA Section 11.4) Any Franchisor-owned outlet that participates in an Advertising Cooperative will contribute on the same basis as other participants.

### Local Advertising

In addition to contributions to the Marketing Fund, you must spend at least ten percent (10%) of your Gross Sales per month on advertising in the Protected Territory (either by way of direct promotion or participation in an Advertising Cooperative). You must provide us with evidence each month that you have spent the required amount on local advertising. We may require that your minimum local advertising expenditure be allocated to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign.

We may also require that any local marketing or advertising include reference (in a form we determine) to one or more franchise systems which may be owned by us or our affiliates; provided that a substantial focus of those materials, programs or activities includes the promotion of the Business.

Your advertising must be in such media, and of such type, format and other particulars as we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by us must be submitted to us at least 14 days prior to any publication or run date for approval, which we may withhold for any or no reason. We will provide you with written notification of approval or disapproval within a reasonable time. If we do not notify you of approval or disapproval within 10 days of our receipt of the materials, the materials will be approved. You must discontinue the use of any approved advertising within five days of your receipt of our request to do so. You may not conduct advertising or promotion on or through the Internet/world wide web or other electronic transmission via computer without our express prior written approval. All of you advertising and promotion must be factually accurate and shall not detrimentally affect the Marks or the System, as we determine. You must use the telephone number provided by us in connection with all marketing initiatives. We are not required to conduct local advertising for you.

### ***Computer/Point-of Sale System***

#### Hardware

You must purchase and use a laptop PC (not a Mac computer) designated and approved by us that converts into a tablet. (FA Section 10). If we elect to modify our computer hardware or software requirements, you must upgrade your equipment at the actual cost of the upgrade. There are no contractual limits on the frequency or cost of upgrades. You may use hardware and software that you currently own in the operation of your The Grout Medic Business so long as it meets our standards and specifications. If you purchase new hardware and software, your costs will be approximately \$1,200 to \$1,500. You are not required to incur any annual costs for optional or required maintenance, updating, upgrading or support contracts for the computer systems.

#### Contact Center

You must use our contact center services, described in Item 8. Through the business management software (described below), the contact center answers customer calls, takes basic customer information and schedules appointments for your Business based on the availability you indicate.

#### Business Management Software

You must use business management software for the management of the Business through our approved vendor (or vendors), which is also described in Item 8. Other than this business management software, there are no additional maintenance costs. As noted in Items 5 and 6, the initial cost of our customized software platforms is \$5,000. Currently, the ongoing cost for this software Technology Fee (currently \$210/week), which can be modified by us by providing notice to you.

#### Internet

You must obtain and install a high-speed Internet connection (through DSL or cable modem) to your computer system and maintain and use the e-mail address and account (or accounts) we provide to you, to which you will have access and through which we may contact you. (FA Section 10) We own your email account and have the right to independently access it at any time without first notifying you. You must cooperate with us to enable our access to your computer system to enable us to obtain this data (for example, by providing your password). (FA Section 10)

### Websites

You must use our approved website provider for advertising your business on the internet. We will provide the URL for your website.

### Our Access to Your Data

Any computer hardware and software programs and databases (including, but not limited to, email accounts and platforms) we require to be used in the system may allow us to have, and you must provide, continuous and independent remote access, at your expense, to any of the information stored in or compiled by those computer hardware and software programs and databases. Currently, this includes bookkeeping, customer service, scheduling, and marketing data, but we may expand our collection of data to include any other data which we believe will enable us to more effectively or efficiently manage the System or promote System services. We will not disclose to any third party any specific financial or other information directly associated with you or the Business unless authorized by you. But, we may disclose information to our employees, attorneys, accountants, consultants, agents and others retained or employed by us who have a need to know the information in order to facilitate the administration of the relationship between you and us, or to comply with applicable law, court orders or accounting rules. During the term of the Franchise Agreement, we will have independent access to, and we may collect and disclose to other franchisees operating in the System data relating to your operation of the Business for the purpose of benchmarking or performance recognition, or for preparing financial performance representations for prospective franchisees. After termination of the Franchise Agreement, we may release such information to other franchisees and prospective franchisees.

### Upgrades, Updates and Maintenance

Currently, each of the required software programs used in the operation of the business are provided on a software-as-a-service basis, so you are not required to spend any additional money annually on upgrades, updates or maintenance of those systems. We do not generally require that you spend any money annually on upgrades, updates or maintenance to your computer hardware systems. But, you are responsible for ensuring that your hardware performs adequately and maintains compatibility with the required software programs, which may require you to service or upgrade your hardware.

### ***Site Selection***

You may operate your Business from your home, provided that it is equipped with a high-speed Internet connection that is “always on” (such as DSL or cable modem), and that you make adequate provisions for storage of equipment and supplies. If you prefer, you may locate your Business elsewhere provided that the proposed alternate location meets our specifications and is expressly approved by us in writing. The criteria that we use in deciding whether to approve a location outside of your home are whether (a) it is located within the Protected Territory (which will be designated in reference to your home address), and (b) it is suitable for use of the equipment required in the Business and for storage of equipment and supplies.

We will respond to your request for approval within 30 days after you provide us with the information necessary for us to determine that it will otherwise satisfy our criteria. There is no time limit for the Franchisor to approve or disapprove a site. We will not unreasonably withhold our approval of your proposed location outside of your home; however, you must operate the Business from your home until we approve an alternative location in writing. In addition, you must operate from your home if we do not approve or agree upon an alternative location in writing. We do not generally own the location of your Business. We do not provide any assistance to you in conforming the premises of your Business to local ordinances and building codes or obtaining any required permits.

## **Training**

You (or your principal owner, if you are an entity) and your Manager must attend and successfully complete (to our satisfaction) an initial training program before the Business may open. You must complete the initial training program no later than three months after the Effective Date of the Franchise Agreement. We do not charge a fee for participation in the initial training program; but, you are responsible for the costs and expenses (such as transportation, lodging, meals, incidentals and compensation) of each person who attends the training. The Business must be operated at all times by a person who has successfully completed the initial training program (to our satisfaction). We reserve the right to waive all or a portion of the initial training program in our sole discretion. You may, provided space is available and upon reasonable notice, have additional representatives attend the initial training program. All travel, living, and related expenses incurred by your representatives during training will be at your cost and expense. You must train your own employees and other management personnel.

The initial training program is overseen by Premium Service Brands' Vice President of Learning Deborah Jewell (1.5 years training experience) who was awarded a Masters in Business Administration in 2015 from the University of Virginia Darden School of Business and is pursuing her Doctor of Education in Curriculum, Instruction and Instructional Technology. Any other instructors will, at least, have completed the training program they will teach. Our confidential Brand Standards Manual is used as the instructional material for our Initial Training program. After you have been trained, we may periodically require that you, your manager(s) and/or employees attend refresher-training programs concerning operation of the Business, and if you attend you must pay all your own expenses. The initial training program includes a week-long (approximately 40 hours) specialist-directed on-boarding program, 40 hours of on-line training and 36 hours of classroom training at our headquarters in Charlottesville, Virginia, and 4 hours of field training. The schedule for our initial training program is provided below. The training program spans a period of 4 weeks and a new training program begins approximately every fifth week.

The on-boarding program is guided by an on-boarding specialist, who will help you understand and complete much of the administrative work necessary to enable you to apply the information covered in the virtual and live training programs to the opening of your Business. On-boarding is done at your own pace, using web-based materials we provide. We ask trainees to expect onboarding to take 40 hours. After on-boarding, we provide virtual, Internet-based training over a two-week period. Finally, we provide a week-long in-person training program at our corporate offices in Charlottesville, Virginia, after which you should be ready to start operating your Business. The topics and agenda for the virtual and live training programs are provided in the chart below.

### TRAINING PROGRAM

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the- Job Training</b>	<b>Location</b>
<b>Virtual Program</b>			
Welcome and Core Business Principles	4.5	0	Internet
Marketing 101 and Marketing Spend	5	0	Internet
Financial Planning	4	0	Internet
Production Processing & Hiring 101	5	0	Internet
CRM 101	2.5	0	Internet
Industry Knowledge 101 & 102	5	0	Internet
Meet Your Coach	2	0	Internet

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the- Job Training</b>	<b>Location</b>
Estimating 101 & 102	4	0	Internet
Sales 101 – The 10 Step Sales Process	4	0	Internet
Preparation for Live Training & Understanding Breakeven	4	0	Internet
<b>Live Program*</b>			
History/Philosophy of The Grout Medic	1	0	Charlottesville, VA
Use of the Brand Standards Manual	0.5	0	Charlottesville, VA
Services Provided to The Grout Medic Franchisees	0.5	0	Charlottesville, VA
Pre-Opening Procedures	2	0	Charlottesville, VA
Human Resources	4	0	Charlottesville, VA
Advertising/Marketing	4	0	Charlottesville, VA
Sales Procedures	8	4	Charlottesville, VA
Pricing	2	0	Charlottesville, VA
Management Procedures	4	0	Charlottesville, VA
Customer Service Procedures	5	0	Charlottesville, VA
Use of The Grout Medic Software System	2	0	Charlottesville, VA
Scheduling Jobs	1	0	Charlottesville, VA
Franchise Reporting Requirements	2	0	Charlottesville, VA
<b>TOTAL</b>	<b>76</b>	<b>4</b>	

Currently, we do not have planned or scheduled required training programs in addition to the initial training program. We may periodically require you to attend periodic training programs in addition to the initial training which address new developments in the market or changes to the System. For example, if we adopt and implement a new software program or platform, we may require you to obtain one or more training sessions relating to it. Many of our additional training courses are available for our franchisees to complete through our on-line learning management system. Required additional training, if any, may be conducted through this learning management system or live. Live training may be conducted online, at our headquarters in Charlottesville, VA or at your location, as we deem appropriate. Any additional required training must be completed by you and/or your general manager (if the person managing the day-to-day operations of the Business is not you) to our satisfaction. You must bear any costs you incur (including any travel and living expenses) in connection with any additional training and we may require that you pay us a fee (as described in Item 6). The instructional materials for any additional training programs may include the Brand Standards Manual or third-party technical manuals.

**ITEM 12: TERRITORY**

We provide a Protected Territory to each Franchisee. You must operate your franchise only in the Protected Territory defined in Exhibit C-1 of the Franchise Agreement, and only from your home office (or other approved office space) and the Vehicles. Your Protected Territory will be delineated by zip codes and will consist of a geographic area containing not less than a population of three hundred twenty-five thousand (325,000) as of the date of the Franchise Agreement.

If you are in compliance with the Franchise Agreement, we will not establish or operate, or license others to establish or operate, The Grout Medic Businesses within the Protected Territory. We do not offer any options, rights of first refusal or similar rights to acquire additional franchises within the territory or contiguous territories. We retain the right to: (a) own and operate, and license to others the right to own and operate The Grout Medic Businesses or Businesses outside of your Protected Territory using the Marks or any other marks; (b) own and operate and license to others the right to own and operate similar businesses inside or outside of the Protected Territory under different marks; (c) use the Marks and System in connection with conducting marketing and promotional activities within it outside the Protected Territory, including marketing and promotional activities related to the solicitation of National Accounts (defined below); (d) use the Marks and System to offer services and products, or related items, or in alternative channels of distribution, including the sale of goods or services through wholesale and retail stores, via the Internet, through mail order catalog, and via direct marketing through telephone, television, or radio within or outside of your Protected Territory; (e) develop or become associated with other concepts (including dual branding relationships and/or operation of other franchise systems), whether or not using the System and/or the Marks, and award franchises under other concepts for locations anywhere; (f) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and if such transaction involves the operation or license of a business in the Protected Territory, may include the conversion such a business to one operated under the Marks and the System; and (g) engage in any other activities not expressly prohibited by the Franchise Agreement. We are not required to pay you for soliciting or accepting orders from inside your Protected Territory.

We may enter into agreements, periodically, with customers that we consider “National Accounts” (that is, customers that contract with us or with our affiliate for the provision of services at more than one location). If we enter into an agreement with a National Account that requires services in your Protected Territory and you are then in compliance with the Franchise Agreement, we will offer you the right to provide the services on the terms provided in the contract with the National Account. You will have 10 days to accept or reject the opportunity to provide services to the National Account on the terms contained in the National Account contract. If you decline the opportunity or fail to respond within 10 days, we may provide the services directly or offer the opportunity to another franchisee or a third party. If any National Account informs us that your services do not meet their standards or their selection criteria, we may offer the opportunity to service the National Account to another franchisee. You will be compensated only for the services that you provide.

You may not solicit customers or advertise outside of your Protected Territory, and you may not advertise on the Internet, without our prior written consent. You must obtain our written consent and approval before opening an office location other than your home office. The conditions under which we will approve an office re-location are whether (a) it is located within the Protected Territory (which will be designated in reference to your home address), and (b) it is suitable for use of the equipment required in the Business and for storage of equipment and supplies. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If the US Postal Service modifies any of the zip codes encompassed by the Protected Territory or which represent the area included in the Protected Territory, we may modify the Protected Territory to account for the modification. The modified Protected Territory may result in fewer people being included in or a smaller geographic area being represented by the Protected Territory.



Except as described above, you are not required to achieve a sales or market penetration quota and we cannot change the Protected Territory without your consent.

**ITEM 13: TRADEMARKS**

We grant you the right to operate a Business under the name “THE GROUT MEDIC” and using the stylized mark “THE GROUT MEDIC”.

Our predecessors registered the following mark on the United States Patent and Trademark Office’s Principal Register, which we acquired as part of the acquisition in September 2021.

The principal service mark to be licensed to you is "THE GROUT MEDIC→". We own the service marks shown in the following table, all of which are registered on Principal Register of the United States Patent and Trademark Office (“USPTO”).

<u>Service Mark</u>	<u>Registration Number</u>	<u>Date of Registration</u>
“The Grout Medic”	4,546,871	June 10, 2014
	3,553,974	December 30, 2008
“Bringing Grout and Tile Back to Life!”	3,605,775	April 14, 2009
“We Re-Create the Beauty of Home”	4,138,520	May 8, 2012
	4,364,313	July 9, 2013

All necessary affidavits have been filed with the USPTO with respect to these registrations.

You must follow our requirements when you use the Marks. You must use only the Marks that we designate and you may use them only in the manner we authorize. You may use the Marks only in connection with operating your Franchised Business in the Protected Territory, or in advertising for the business in the Protected Territory. You may not use the Marks as part of your corporate or other legal name.

There are currently no agreements in effect that significantly limit our rights to use or license the use of the Marks that are material to you. There are currently no effective material determinations of the USPTO, trademark trial and appeal board, any state trademark administrator or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks. We are not aware of any infringing or prior superior of the Marks that could materially affect the use of the Marks in this state or any other state in which The Grout Medic Business is to be located. If we become aware of potentially infringing uses and we believe we can demonstrate that we have superior prior rights, we intend to send cease and desist letters to the business that are using the “The Grout Medic” name and may take further legal action where we believe it is warranted.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your The Grout Medic Business. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the



Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so; however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations, and we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to that proceeding. We have the right to control the defense and settlement of that proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Business; but, if your The Grout Medic Business is a conversion franchise, during the first six (6) months that your Franchise is open, we may, allow you to display secondary signage referring to your prior trade name. You may not use any Mark or part of any Mark as part of your corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

#### **ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are no patents of which we are aware that are material to The Grout Medic businesses, and there are no patents pending. We own copyrights in the Brand Standards Manual, our estimating software, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating the Business, and you must stop using them if we direct you to do so. You must promptly tell us when you learn about any unauthorized use of copyrighted information. We have the right to control any litigation concerning our copyrighted materials. We are not obligated to protect your rights to use the copyrighted materials.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain Confidential Information, including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in operating interior grout and tile cleaning, repair, restoration, recaulking and protection service businesses, and we may divulge this information in confidence to qualified franchisees and managers. We will provide our Confidential Information to you during training, in the Brand Standards Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Confidential Information for the purpose of operating your The Grout Medic Business. You may only divulge Confidential Information to employees who must have access to it to operate The Grout Medic Business. You must enforce the confidentiality provisions as to your employees.

Individuals with access to Confidential Information, including your owners (and members of their immediate families) officers, directors, executives, managers and professional staff, are required to execute the Personal Covenants contained in the Franchise Agreement as Exhibit C-2, which are substantially the same as the noncompetition, non-solicitation and confidentiality covenants contained in the Franchise Agreement.

All ideas, concepts, techniques or materials concerning your The Grout Medic Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

**ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

Your Business must always be under the direct, “on-premises”, full-time supervision of a Designated Manager, which is you if you are an individual, or is an individual you select if you are a business entity. The Designated Manager must meet our standards and must attend and satisfactorily complete our initial training program before opening the Business. Your Designated Manager must also complete the on-the-job training program before opening your Business. You must keep us informed of the identity of your current Designated Manager. If you are a corporation or other business entity and the Business is under the supervision of a Designated Manager, he or she does not have to be one of your owners or otherwise have an equity interest in the Business.

If you are not an individual, all principals of your organization (i.e., persons or partners who sign the Franchise Agreement and in the case of a corporation, partnership, or limited liability company, the shareholders, partners, managers or members of that organization and their respective spouses), must sign the Guaranty Agreement presented as an exhibit to the Franchise Agreement as Exhibit C-6, as we deem necessary for adequate security. This is a personal guarantee of the obligations under the Franchise Agreement. This Guaranty Agreement gives us the right to collect any amounts due us from each guarantor personally.

As described in Item 14, individuals having access to Confidential Information are required to execute the Personal Covenants contained in the Franchise Agreement as Exhibit C-2, which are substantially the same

as the noncompetition, non-solicitation and confidentiality covenants contained in the Franchise Agreement.

**ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may only use your home office, or another office location selected by you with our approval, and the Vehicles for the operation of your Business, and you must not use, or permit the use of, that office or those Vehicles for any other purpose without our written consent. You must operate your Franchise in strict conformity with the methods, standards and specifications in the Brand Standards Manual and as we may require otherwise in writing. You may not deviate from these standards, specifications and procedures without our written consent.

You must offer all the services and products we specify in strict accordance with our standards and specifications. We have the right, using our reasonable business judgment, to specify the maximum prices at which you must offer some or all the products and services. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may, in our sole discretion, disapprove in writing at any time. If your franchise is a conversion, you must stop using all products, supplies and equipment that we have not approved or that does not conform to our System.

We may periodically change the required or authorized products or services for The Grout Medic Businesses. There are no limits on our right to do so. If we modify the System, you may be required to add or replace equipment, signs and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

**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.**

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 3.1	10 years.
b.	Renewal or extension of the term	Section 3.2	2 additional successive terms of 10 years each, subject to (c) below.
c.	Requirements for franchisee to renew or extend	Section 3.2	You may renew if you: give timely written notice; have complied with the Franchise Agreement; are not in default; sign the then-current Franchise Agreement which may have terms and conditions materially different from those in your original contract; pay a renewal fee; maintain, update and/or replace the Vehicles; maintain, refurbish, renovate, modernize and remodel the Business; have satisfied your monetary obligations; meet current qualifications and training requirements; and sign a general release (subject to state law).

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
d.	Termination by franchisee	Section 19.1	You may terminate the Franchise Agreement if we materially breach it and we fail to cure our breach.
e.	Termination by franchisor without cause	N/A	No provision.
f.	Termination by franchisor with cause	Sections 19.2 and 19.3	We can terminate your Franchise Agreement if you are in default.
g.	“Cause” defined – curable defaults	Section 19.3	You will have 10 days to cure: failure to make payments due; failure to operate the Business under the supervision of an approved Manager. You will have 30 days to cure: failure or refusal to submit reports or statements, failure to relocate or a default under any lease, failure to obtain or provide proof of insurance, failure to reopen after casualty, and any other default under a provision of the Franchise Agreement.
h.	“Cause” defined – non-curable defaults	Section 19.2	Noncurable defaults include: failure to complete initial training; failure to commence operation; abandonment, failure or refusal to actively operate the Business; bankruptcy, insolvency or having a trustee or receiver appointed; dissolution; failure to pay amounts owed; felony, crime of moral turpitude or other crime that may adversely affect our reputation and goodwill; environmental, health or safety hazards; misrepresentation; unauthorized transfer; failure to comply with your obligations with respect to the Marks; failure to comply with covenants; unauthorized use or disclosure of confidential information or trade secrets; fail to comply with any law; maintaining false books or records or denying our access to books and records; submitting a financial report or other data that underestimates fees; multiple defaults within a twelve month period; material default under any other agreement you have with us; or 3 or more failed payments within any 12 month period.
i.	Franchisee’s obligations on termination or non-renewal	Section 20; Internet Web Sites and Listings Agreement; Telephone Listing Agreement	You must: return all Confidential Information; stop using the System and the Marks and refrain from doing business under a confusing name or manner; pay all sums owed to us; de-identify the Vehicles and the Business; cancel or assign to us any assumed names; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j.	Assignment of contract by franchisor	Section 17.1	There are no restrictions on our right to assign our interest in the Franchise Agreement
k.	“Transfer” by franchisee – definition	Section 17.2	“Transfer” includes transfer of ownership or any interest in the Business, the Franchise Agreement, the Vehicle(s),

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			the Franchised Business's assets or the franchisee entity or its owners if an entity.
l.	Franchisor approval of transfer by franchisee	Sections 17.2 and 17.4	You may not transfer without our prior written consent.
m.	Conditions for franchisor approval of transfer	Section 17.4	You may transfer if you: have paid all monetary obligations; are not in default; sign a general release (subject to state law); pay to us a transfer fee; offer us, and we decline to exercise, a right of first refusal; provide us with copies of all transfer documents and the terms and conditions will not affect adversely the operation of the Business by transferee; subordinate debt; remain liable for all warranties. The transferee must: meet our standards; be bound jointly and severally or execute our then current form of franchise agreement; obtain all necessary consents and approvals; comply with applicable laws; sign a general release; if we request, refurbish the Vehicles or purchase additional Vehicles.
n.	Franchisor's right of first refusal to acquire franchisee's business	N/A	No provision.
o.	Franchisor's option to purchase franchisee's business	N/A	No provision.
p.	Death or disability of franchisee	Section 17.3	Within 6 months of your death or disability, the Franchise Agreement must be transferred to a party approved by us.
q.	Non-competition covenants during the term of the franchise	Section 18.1	You, your spouse, and your owners and managers, and their spouses may not: have any interest in a Competitive Business or perform services for a Competitive Business, which is located (i) within the Protected Territory, or (ii) within a radius of twenty (20) miles as the crow flies of the Protected Territory, or (iv) within a radius of twenty (20) miles as the crow flies of any other The Grout Medic Business or The Grout Medic Business in development that has been assigned a protected; or (v) within the United States of America; or (vi) within the world. A Competitive Business is defined as any business operating, or granting franchises or licenses to others to operate, in any business which offers or sells outdoors power washing and cleaning services (other than another The Grout Medic Business operated by you under and license from us).
r.	Non-competition covenants after the franchise is terminated or expires	Sections 18.1 and 18.2	For 2 years after the termination or expiration, you and the Bound Parties may not: (a) have any interest in a Competitive Business or perform services for a Competitive Business located within the Protected Territory or within a twenty mile radius as the crow flies of the Protected Territory or any other The Grout Medic Business; or (b) solicit any of our or any of our franchisee's

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			customers or vendors or otherwise interfering with or disrupting these customer or vendor relationships, which is (i) located or operating within the Protected Territory; (ii) located or operating within a radius of twenty (20) miles as the crow flies of the Protected Territory; or (iii) located in or operating within twenty (20) miles of the primary office of any other The Grout Medic Business or The Grout Medic Business in development that has been assigned a protected territory.
s.	Modification of the agreement	Sections 7 and 36	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Brand Standards Manual without your consent to reflect changes in The Grout Medic System and The Grout Medic Business operating requirements.
t.	Integration/merger clause	Section 36	Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. Nothing in the Franchise Agreement or any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to you.
u.	Dispute resolution by arbitration or mediation	N/A	No provision.
v.	Choice of forum	Section 27.2	Any litigation must be pursued in courts located in the county and state in which we maintain our principal place of business (currently the City of Charlottesville, VA), unless individual state law directs otherwise.
w.	Choice of law	Section 27.1	Virginia law applies, except disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and unless individual state law directs otherwise.

**ITEM 18: PUBLIC FIGURES**

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

**ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

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

**TABLE A - STATEMENT OF GROSS REVENUE SALES PER FRANCHISE**

Median, Highest, Lowest

<b>U.S Franchise Locations – For the Three Months Ending December 31, 2021</b>			
	<b>Franchisees Operating over 24 months</b>	<b>Franchisees Operating 12-24 months</b>	<b>All Franchisees</b>
<b># of Franchisees in Range</b>	17 / 27	10 / 27	27
<b>Total Gross Revenue in 2021</b>	\$2,118,135.37	\$314,676.80	\$2,432,812.17
<b>Average Gross Revenue</b>			
	\$124,596.20	\$31,467.68	\$90,104.15
<b># and % of Franchisees at or above Average Gross Revenue</b>	6 / 35%	2 / 20%	7 / 26%
<b>Median Gross Revenue</b>	\$61,692.00	\$40,998.25	\$56,524.15
<b>Highest Gross Revenue</b>	\$450,190.00	\$91,037.94	\$450,190.00
<b>Lowest Gross Revenue</b>	\$21,211.52	\$7,705.70	\$7,705.70

\*This numbers are representative of Franchise Locations that reported in October, November, and December of 2021.

\*All data pulled from owner-submitted sales numbers

**TABLE B - \*NUMBERS BASED ON FRANCHISE LOCATIONS 2021**

<b>Thirds Rank of Reporting Businesses</b>	<b>Average Gross Revenue</b>	<b>Highest Gross Revenue</b>	<b>Median Gross Revenue</b>	<b>Lowest Gross Revenue</b>	<b>Number of Reporting Businesses in this group</b>
<b>Top 33%</b>	\$195,795.14	\$450,190.00	\$141,517.00	\$73,998.81	9

<b>Median 66%</b>	\$57,523.89	\$130,070.50	\$56,524.15	\$21,809.73	17
<b>Bottom 33%</b>	\$19,282.56	\$31,417.60	\$21,211.52	\$7,705.70	9
<b>100%</b>	\$90,104.15	\$450,190.00	\$450,190.00	\$7,705.70	27

**\*This numbers are representative of Franchise Locations that reported in October, November, and December of 2021.**

**\*All data pulled from owner-submitted sales numbers**

\*\*\*

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

The figures presented in the above do not reflect all of the costs of sales, operating expenses, or other costs or expenses that must be deducted from Gross Sales or sales figures to obtain your net income or profit. The operating expenses that your Business incurs will depend on the market conditions for that type of expense in your region. You should conduct an independent investigation of the costs and expenses you will incur in operating your Business. Franchisees or former franchisees, listed in the Exhibits E and F, may be one source of this information. We recommend that you confer with your attorney, accountant, or other business advisor before executing any agreement with us.

Written substantiation of the financial performance representation in this Item 19 will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Paul Flick, 126 Garrett Street, Suite J, Charlottesville, VA 22902, (434) 995-5582, the Federal Trade Commission, and the appropriate state regulatory agencies.



**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**SYSTEMWIDE OUTLET\* SUMMARY  
FOR FISCAL YEARS 2019 TO 2021**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the end of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2019	30	44	+14
	2020	44	56	+12
	2021	56	67	+11
<b>Company-Owned</b>	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
<b>Total Outlets</b>	<b>2019</b>	<b>30</b>	<b>44</b>	<b>+14</b>
	<b>2020</b>	<b>44</b>	<b>56</b>	<b>+12</b>
	<b>2021</b>	<b>56</b>	<b>67</b>	<b>+11</b>

**\*Data prior to 2021 obtained from predecessor**

**Table No.2**

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR FISCAL YEARS 2019 TO 2021**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
<b>Totals</b>	<b>2019</b>	<b>0</b>
	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>

**\*Data prior to 2021 obtained from predecessor**

**Table No. 3**

**FRANCHISED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2019 TO 2021**

<b>Col. 1 State</b>	<b>Col. 2 Year</b>	<b>Col. 3 Outlets Operating at Start of Year</b>	<b>Col. 4 Outlets Opened</b>	<b>Col. 5 Termin- ations</b>	<b>Col. 6 Non- Renewals</b>	<b>Col. 7 Reacquired by Franchisor</b>	<b>Col. 8 Ceased Operations Other Reasons</b>	<b>Col. 9 Outlets Operating At Year End</b>
<b>AZ</b>	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	0	1	0	0	0	0	1
<b>CA</b>	2019	3	3	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	2	0	0	0	0	8
<b>CO</b>	2019	2	3	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
<b>FL</b>	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	1	0	0	0	0	6
<b>IL</b>	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
<b>ME</b>	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
<b>MD</b>	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
<b>MO</b>	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	3	0	0	0	0	4
<b>NE</b>	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
<b>NV</b>	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
<b>NJ</b>	2019	1	3	0	0	0	0	4
	2020	2	2	0	0	0	0	4
	2021	4	0	0	0	0	0	4
<b>NY</b>	2019	6	5	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
<b>NC</b>	2019	2	0	0	0	0	0	2
	2020	2	3	0	0	0	0	5
	2021	5	0	0	0	0	0	5
<b>OH</b>	2019	2	2	0	0	0	0	4
	2020	4	0	0	1	0	0	4

Col. 1 State	Col. 2 Year	Col. 3 Outlets Operating at Start of Year	Col. 4 Outlets Opened	Col. 5 Termin- ations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets Operating At Year End
	2021	4	0	0	0	0	0	4
SC	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TN	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
TX	2019	0	0	0	0	0	0	0
	2020	0	5	0	0	0	0	5
	2021	5	3	0	0	0	0	8
VA	2019	4	1	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
Total	2019	30	14	0	0	0	0	44
	2020	44	12	0	0	0	0	56
	2021	56	11	0	0	0	0	67

\*Data prior to 2021 obtained from predecessor

Table No. 4

**COMPANY-OWNED\* OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2019 TO 2021**

Col. 1 State	Col. 2 Year	Col. 3 Outlets Operating at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets Operating At End of Year
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

\*Data prior to 2021 obtained from predecessor

Table No. 5

**PROJECTED OPENINGS AS OF DECEMBER 31, 2021**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
FL	0	1	0
GA	0	1	0
NC	0	1	0
TN	0	1	0

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year</b>
<b>TX</b>	0	1	0
<b>VA</b>	0	1	0
<b>Totals</b>	<b>0</b>	<b>6</b>	<b>0</b>

Attached as Exhibit E to this Disclosure Document is a list of The Grout Medic franchisees as of the date of this Disclosure Document and attached as Exhibit F is a list of The Grout Medic franchisees who have been terminated, cancelled or otherwise ceased to do business under the Franchise Agreement during the year ended December 31, 2021 or who have not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy a The Grout Medic franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

### ***Confidentiality Agreements***

Our Predecessor represents that in the last 3 years, no franchisees have signed confidentiality clauses.

### ***Trademark-Specific Franchisee Organizations***

As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with The Grout Medic system that we have created, sponsored, or endorsed, and there are no independent trademark-specific franchisee organizations that have asked to be included in our Disclosure Document.

## **ITEM 21: FINANCIAL STATEMENTS**

Exhibit I to this disclosure document contains the audited consolidated financial statements of our affiliate, Premium Service Brands, LLC and Subsidiaries as of and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019.

Our separate financial statements are not included in this disclosure document. Should we fail to fulfill our duties and obligations to our franchisees under their franchise agreements, Premium Service Brands, LLC absolutely and unconditionally guarantees to assume those duties and obligations. Copies of the Guarantees of Performance by Premium Service Brands, LLC are included in Exhibit I.

The fiscal year for both us and Premium Service Brands, LLC is December 31<sup>st</sup> of each calendar year.

## **ITEM 22: CONTRACTS**

The following contract is attached to this Disclosure Document:

Exhibit C                      Franchise Agreement

**ITEM 23:      RECEIPTS**

Our copy and your copy of the Disclosure Document Receipt are located on the last 2 pages of this Disclosure Document. Please sign, date and return 1 copy of the Receipt to us and keep the other copy for your records.

**EXHIBIT A**

**TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

<b>State</b>	<b>Franchise Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	Commissioner Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 866-275-2677  One Sansome Street, Suite 600 San Francisco, CA 94104-4428 415-972-8565	Commissioner Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 866-275-2677  2101 Arena Blvd. Sacramento, CA 95834 866-275-2677
<b>Hawaii</b>	Commissioner of Securities Dept. of Commerce & Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722	Commissioner of Securities 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722
<b>Illinois</b>	Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 217-782-4465	Attorney General 500 South Second Street Springfield, IL 62701 217-782-4465
<b>Indiana</b>	Secretary of State, Securities Division 302 West Washington, Room E-111 Indianapolis, IN 46204 317-232-6681	Secretary of State 302 West Washington, Room E-111 Indianapolis, IN 46204 317-232-6681
<b>Maryland</b>	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360
<b>Michigan</b>	Michigan Office of Attorney General Consumer Protection Division Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48909 517-373-7622	Michigan Office of Attorney General Consumer Protection Division Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48909 517-373-7622
<b>Minnesota</b>	Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101	Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101

<b>State</b>	<b>Franchise Administrator</b>	<b>Agent for Service of Process</b>
	651-539-1500	651-539-1500
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8285	New York Secretary of State One Commerce Plaza 99 Washington Avenue Albany, NY 12231 518-473-2492
<b>North Dakota</b>	North Dakota Securities Department 600 E. Boulevard Avenue, State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712	North Dakota Securities Department 600 Boulevard Avenue, State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712
<b>Rhode Island</b>	Department of Business Regulation Securities Division 1511 Pontiac Avenue, Bldg. 69-2 Cranston, RI 02920 401-462-9527	Director of Department of Business Regulation, Securities Division 1511 Pontiac Avenue, Bldg. 69-2 Cranston, RI 02920 401-462-9527
<b>South Dakota</b>	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, 2nd Floor Pierre, SD 57501 605-773-3563	Division of Insurance Securities Regulation 124 S. Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501 605-773-3563
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 804-371-9733
<b>Washington</b>	Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, WA 98501 360-902-8760	Director of Dept. of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, WA 98501 360-902-8760
<b>Wisconsin</b>	Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139	Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**EXHIBIT B**  
**TO THE GROUT MEDIC, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**



# **Premium Service Brands, LLC and Subsidiaries**

## **Consolidated Financial Statements**

**For the years ended December 31, 2021, 2020 and 2019**

**Premium Service Brands, LLC and Subsidiaries**  
**Contents**

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**Independent Auditors' Report**

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**Board of Managers  
Premium Service Brands, LLC and Subsidiaries**

**Opinion**

We have audited the accompanying consolidated financial statements of Premium Service Brands, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021, 2020 and 2019, and the related consolidated statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Premium Service Brands, LLC and Subsidiaries as of December 31, 2021, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Premium Service Brands, LLC and Subsidiaries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, in 2019, Premium Service Brands, LLC and Subsidiaries adopted new accounting guidance, FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers. Our opinion is not modified with respect to this matter.

***Restatement of Beginning Balances***

As described in Note 2 to the financial statements, in 2019, the Premium Service Brands, LLC and Subsidiaries restated beginning balances to reflect the requirements of FASB ASU 2014-09 (Topic 606). Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

## Responsibilities of Management for the Financial Statements: (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Premium Service Brands, LLC and Subsidiaries ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Premium Service Brands, LLC and Subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Premium Service Brands, LLC and Subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
March 18, 2022

**Premium Service Brands, LLC**  
**Consolidated Balance Sheets**  
**December 31, 2021, 2020 and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,387,336	\$ 135,463	\$ 28,273
Accounts receivable, net	1,884,903	919,276	663,345
Prepaid expenses and other current assets	<u>1,230,752</u>	<u>635,803</u>	<u>462,067</u>
Total current assets	4,502,991	1,690,542	1,153,685
Property and equipment, net	428,554	41,600	10,653
Intangible assets, net	6,742,551	364,153	183,289
Goodwill	4,830,387	327,210	137,486
Other assets	<u>5,389,383</u>	<u>3,276,258</u>	<u>2,736,892</u>
Total assets	<u>\$ 21,893,866</u>	<u>\$ 5,699,763</u>	<u>\$ 4,222,005</u>
<b>Liabilities and Members' Deficit</b>			
Current liabilities			
Accounts payable	\$ 286,509	\$ 126,001	\$ 195,339
Accrued and other liabilities	2,306,471	1,719,784	1,423,799
Deferred revenue, current	1,462,986	1,006,783	783,830
Current maturities of long-term debt	<u>293,667</u>	<u>600,117</u>	<u>100,000</u>
Total current liabilities	4,349,633	3,452,685	2,502,968
Long-term debt, net	10,919,701	66,667	166,667
Deferred revenue, noncurrent	<u>10,493,140</u>	<u>7,275,686</u>	<u>5,913,564</u>
Total liabilities	25,762,474	10,795,038	8,583,199
Members' deficit	<u>(3,868,608)</u>	<u>(5,095,275)</u>	<u>(4,361,194)</u>
Total liabilities and members' deficit	<u>\$ 21,893,866</u>	<u>\$ 5,699,763</u>	<u>\$ 4,222,005</u>

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

**Premium Service Brands, LLC**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2021, 2020 and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>			
Franchise service fees	\$ 9,538,356	\$ 5,627,987	\$ 3,820,522
Franchise sales fees	2,110,093	2,512,542	1,381,152
Other revenues	<u>723,201</u>	<u>705,889</u>	<u>461,717</u>
Total revenues	<u>12,371,650</u>	<u>8,846,418</u>	<u>5,663,391</u>
<b>Costs and expenses</b>			
Franchise support expenses	\$ 5,255,288	\$ 3,087,339	\$ 2,009,904
Franchise sales expenses	3,161,409	2,590,098	1,997,278
General and administrative expenses	2,931,126	2,055,011	1,447,447
Transaction costs	302,829	3,451	-
Depreciation and amortization	<u>302,370</u>	<u>56,315</u>	<u>7,188</u>
Total costs and expenses	<u>11,953,022</u>	<u>7,792,214</u>	<u>5,461,817</u>
Operating income	418,628	1,054,204	201,574
Forgiveness of PPP loan	(370,117)	-	-
Interest income	(7,216)	(10,917)	(18,734)
Interest expense	<u>283,733</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 512,228</u>	<u>\$ 1,065,121</u>	<u>\$ 220,308</u>

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

**Premium Service Brands, LLC**  
**Consolidated Statements of Changes in Members' Equity**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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	<u>Members'</u> <u>Capital</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Members'</u> <u>Deficit</u>
<b>Balances, December 31, 2018</b>	\$ 76,253	\$ (804,411)	\$ (728,158)
Impact of change in accounting policy	<u>-</u>	<u>(2,626,967)</u>	<u>(2,626,967)</u>
<b>Adjusted Balances at January 1, 2019</b>	<u>76,253</u>	<u>(3,431,378)</u>	<u>(3,355,125)</u>
Net income	-	220,308	220,308
Distributions to Members	<u>(1,226,377)</u>	<u>-</u>	<u>(1,226,377)</u>
<b>Balances at December 31, 2019</b>	<u>(1,150,124)</u>	<u>(3,211,070)</u>	<u>(4,361,194)</u>
Net income	-	1,065,121	1,065,121
Distributions to Members	<u>(1,799,202)</u>	<u>-</u>	<u>(1,799,202)</u>
<b>Balances at December 31, 2020</b>	<u>(2,949,326)</u>	<u>(2,145,949)</u>	<u>(5,095,275)</u>
Capital Contributions	1,250,796	-	1,250,796
Net income	-	512,228	512,228
Distributions to Members	<u>(536,357)</u>	<u>-</u>	<u>(536,357)</u>
<b>Balances at December 31, 2021</b>	<u>\$ (2,234,887)</u>	<u>\$ (1,633,721)</u>	<u>\$ (3,868,608)</u>

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

**Premium Service Brands, LLC**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2021, 2020 and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>			
Net income	\$ 512,228	\$ 1,065,121	\$ 220,308
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	302,370	56,315	7,188
Gain on forgiveness of PPP loan	(370,117)	-	-
Amortization of deferred loan costs	10,701	-	-
Changes in assets and liabilities			
Accounts receivable	(888,492)	(174,232)	(249,657)
Prepaid expenses and other current assets	(427,539)	(86,748)	(25,446)
Other assets	(2,021,857)	(623,247)	(874,319)
Accounts payable	160,508	(69,338)	33,563
Accrued and other liabilities	469,749	290,425	152,490
Deferred revenue	430,187	200,096	167,362
Other long-term liabilities	<u>3,006,812</u>	<u>1,236,509</u>	<u>2,045,724</u>
Net cash provided by operating activities	<u>1,184,550</u>	<u>1,894,901</u>	<u>1,477,213</u>
<b>Cash flows from investing activities</b>			
Business acquisitions, net of cash acquired	(11,085,394)	(130,000)	(12,219)
Purchases of property and equipment	(319,835)	(28,626)	-
Capitalized software development costs	<u>(147,887)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(11,553,116)</u>	<u>(158,626)</u>	<u>(12,219)</u>
<b>Cash flows from financing activities</b>			
Member contributions	1,250,796	-	-
Member distributions	(536,357)	(1,799,202)	(1,226,377)
Borrowings from long-term debt, net of deferred financing cost	11,136,000	370,117	-
Repayments of long-term debt	<u>(230,000)</u>	<u>(200,000)</u>	<u>(233,333)</u>
Net cash provided by (used in) financing activities	<u>11,620,439</u>	<u>(1,629,085)</u>	<u>(1,459,710)</u>
Increase in cash and cash equivalents	1,251,873	107,190	5,284
<b>Cash and cash equivalents</b>			
Beginning of year	<u>135,463</u>	<u>28,273</u>	<u>22,989</u>
End of year	<u>\$ 1,387,336</u>	<u>\$ 135,463</u>	<u>\$ 28,273</u>

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



**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**1. Organization and Description of Business**

Premium Service Brands, LLC (the “Company” or “PSB”) is the parent company of a number of franchisors operating in the United States and internationally which includes the following companies; 360 Painting, LLC (“360 Painting”), Maid Right, LLC (“Maid Right”), Pro-Lift Doors Franchise, LLC (“Pro-Lift Doors”), Kitchen Wise, LLC (“Kitchen Wise”), House Doctors, LLC, (“House Doctors”), Renew Crew, LLC (“Renew Crew”), Rubbish Works, LLC (“Rubbish Works”), The Grout Medic, LLC (“The Grout Medic”), and PSB Group, LLC (“PSB Group”).

Prior to November 2021, House Doctors was known as Handyman Pro, LLC (“Handyman Pro”).

Franchised outlets as of December 31, 2021 and 2020 are summarized as follows:

	<u>Franchises as December 31, 2020</u>	<u>Acquired during the year</u>	<u>Opened during the year</u>	<u>Closed during the year</u>	<u>Franchises as of December 31, 2021</u>
360 Painting	134	-	27	18	143
Maid Right	20	-	2	2	20
Pro-Lift	27	-	18	7	38
Renew Crew	26	-	1.00	10	17
House Doctors	5	34	6	2	43
Kitchen Wise	12	-	9	3	18
Rubbish Works	-	-	8	1	7
The Grout Medic	-	61	-	-	61
	<u>224</u>	<u>95</u>	<u>71</u>	<u>43</u>	<u>347</u>

**2. Summary of Significant Accounting Policies**

**Financial Statement Preparation and Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts as assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The areas that require the use of significant management estimates include purchase price allocation and the carrying value of goodwill and other long-lived assets.

**Revenue Recognition**

On January 1, 2019, the Company adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606) “ASC 606”, and several related amendments, issued by the Financial Accounting Standards Board “FASB”. The Company adopted ASC 606 using the modified retrospective method to all contracts not completed as of January 1, 2019. The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of retained earnings as of January 1, 2019.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

**2. Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition (Continued)**

Upon adoption, revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue as the entity satisfies a performance obligation.

Under ASC 606, the Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. The short term and long-term portion of the deferred costs related to these arrangements are included in prepaid expenses and other current assets and in other assets, respectively, on the consolidated balance sheets. Previously, the Company expensed these commissions as incurred.

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of the accumulated deficit. The cumulative effects of the changes made to the Company's consolidated balance sheet as of January 1, 2019 for the adoption are detailed in the consolidated statements of changes in members' equity.

In accordance with ASC 606, the impacts of adoption on the Company's consolidated statement of operations for the year ended December 31, 2019 and the consolidated balance sheet as of December 31, 2019 was as follows:

	<u>Year ended December 31, 2019</u>	<u>Adjustments due to ASC 606 adoption</u>	<u>December 31, 2019 without ASC 606 adoption</u>
Revenues			
Franchise sales fees	\$ 1,381,152	\$ 1,302,665	\$ 2,683,817
Cost and expenses			
Franchise sales fees	1,997,278	579,891	2,577,169
Operating income	201,574	722,774	924,348
Net income	\$ 220,308	\$ 722,774	\$ 943,082

	<u>Year ended December 31, 2019</u>	<u>Adjustments due to ASC 606 adoption</u>	<u>December 31, 2019 without ASC 606 adoption</u>
Assets			
Current assets:			
Prepaid expense and other current assets	\$ 462,067	\$ (205,296)	\$ 256,771
Other assets	2,736,892	(1,618,141)	1,118,751
Liabilities and Members' Equity (Deficit)			
Current liabilities:			
Deferred revenue	783,830	(612,520)	171,310
Other long-term liabilities	5,913,564	(3,837,884)	2,075,680
Members' Equity (Deficit)	(4,361,194)	2,626,967	(1,734,227)

## **2. Summary of Significant Accounting Policies (Continued)**

### **Revenue Recognition (Continued)**

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policy:

#### *Franchise Service Fees*

Franchise service fees consist of royalty, call center, technology, national advertising and service fees charged to franchisees. Royalties generally range from 4% to 6% of the franchisee's gross sales, depending on the particular franchise concept and upon other factors. The Company recognizes revenue for royalties as they become billable when the underlying franchisee sales occur. Call center, technology and service fees provide a distinct benefit from the franchise right and are therefore separate performance obligations. Fees for these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed. The Company administers national advertising funds ("NAF") which are funded by the franchisees and are used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of the NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

#### *Franchise Sales Fees*

Franchise sales fees consist of initial franchise, renewal and termination fees. The Company's primary performance obligation under the franchise agreements is granting rights to use the Company's intellectual property over the term of the franchise agreement. Initial franchise fees are not a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term.

#### *Other Revenues*

Other revenues consist primarily of rebates and product sales revenues. Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchise customers are recognized as revenue as they become due, which is generally on a quarterly basis. Rebates are calculated as a percentage of third-party sales. The Company sells products to franchisee customers. The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platforms. The Company has no inventory risk on these products as they are dropped shipped to the franchisees and the third-party vendor are primarily responsible for fulfilling the orders.

### **Cash and Cash Equivalents**

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. Cash consists primarily of cash on hand and cash on deposit. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

In accordance with FASB Accounting Standards Update ("ASU") 2016-15 Statement of Cash Flows (Topic 230), cash payments made not soon after (defined as more than three months) the acquisition date of a business combination to settle any contingent consideration liabilities, the payments are separated and classified as cash outflows from financing activities and operating activities. Cash payments up to the amount of the contingent consideration liability recognized at the acquisition date (including measurement-period adjustments) are classified as financing activities; any excess is classified operating activities. The Company did not pay any contingent consideration during the years ended December 31, 2021, 2020 or 2019.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**2. Summary of Significant Accounting Policies (Continued)**

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful. As of December 31, 2021, 2020 and 2019, the allowance for doubtful accounts was \$40,084, \$14,521 and \$13,488, respectively. During the years ended December 31, 2021, 2020 and 2019, the Company had write-offs of uncollectable accounts of \$26,526, \$12,006, and \$6,879, respectively.

**Contract Balances**

Contract liabilities, in accordance with FASB ASC 606, are amounts collected, or an unconditional right to consideration (receivable) in advance of delivery of goods or services. Contract liabilities are typically related to billed amounts for obligations that have not yet been satisfied and therefore may not be recognized until conditions of the contract are met. The current portion of contract liabilities is included in deferred revenue on the consolidated balance sheets. Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets. The following table presents closing balances of contract liabilities as of December 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract liabilities, short-term	\$ 1,462,986	\$ 1,006,783	\$ 783,830
Contract liabilities, long-term	\$ 10,493,140	\$ 7,275,686	\$ 5,913,564

**Costs Incurred to Obtain a Contract with Customers**

The Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. The short term and long-term portion of the deferred costs related to these arrangements are included in prepaid expenses and other current assets and in other assets, respectively, on the consolidated balance sheets.

**Property and Equipment**

Property and equipment is stated at historical cost and depreciated using the straight-line method over the estimated useful life of the assets. Additions and betterments are capitalized, maintenance and repairs which do not extend the useful life of the assets are expensed as incurred in general and administrative expenses on the consolidated statements of operations.

**Capitalized Software**

The Company capitalizes certain costs incurred in the development of various internally used software platforms, in accordance with FASB ASC 350-40, "Internal-Use Software", which requires certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The Company capitalizes software development costs when the preliminary project stage is completed and the technological feasibility is established. Capitalized costs include personnel and related expenses for employees and third-party contractors who are directly associated with and who devote time to internal-use software projects. Any costs incurred to significantly upgrade or enhance the Company's software platforms are also capitalized. Costs related to the preliminary project activities and post-implementation support activities are expensed as incurred. Amortization of capitalized software costs accounted for in accordance with FASB ASC 350-40 and ASC 985-20 are recognized in depreciation and amortization on the consolidated financial statements using a straight-line method over an estimated useful life of three to five years.

## **2. Summary of Significant Accounting Policies (Continued)**

### **Intangible Assets**

Intangible assets consist of trademarks and franchise relationships. Intangible assets are stated at their estimated fair value at the date of acquisition. Amortization is computed over the estimated useful lives of the related intangible assets using the straight-line method.

### **Long-lived Assets**

In accordance with FASB ASC 360-10, Accounting for Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment, at least annually, or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company did not recognize any impairment charges for the years ended December 31, 2021, 2020 and 2019.

### **Goodwill**

Goodwill represents the excess of acquisition costs over the fair value of assets and liabilities acquired, including specifically identified intangible assets. Goodwill is not amortized but is tested for impairment annually as of the last day of each fiscal year in line with guidance prescribed by FASB ASU 2021-03 "Accounting Alternative for Evaluating Triggering Events" and evaluated if the facts and circumstances at year end indicate if any triggering event existed.

In conducting impairment testing, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company performs a qualitative assessment and determines that the carrying value more likely than not exceeds the fair value, then the quantitative impairment test is performed, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether the Company chooses to perform the qualitative assessment or proceed directly to the quantitative impairment test.

The Company chose to perform a qualitative impairment test for goodwill as of December 31, 2021, 2020 and 2019. The Company determined that the recorded value for goodwill was not impaired.

### **Deferred Loan Costs**

In accordance with FASB ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, the Company defers certain loan costs, which are presented as a reduction of long-term debt on the consolidated balance sheets. These costs are amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Amortization of \$10,701 is included in interest expense on the consolidated statements of operations for the year ended December 31, 2021.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**2. Summary of Significant Accounting Policies (Continued)**

**Taxes**

The Company and its subsidiaries are limited liability companies and are not subject to federal or state income taxes. Accordingly, no provision has been made for federal or state income taxes since these taxes are the responsibility of individual members. The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. There were no amounts recorded at December 31, 2021, 2020 or 2019 related to uncertain tax positions.

**Advertising Costs**

The Company administers national advertising funds (NAF) which are funded by the franchisees for which the associated revenue is recognized in franchise service fees on the consolidated statement of operations. The NAF pays for costs of preparing and producing various advertising and marketing materials for the franchisees. The NAF advertising expenses are recognized as incurred and are included in franchise support expenses on the consolidated statements of operations. NAF expenses for the years ended December 31, 2021, 2020 and 2019 were \$792,568, \$530,818 and \$340,451, respectively.

Non-NAF advertising expenses are recognized as incurred and included in franchise sales expenses on the consolidated statements of operations. Non-NAF advertising expenses for the years ended December 31, 2021, 2020 and 2019 were \$177,681, \$187,120 and \$158,328, respectively.

**Foreign Currency Translation**

The assets and liabilities of foreign operations in Canada, whose functional currency is other than the U.S. dollar, are translated to U.S. dollars at the period end exchange rates and revenues and expenses are translated at average exchange rates for the period. For all operations, the monetary items denominated in currencies other than the functional currency are remeasured at period-end exchange rates and transaction gains and losses are included in general and administrative expense in the consolidated statements of operations. Impacts resulting from the foreign currency fluctuations were not significant to the consolidated financial statements as of and during the periods presented.

**Fair Value Measurements**

The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1      Quoted prices in active markets for identical assets or liabilities.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**2. Summary of Significant Accounting Policies (Continued)**

**Fair Value Measurements (Continued)**

- Level 2      Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3      Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The carrying amounts of cash and cash equivalents, accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities and deferred franchise fees approximate fair value because of the short maturity of the instruments. The carrying value of long-term debt approximates fair value as the stated interest rates are at market rates.

**Recently Issued Accounting Pronouncements**

*Leases*

In February 2016, the FASB issued ASU 2016-02, "Leases: Amendments to the FASB Accounting Standards Codification" as subsequently updated (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheets and disclosing key information about leasing arrangements. The new standard applies a right-of-use model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Currently these amendments will become effective for the Company beginning January 1, 2022. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

*Business Combinations*

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." The amendments in this Update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied Topic 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements (if the acquiree prepared financial statements in accordance with generally accepted accounting principles [GAAP]). However, there may be circumstances in which the acquirer is unable to assess or rely on how the acquiree applied Topic 606, such as if the acquiree does not follow GAAP, if there were errors identified in the acquiree's accounting, or if there were changes identified to conform with the acquirer's accounting policies. In those circumstances, the acquirer should consider the terms of the acquired contracts, such as timing of payment, identify each performance obligation in the contracts, and allocate the total transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception (that is, the date the acquiree entered into the contracts) or contract modification to determine what should be recorded at the acquisition date. The amendments in this Update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. The amendments in this Update are effective for fiscal years beginning after December 15, 2023. The Company is currently reviewing the requirements of the standard and evaluating the impact on its consolidated financial statements.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**3. Acquisitions**

*The Grout Medic*

In September 2021, the Company entered into an asset purchase agreement to acquire substantially all of the assets of The Grout Medic LLC for an aggregate net purchase price of \$6,194,371. The transaction was funded by \$6,500,000 in draws on the existing term loan facility and \$93,888 in cash on hand. The Grout Medic is a tile and grout restoration and maintenance franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition related to intangible assets that do not qualify for separate recognition. Identified goodwill is expected to be deductible for tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of \$276,303 which are included in transaction costs on the consolidated statements of operations.

In accordance with guidance issued by the FASB for business combinations, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price was allocated as follows:

Assets acquired		
Current assets	\$	68,337
Goodwill		2,726,787
Intangible assets		3,520,000
Other assets		<u>119,805</u>
Assets acquired		6,434,929
Liabilities assumed		<u>(240,558)</u>
Purchase price	\$	<u><u>6,194,371</u></u>

*House Doctors*

In September 2021, Handyman Pro entered into an asset purchase agreement to acquire substantially all of the assets of Saltire Brands, LLC (doing business as House Doctors) for an aggregate net purchase price of \$4,984,834. The transaction was funded by \$4,850,000 in draws on the existing delayed term loan facility and \$134,834 in cash on hand. House Doctors is a home improvement and handyman franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition related to intangible assets that do not qualify for separate recognition. Identified goodwill is expected to be deductible for tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of \$23,084 which are included in transaction costs on the consolidated statements of operations.

In accordance with guidance issued by the FASB for business combinations, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price was allocated as follows:

Assets acquired		
Current assets	\$	241,483
Goodwill		1,776,390
Intangible assets		<u>3,080,000</u>
Assets acquired	\$	5,097,873
Liabilities assumed		<u>(113,039)</u>
Purchase price	\$	<u><u>4,984,834</u></u>



**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**3. Acquisitions (Continued)**

*Rubbish Works*

In November 2020, the Company entered into an asset purchase agreement to acquire substantially all of the assets of Rubbish Works, LLC for an aggregate net purchase price of \$30,000. The transaction was funded by cash on hand. Rubbish Works is a residential and commercial junk removal and dumpster rental service franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition related to intangible assets that do not qualify for separate recognition. Identified goodwill is expected to be deductible for tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of \$3,451 which are included in transaction costs on the consolidated statements of operations.

In accordance with guidance issued by the FASB for business combinations, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price was allocated as follows:

Assets acquired		
Goodwill	\$	20,000
Property and equipment		10,000
Assets acquired	\$	<u>30,000</u>
Purchase price	\$	<u><u>30,000</u></u>

*Renew Crew*

In January 2020, the Company entered into an asset purchase agreement to acquire substantially all of the assets of Renew Crew Franchising Corporation, Inc. for an aggregate net purchase price of \$330,000. The transaction was funded by \$230,000 in seller financing and \$100,000 in cash on hand. Renew Crew is a professional cleaning, sealing, and protecting service franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition related to intangible assets that do not qualify for separate recognition. Identified goodwill is expected to be deductible for tax purposes.

In accordance with guidance issued by the FASB for business combinations, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price was allocated as follows:

Assets acquired		
Current assets	\$	84,807
Goodwill		169,724
Intangible assets		229,500
Assets acquired	\$	<u>484,031</u>
Liabilities assumed		<u>(154,031)</u>
Purchase price	\$	<u><u>330,000</u></u>

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

---

**3. Acquisitions (Continued)**

*Kitchen Wise*

In September 2021, the Company entered into an asset purchase agreement to acquire substantially all of the assets of Kitchen Wise, LLC for an aggregate net purchase price of \$300,000. The transaction was funded by \$300,000 in seller financing. Kitchen Wise is a home organization franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition related to intangible assets that do not qualify for separate recognition. Identified goodwill is expected to be deductible for tax purposes.

In accordance with guidance issued by the FASB for business combinations, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price was allocated as follows:

Assets acquired		
Current assets	\$	32,586
Goodwill		126,518
Intangible assets		<u>174,800</u>
Assets acquired	\$	<u>333,904</u>
Liabilities assumed		<u>(33,904)</u>
Purchase price	\$	<u><u>300,000</u></u>

**4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following as of December 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Notes receivable	\$ 33,372	\$ 31,249	\$ 39,544
Prepaid expenses	468,374	188,346	141,437
Prepaid commissions	701,169	416,208	281,086
Other current assets	<u>27,837</u>	<u>-</u>	<u>-</u>
Total prepaid expenses and other current assets	<u>\$ 1,230,752</u>	<u>\$ 635,803</u>	<u>\$ 462,067</u>

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

**5. Property and Equipment**

Property and equipment consisted of the following as of December 31, 2021, 2020 and 2019:

	<b>Estimated Useful Life</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Office equipment	3 – 5 years	\$ 277,048	\$ 50,845	\$ 12,219
Software for internal use	1 – 2 years	90,040	-	-
Leasehold improvements	5 years	93,632	-	-
Software in development		57,847	-	-
Total property and equipment		518,567	50,845	12,219
Less: Accumulated depreciation and amortization		(90,013)	(9,245)	(1,566)
Property and equipment, net		\$ 428,554	\$ 41,600	\$ 10,653

Depreciation and amortization expense recognized in the consolidated statement of operations as \$80,768, \$7,679, and \$1,566 for the years ended December 2021, 2020 and 2019, respectively.

**6. Intangible Assets and Goodwill**

*Intangible Assets*

Intangible assets consisted of the following as of December 31, 2021, 2020 and 2019:

<b>2021</b>					
	<b>Estimated Useful Life</b>	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Net Amount</b>	<b>Weighted Average Remaining Useful Life</b>
Franchise relationships	10 years	\$ 6,033,400	\$ 250,508	\$ 5,782,892	9.5
Trademarks	15 years	986,100	26,441	959,659	13.5
Intangible assets		\$ 7,019,500	\$ 276,949	\$ 6,742,551	
<b>2020</b>					
	<b>Estimated Useful Life</b>	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Net Amount</b>	<b>Weighted Average Remaining Useful Life</b>
Franchise relationships	10 years	\$ 363,400	\$ 50,949	\$ 312,451	7
Trademarks	15 years	56,100	4,398	51,702	13.8
Intangible assets		\$ 419,500	\$ 55,347	\$ 364,153	
<b>2019</b>					
	<b>Estimated Useful Life</b>	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Net Amount</b>	<b>Weighted Average Remaining Useful Life</b>
Franchise relationships	10 years	\$ 163,800	\$ 6,057	\$ 157,743	9.6
Trademarks	15 years	26,200	654	25,546	14.6
Intangible assets		\$ 190,000	\$ 6,711	\$ 183,289	

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**6. Intangible Assets and Goodwill (Continued)**

Amortization expense was \$221,602, \$48,636, and \$5,622 for the years ended December 31, 2021, 2020 and 2019, respectively.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

2022	\$	683,232
2023		683,232
2024		683,232
2025		683,232
2026		683,232
Thereafter		<u>3,326,391</u>
	\$	<u><u>6,742,551</u></u>

*Goodwill*

Changes in the net carrying value of goodwill for the years ended December 31, 2021, 2020 and 2019 are as follows:

<b>Balance at December 31, 2018</b>	\$	10,968
Acquisition of Kitchen Wise		<u>126,518</u>
<b>Balance at December 31, 2019</b>	\$	137,486
Acquisition of Renew Crew		169,724
Acquisition of Rubbish Works		<u>20,000</u>
<b>Balance at December 31, 2020</b>	\$	327,210
Acquisition of The Grout Medic		2,726,787
Acquisition of House Doctors		<u>1,776,390</u>
<b>Balance at December 31, 2021</b>	\$	<u><u>4,830,387</u></u>

**7. Other Long-term Assets**

Other long-term assets consisted of the following as of December 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Prepaid commissions	\$ 5,257,368	\$ 3,115,706	\$ 2,492,460
Notes receivable	<u>132,015</u>	<u>160,552</u>	<u>244,432</u>
Total other long-term assets	<u><u>\$ 5,389,383</u></u>	<u><u>\$ 3,276,258</u></u>	<u><u>\$ 2,736,892</u></u>

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

**8. Long-term Debt**

Long-term debt consisted of the following as of December 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Term loan	\$ 6,500,000	\$ -	\$ -
Delayed draw term loans	4,850,000	-	-
PPP loan	-	370,117	-
Kitchen Wise acquisition financing	66,667	166,667	266,667
Renew Crew acquisition financing	-	130,000	-
Total debt	<u>11,416,667</u>	<u>666,784</u>	<u>266,667</u>
Less: Current portion	(293,667)	(600,117)	(100,000)
Less: Unamortized deferred loan costs	(203,299)	-	-
Long-term debt	<u>\$ 10,919,701</u>	<u>\$ 66,667</u>	<u>\$ 166,667</u>

In September 2021, PSB Group entered into a \$6,500,000 term loan, a \$10,000,000 delayed draw term loan and a \$2,250,000 revolving loan of credit agreement with a financial institution (the "Credit Agreement") in order to fund acquisitions completed in 2021.

In September 2021, the term loan was funded for the acquisition of The Grout Medic. As part of the funding of the term loan, the Company incurred and deferred \$141,250 of related costs.

In September 2021, the Company borrowed \$4,850,000 under the delayed draw term facility for the acquisition of House Doctors. As part of the funding of this delayed draw term loan, the Company incurred and deferred \$72,750 of related costs.

Interest on all borrowings under the Credit Agreement is at either the base rate or the London Interbank Offering Rate ("LIBOR"), as elected by the Company plus a premium. The base rate is a variable rate equal to the greater of (i) the Federal Funds Rate plus one-half percent (0.50%) per annum, (ii) the Prime Rate, (iii) the sum of the one month LIBOR rate and two and one-quarter of one percent (2.25%), and (iv) three and one-half of one percent (3.50%) per annum. The base rate premium is 4.75% per annum for any term loan or delayed draw term loan and 0.75% per annum for revolving loans. The LIBOR premium is 7.25% per annum for any term loan or delayed draw term loan and 3.25% per annum for revolving loans.

As of December 31, 2021, all borrowing under the Credit Facility were LIBOR loans with effective interest rates of 8.25% for term and delayed draw term loans. The Credit Agreement provides for an annual commitment fee of 0.5% per annum on the excess of the maximum available credit on the delayed draw and revolving loans over average borrowings.

Substantially all of the assets of the Company collateralize the Credit Agreement. The Credit Agreement requires, among other things, maintenance by the Company of minimum levels of cash flow coverage, leverage to EBITDA ratios, and also limits capital expenditures. As of December 31, 2021, the Company was in compliance with these covenants. The Credit Agreement expires on September 17, 2026.

As of December 31, 2021, \$83,818 of interest was included in accrued liabilities in the consolidated balance sheets.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**8. Long-term Debt (Continued)**

Future maturities of long-term debt as of December 31, 2021 are as follows:

2022	\$	293,667
2023		227,000
2024		340,500
2025		454,000
2026		10,101,500
	\$	<u>11,416,667</u>

**9. PPP Loan Forgiveness**

In May 2020, the Company received a Paycheck Protection Program (PPP) Loan from the Small Business Administration as created by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act) in the amount of \$370,117. According to the rules of the program, the loan will be forgiven if spent on allowable cost such as payroll, rent and utilities, and interest payments on debt. In February 2021, the Company received forgiveness for the full amount of the loan. The amount has been reported as Forgiveness of PPP loan in the consolidated statement of operations.

**10. Leases**

The Company leases office space for its corporate headquarters. Rent expense is recognized on a straight-line basis over the term of the lease. Rent expense for the years ending December 31, 2021, 2020 and 2019 were \$265,777, \$152,823, and \$123,002, respectively. Future minimum rental payments under all operating leases with initial or remaining noncancelable terms in excess of one year as of December 31, 2021 are as follows:

2022	\$	300,947
2023		309,976
2024		319,275
2025		328,853
2026		338,719
Thereafter		<u>1,577,994</u>
Total minimum lease payments	\$	<u>3,175,764</u>

**11. Stock Based Compensation**

In accordance with the Second Amended and Restated Operating agreement of the Company, the Board of Managers has the authority to issue up to 7,000 of Class A Common Units ("Class A") and 333.33 of Class B Common Units ("Class B") to management. Both Class A and Class B Units vest in accordance with the respective grant agreements depending on the classification of time vesting or performance vesting based on return of capital. The time vesting units vest over a five-year period beginning on the first anniversary date of the first grant agreements in March 2022. The performance vesting based on return of capital vest on the sale of the Company. As of December 31, 2021, 5,000 Class A and 305.55 Class B Units' had been granted and no Class A or Class B Units had vested.

**Premium Service Brands and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**  
**For the Years Ended December 31, 2021, 2020 and 2019**

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**12. Contingencies**

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been recorded for such matters as of December 31, 2021, 2020 and 2019. Management believes that the outcome of such matters will not have a material effect of the Company's consolidated financial statements.

**13. Employee Benefits Plans**

The Company sponsors a 401(k) plan covering the majority of its employees meeting certain eligibility requirements. The plan provides for matching contributions of 100% of the first 3% of employee contributions, 50% of the remaining employee contributions, up to 4% of the participating employees contributions. The Company's contributions to the plan totaled \$63,863, \$5,514 and \$1,386 for the years ended December 31, 2021, 2020 and 2019, respectively.

**14. Subsequent Events**

The Company evaluated subsequent events and transactions for potential recognition and disclosure in the consolidated financial statements through March 18, 2022, the date the consolidated financial statements were available to be issued. The Company did not identify any matters except as those below:

- In January 2022, the Company entered into an asset purchase agreement to acquire substantially all of the assets of A Corp, Inc. (doing business as Rooterman). The agreed upon transaction consideration was in the amount of \$3,900,000 and was funded by \$3,950,000 in draws on the existing delayed term loan facility and \$42,267 in cash on hand. These amounts were used as consideration to the seller and payment of associated transactions costs.
- In March 2022, the Company entered into an asset purchase agreement to acquire substantially all of the assets of Andy on Call, LLC. The agreed upon transaction consideration was in the amount of \$150,000 and was funded by cash on hand. These amounts were used as consideration to the seller and payment of associated transactions costs.

**EXHIBIT C**  
**TO THE GROUT MEDIC, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**





**THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT**

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

**THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT**

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**EXHIBIT C-9 COPY OF SIGNED RECEIPT TO FRANCHISE DISCLOSURE DOCUMENT**

**THE GROUT MEDIC, LLC**

**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into as of the date set forth on **Exhibit C-1** attached hereto (the “**Effective Date**”) (**Exhibit C-1** and all other exhibits hereto are incorporated herein by this reference) by and between **The Grout Medic, LLC**, a limited liability company organized under the laws of Delaware with its principal place of business at the address set forth on **Exhibit C-1** hereto (“**Franchisor**”), and the person or entity identified on **Exhibit C-1** as the franchisee (“**Franchisee**”).

**WITNESSETH:**

**WHEREAS**, Franchisor, through its expenditure of time, effort and money, has established a system of opening, operating and promoting businesses (the “**The Grout Medic Business**” or the “**Business**”) that provide a full range of interior tile and grout restoration, recaulking, and protection services, under the name “The Grout Medic,” using equipment, tools, materials, methods, procedures, and the quality standards as specified in The Grout Medic Brand Standards Manual (as defined below) as amended from time to time (the “**System**”);

**WHEREAS**, the System is identified by certain trade names, trademarks, service marks, logos, emblems, insignia and signs developed for use, including the service mark “The Grout Medic” and The Grout Medic logo and design as Franchisor now designates and may hereafter designate in connection with the System (collectively, the “**Marks**”);

**WHEREAS**, Franchisee recognizes the value and benefits to be derived from utilizing the System and desires to own and operate a The Grout Medic franchise in a manner that is consistent with, and will promote, Franchisor’s standards of quality and goodwill, and Franchisor, in reliance on the representations made by Franchisee, is willing to provide certain training, materials, equipment and ongoing assistance relating to the System and to grant Franchisee the right to operate a The Grout Medic Business under the terms and conditions hereinafter set forth, which terms are acceptable to Franchisee and are acknowledged by the parties to be material and reasonable.

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisor and Franchisee hereby agree as follows:

**1. GRANT OF FRANCHISE**

During the term of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right and license, and Franchisee undertakes the obligation, to develop and operate a The Grout Medic Business and to use solely in connection therewith, the Marks and the System in accordance with the terms and conditions of this Agreement only within the Protected Territory (as defined below). Franchisee agrees to use the Marks and System, as they are changed, improved and further developed by Franchisor from time to time. Unless otherwise agreed to in writing by Franchisor, Franchisee has three months from the Effective Date to complete the initial training as required by **Section 13.1** and to commence operation of the Business. Franchisee must obtain Franchisor’s written approval prior to commencing operation of the Business. If Franchisee fails to complete initial training and commence operation of the Business within this time period, Franchisor may terminate this Agreement, as provided in **Sections 19.2(i)** and **19.2(ii)**, below. Franchisee must obtain Franchisor’s written approval prior to commencing operation of the Business.

## 2. TERRITORY

**2.1. Protected Territory.** Franchisee shall only have the right to use the Marks and the System in the residential geographic area described by ZIP Codes on Exhibit C-1 attached hereto (the “**Protected Territory**”). The Protected Territory shall include not less than a population of three hundred twenty-five thousand (325,000) people as of the date of this Agreement. If the United States Postal Service modifies any of the ZIP Codes encompassed by the Protected Territory or which represent the area included the Protected Territory, Franchisor may modify the Protected Territory to account for such ZIP Code modification(s). The modified Protected Territory may result in fewer people being included in or a smaller geographic area being represented by the Protected Territory. Franchisee shall not promote the Business outside of the Protected Territory, except in cooperation with other franchisees of Franchisor as specified in **Section 11.4** herein, nor may Franchisee provide any The Grout Medic services at any location outside the Protected Territory, except with the written permission of Franchisor (and if such permission is granted, such permission shall not be deemed to grant Franchisee general, ongoing, or permanent rights to service that customer or other customers outside of the Protected Territory). Franchisee agrees to open only one (1) Business within the Protected Territory, and further agrees not to relocate the Business within the Protected Territory without prior written consent from Franchisor. The location of the Business shall either be Franchisee’s home office or an office location selected by Franchisee and approved by Franchisor.

**2.2. Territorial Protection.** Subject to **Sections 2.3** and **2.4**, during the term of this Agreement, Franchisor shall not, nor shall Franchisor license any person other than Franchisee to, establish and operate a Business providing System services to residential or “light commercial” customers within the Protected Territory using the Marks or the System. Moreover, Franchisor agrees that, except with regard to actual or prospective customers designated as National Accounts (as defined and governed by **Section 2.4** herein), Franchisor will refer to Franchisee all requests for System services to be provided at physical locations within the Protected Territory. The term “light commercial” means buildings and facilities that are similar in size and scope to single family residences. Except as provided herein, Franchisee has no exclusive territorial rights, protected territory or other right to exclude, control or impose conditions on Franchisor’s activities or on the location, development or operation of other or future franchises under the Marks.

**2.3. Reservation of Rights.** Franchisor retains the right, in its sole discretion, to:

(i) own and operate, and license to others the right to own and operate The Grout Medic Businesses outside of the Protected Territory using the Marks or any other marks Franchisor may designate;

(ii) own and operate and license to others the right to own and operate similar businesses inside or outside of the Protected Territory under different marks;

(iii) use the Marks and System in connection with conducting marketing and promotional activities within or outside of the Protected Territory, including marketing and promotional activities related to the solicitation of National Accounts (as defined in **Section 2.4**, below);

(iv) use the Marks and System to offer services and products, or related items, in alternative channels of distribution, including the sale of goods or services through wholesale and retail stores, via the Internet, through mail order catalog, and via direct marketing through telephone, television, or radio within or outside of the Protected Territory;

(v) develop or become associated with other concepts (including dual branding relationships and/or operation of other franchise systems), whether or not using the System and/or the Marks, and award franchises under other concepts for locations anywhere;

(vi) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and in the event that such transaction involves the operation or license of a business in the Protected Territory, may include the conversion such a business to one operated under the Marks and the System; and

(vii) engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement.

#### **2.4. National Accounts.**

(i) Franchisor may designate any customer (or prospective customer) as a National Account and to negotiate and enter into agreements to provide The Grout Medic products and/or services to National Accounts, including locations within the Protected Territory. The term “**National Account**” means any customer (or prospective customer) which, on its own behalf or through agents, franchisees or other third parties, owns, manages, or controls buildings or dwellings in more than one (1) location, at least one of which is not situated within any one particular franchisee’s Protected Territory. (In other words, if a customer (or prospective customer) controls two buildings, and one is in Franchisee’s Protected Territory while the other is not, the customer qualifies as a National Account.) Any dispute as to whether a customer is a National Account shall be determined by Franchisor in its sole and absolute discretion.

(ii) Following the execution of a contract with or the acceptance of a bid by a National Account that contemplates the provision of The Grout Medic services to one or more location(s) within the Protected Territory, Franchisor will, if Franchisee is in substantial compliance with the terms of this Agreement and any addendum, provide Franchisee with a copy of such contract or bid to Franchisee and offer Franchisee the option to perform such services pursuant to the terms and conditions of same, provided that Franchisee must accept such option within ten (10) days of its receipt of such notice.

(iii) If Franchisee elects not to provide services to a National Account in conformity with the terms of the National Account contract, or fails to make an election within the time specified by Franchisor, Franchisor shall have the right, exercisable in its sole discretion, to (a) provide, directly, through its affiliates or any other franchisee utilizing the Marks, The Grout Medic products and/or services to the National Account location(s) within the Protected Territory on the terms and conditions contained in the bid or contract between Franchisor and the National Account; and/or (b) contract with another party to provide such The Grout Medic products and/or services to the National Account location(s) within the Protected Territory on the terms and conditions contained in the bid or contract between Franchisor and the National Account, utilizing the Marks or any other proprietary marks.

(iv) If any National Account informs Franchisor that Franchisee’s services do not meet such National Account’s standards or selection criteria, Franchisor may, in its sole discretion, offer the opportunity to service such National Account to any other franchisee on the terms and conditions contained in the bid or contract between Franchisor and the National Account.

(v) Neither the direct provision by Franchisor (or a franchisee or agent of Franchisor) of The Grout Medic products and/or services to National Account as authorized in **Sections 2.4(iii)(a)** or

**2.4(iv)** above, nor Franchisor's contracting with another party to provide such services as authorized in **Section 2.4(iii)(b)** or **2.4(iv)** above, shall constitute a violation by Franchisor of **Section 2.2** above, even if such services are delivered within the Protected Territory.

### **3. TERM AND RENEWAL**

**3.1. Initial Term.** Unless terminated earlier in accordance with the terms and conditions set forth herein, this Agreement and the franchise granted hereunder shall have an initial term of ten (10) years commencing on the Effective Date (the "**Initial Term**").

**3.2. Renewal.** Upon the expiration of the Initial Term, Franchisee shall have the right to renew the franchise granted hereunder for up to two (2) successive ten (10) - year periods, provided that all of the following conditions are met:

(i) Franchisee gives Franchisor written notice of its election to renew the franchise not less than six months nor more than nine months prior to the expiration of the Initial Term;

(ii) Franchisee is not, when notice is given, and does not become prior to the expiration of the Initial Term, in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates or with any other creditor or supplier of the Business, and Franchisee must have consistently complied with all the terms and conditions of this Agreement and all such other agreements throughout their terms;

(iii) Franchisee shall execute, at Franchisor's option, Franchisor's then-current form of Franchise Agreement, which Franchise Agreement shall supersede in all respects and may contain terms and conditions substantially different from those set forth herein, including, without limitation: (a) additional fees and/or an increase in Royalties, Services Fees or Marketing Fund Contributions (as such terms are hereinafter defined), (b) a change in the size or composition of the Protected Territory, (c) the renewal Franchise Agreement shall only provide for the number of additional renewal terms called for by this Agreement, and (d) mandatory minimum periodic royalty requirements that, in Franchisor's determination, take into account the then-current market, the maturity of the Business and its record of Gross Sales during the term;

(iv) Franchisee shall pay a renewal fee equal to twenty-five percent (25%) of the then-current Franchise Fee (as such term is hereinafter defined) or Fifteen Thousand (\$15,000), whichever is greater; provided, however, that Franchisee shall not also be required to pay an initial franchise fee under such renewal Franchise Agreement;

(v) Franchisee shall complete, at its own expense and to Franchisor's satisfaction, all maintenance, updating, refurbishing and replacement of the Vehicles and all maintenance, refurbishing, renovation, modernizing and remodeling of the Business as Franchisor shall reasonably require (including, but not limited to, purchasing additional Vehicles and installation of new equipment or systems) so as to reflect the current image and standards of The Grout Medic Business and the Vehicles;

(vi) Franchisee shall be current in the payment of all obligations to Franchisor and to any of its affiliates and subsidiaries as well as lessors, vendors and suppliers of the Business, and must have timely met those obligations throughout the term of this Agreement;

(vii) Prior to renewal, Franchisee and/or Franchisee's supervisory and operational manager(s) shall at Franchisee's expense, attend and successfully complete to Franchisor's reasonable satisfaction any retraining program Franchisor may require;

(viii) Franchisee must meet Franchisor's then-current qualification requirement; and

(ix) Franchisee and its owners shall execute a general release, in a form prescribed by Franchisor, of any and all claims it may have against Franchisor, including any affiliates or subsidiaries, and its and their officers, directors, shareholders, managers, members, partners, employees and agents.

3.3. Failure to Renew. Franchisee's failure or refusal to comply with any of the conditions to execute a renewal Franchise Agreement stated in this Agreement will be interpreted as a conclusive, irrevocable election on Franchisee's part not to enter into a renewal Franchise Agreement. The relationship between Franchisor and Franchisee during the successive period(s) will be governed by the provisions of Franchisor's then current successor Franchise Agreement, including those pertaining to fees due under this Agreement, advertising, competitive protection and the Brand Standards Manual. Whether or not Franchisee actually signs a then current renewal Franchise Agreement, Franchisee will be conclusively presumed to have assented to and to have agreed to be bound by its terms by continuing to operate the Business for one (1) day past the Initial Term's (or then current renewal term's) expiration date. If Franchisee does not qualify to enter into a renewal Franchise Agreement, or elects not to do so, immediately after expiration of the Initial Term (or then current renewal term), Franchisee must comply with the post-termination requirements of this Agreement, and Franchisor will have the post-termination rights and remedies provided in this Agreement.

#### 4. FEES

4.1. **Franchise Fee.** Upon signing the Franchise Agreement, Franchisee shall pay to Franchisor by wire transfer a franchise fee, as identified on **Exhibit C-1**. (the "**Franchise Fee**"). The Franchise Fee shall be fully earned by Franchisor and shall be nonrefundable, when paid, and is made in consideration of (i) the administrative and other expenses incurred by Franchisor in entering into this Agreement, (ii) Franchisor's lost or deferred opportunity to enter into this Agreement with others, and (iii) Franchisor's execution of this Agreement.

4.2. **Royalties.** During the term of this Agreement, Franchisee shall pay to Franchisor a non-refundable royalty (the "**Royalty**," "**Royalty Fee**" or "**Royalties**") equal to the greater of \$150 per week or six percent (6%) of Gross Sales.

(i) Royalties are due and payable weekly throughout the entire term of this Agreement, commencing on the earlier of Franchisee's commencement of operations or a date 3 months after the Effective Date, even if the Business has no revenue. Franchisor has the right to change the payment due date or change the frequency of payment so long as Franchisor provides Franchisee at least sixty (60) days advance notice of such changes.

(ii) If, at any time, a state or other governmental authority imposes a tax on the Gross Sales or any other service receipts of Franchisor (but excluding any tax based on Franchisor's net income), the Royalty Fee shall be increased so that the net Royalties payable to Franchisor, after payment of such tax, shall equal to the applicable rate charged of Franchisee's Gross Sales.



(iii) Franchisor and Franchisee agree that the Royalties described herein shall be in consideration of Franchisee's use, pursuant to this Agreement, of such business processes, trade secrets, know-how, trade names, trademarks, service marks, logos, emblems, trade dress and the intellectual property identified from time to time by Franchisor as comprising the System. Franchisee acknowledges and agrees that its obligation to pay the Royalties described herein shall not be predicated or conditioned upon the validity of any trademark or copyright claimed by Franchisor and used in the System. Franchisee acknowledges and agrees that no portion of the Royalties shall be attributable to any specific item of intellectual property, such as a copyright or trademark, as distinct from the System.

**4.3. Marketing Fund Contribution.** Beginning on the date prescribed in Section 4.2(i) above, Franchisee shall pay weekly to Franchisor an advertising fee in an amount specified by Franchisor ("**Marketing Fund Contribution**"), which shall not exceed two percent (2%) of the preceding week's Gross Sales.

**4.4. Definition of Gross Sales.** As used in this Agreement, "**Gross Sales**" means the total of all monies and receipts derived by Franchisee in connection with the Business, and from all other business using the Marks, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property, or services, including (without limitation) all proceeds received from any business interruption insurance policy. Moreover, Gross Sales shall include all commissions, finder's fees, referral fees, construction management fees or other compensation received by Franchisee arising in any way from the operations of the Business. (For purposes of this paragraph, the term "**Franchisee**" includes its owners and officers as well as any business entity through which the Business is operated.) Gross Sales does not include (i) promotional allowances or rebates paid to Franchisee in connection with its purchase of products or supplies; (ii) sales, use, merchants' or other taxes measured on the basis of the gross revenues of the Business imposed by governmental authorities directly on sales or use and collected from customers, provided that the taxes are added to the selling price of Franchisee's goods and services and are in fact paid by Franchisee to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by Franchisor, or any bona fide discounts or customer refunds approved by Franchisor. For purposes of reporting Gross Sales, all revenues must be recorded upon receipt and any approved refunds to customers shall be deducted from revenues when the refund is tendered.

**4.5. Estimated Gross Sales If Franchisee Does Not Report.** If Franchisee fails to submit to Franchisor, by 12:00 p.m. Eastern Time on Tuesday of each week, a statement of Gross Sales for the prior week ending on Saturday (the "**Business Week**") as required by **Section 6.3(i)**, then Franchisee will be assessed a \$100 late charge per statement, per week, or part thereof, until each delinquent statement has been submitted. In addition, if Franchisee fails to timely submit a statement of Gross Sales for any period, Franchisor may, for the purposes of calculating and collecting any payments due under **Sections 4 and 5** hereof, estimate the amount of Franchisee's Gross Sales for such period based on any information in its possession that it believes allows it to approximate the actual amount of Gross Sales achieved by Franchisee for such period. Franchisor will not withhold its consent for reasonable extensions of time to submit a statement of Gross Sales.

**4.6. Contact Center Fee.** Beginning on the date prescribed in Section 4.2(i) above, Franchisee shall pay Franchisor a fee which is the greater of 2% of Gross Sales per week or \$220 per week, with a weekly maximum of \$695.00 for Contact Center services (the "**Contact Center Fee**"). Franchisor may modify the services provided for the Contact Center Fee and reserves the right to modify or increase the amount, calculation or timing of the Contact Center Fee periodically during the term of this Agreement, upon written notice to Franchisee.

**4.7. Technology Fee.** Franchisee shall pay Franchisor an initial technology fee of \$5,000 upon signing this Agreement for technology solutions to be used in the operation of the Franchised Business. Beginning on the date prescribed in Section 4.2(i) above, Franchisee shall pay Franchisor a weekly Technology Fee of \$210 per week (the “**Technology Fee**”), which may be modified by Franchisor upon providing notice to Franchisee.

## **5. PAYMENTS OF FEES; LATE PAYMENT**

**5.1. Payment of Fees.** Franchisee shall pay to Franchisor, by 12:00 p.m. Eastern Time on Tuesday of each week, the Royalties, Services Fee and Marketing Fund Contributions due to the Franchisor under this Agreement with respect to the prior week. Royalties, Services Fees and Marketing Fund Contributions are nonrefundable. If the date for any payment hereunder falls on a day on which commercial banks are authorized or required by law to close in the state where Franchisor maintains its principal place of business, such payment shall be made on the next day during which such commercial banks are open for business. Franchisor has the right to change the payment due date or change the frequency of payment so long as Franchisor provides Franchisee at least sixty (60) days advance notice of such changes.

**5.2. Automated Bank Draft.** Franchisee understands and agrees that all Royalties, Services Fees, Marketing Fund Contributions, Advertising Cooperative (as defined below) contributions and other fees or contributions required to be paid to Franchisor or any Advertising Cooperative hereunder must be paid by automated bank draft or other reasonable means necessary to ensure payment of such fees are received by Franchisor or the appropriate Advertising Cooperative, as Franchisor determines appropriate from time to time. Franchisee must execute the “ACH Authorization” which is attached to this Agreement as **Exhibit C-8**. Franchisee agrees to comply with Franchisor’s payment instructions and to execute such other documents as Franchisor may request from time to time to provide Franchisee’s unconditional and irrevocable authority and direction to its bank authorizing and directing Franchisee’s bank to pay and deposit directly to the account designated by Franchisor all Royalties, Services Fees, Marketing Fund Contribution, Advertising Cooperative contributions and other fees or contributions due hereunder. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor for the preceding week just ended. Franchisee shall execute any documents Franchisor’s or Franchisee’s bank requires to establish and implement the automated bank draft system. Once such a system is established, Franchisee shall not close the account from which automated bank drafts are being withdrawn without Franchisor’s written consent.

**5.3. Late Payments and Insufficient Funds.** All overdue payments for Royalties, Services Fees, Marketing Fund Contributions and other fees required to be paid hereunder shall bear interest from the date due at the rate of 1.5% per month, or the highest rate permitted by law, whichever is less. Interest shall accrue on all late payments regardless of whether Franchisor exercises its right to terminate this Agreement as provided for herein. In addition to its right to charge interest as provided herein, Franchisor may charge Franchisee a \$100 late payment fee, or the maximum amount permitted by applicable law, for all such overdue payments and a \$100 insufficient funds fee for each check, automated bank draft payment, or other payment method that is not honored by Franchisee’s financial institution. Franchisee acknowledges that Franchisor has the right to set-off amounts Franchisee owes Franchisor against any amounts Franchisor may owe Franchisee.

**5.4. Application of Payments.** Notwithstanding any designation by Franchisee to the contrary, all payments made by Franchisee hereunder will be applied by Franchisor at its discretion to any of Franchisee’s past due indebtedness.

## 6. RECORDS, REPORTS AND AUDITS

**6.1. Accounting Records.** Franchisee shall establish and maintain bookkeeping, accounting, financial and/or operations records for the Business conforming to such requirements as are prescribed by Franchisor in the Brand Standards Manual (as defined below) from time to time (the “**Accounting Records**”). In the event that Franchisor establishes (or modifies) a computerized bookkeeping, accounting and/or operations system for its franchisees, Franchisee agrees to utilize such systems, pay all reasonable fees charged by Franchisor or others for the use of such systems, purchase or lease all computer hardware and software required for such systems, and permit Franchisor to access such records by computer from a remote location. Franchisee acknowledges and agrees that if Franchisor is required or permitted by statute, rule, regulation or any other legal requirement to disclose any information regarding Franchisee or the operation of the Business, including, without limitation, earnings or other financial information, Franchisor shall be entitled to disclose such information. In addition, Franchisee hereby expressly permits Franchisor to disclose any such information to other franchisees for benchmarking purposes, to prospective franchisees in a financial performance representation, and to potential purchasers (and their employees, agents, and representatives) of Franchisor or the Business in connection with the sale or transfer of any equity interests or assets of Franchisor, Franchisee or the Business, or any merger, reorganization or similar restructuring of Franchisor.

**6.2. Business Records.** Franchisee agrees to establish and maintain a record-keeping system for the Business conforming to requirements prescribed by Franchisor in its Brand Standards Manual from time to time (the “**Business Records**”). Among other things, such system shall include a complete record of all work performed in connection with the Business (including copies of all estimates, proposals and contracts) and a complete listing of all work performed by any sub-contractors engaged by Franchisee (including copies of all contracts, invoices or statements).

**6.3. Financial and Operations Reports.** Franchisee must provide Franchisor with such periodic financial and operations reports in the form and manner required by Franchisor from time to time (the “**Financial Reports**”). Franchisee’s current reporting obligations include the following:

(i) A statement of Gross Sales for the prior Business Week, in the form required by Franchisor to be delivered with each payment of the Royalties, Services Fee and Marketing Fund Contribution, by no later than by 12:00 p.m. Eastern Time on Tuesday of each week;

(ii) A monthly unaudited balance sheet and profit and loss statement in a form satisfactory to Franchisor covering Franchisee’s business for the prior month and fiscal year to date, all of which shall be certified by Franchisee as true and correct and delivered to Franchisor no later than the 21st day of each month;

(iii) Annual financial statements compiled or reviewed by an independent certified public accountant in a form satisfactory to Franchisor no later than January 15th of the year after the most recently completed fiscal year, which shall include a statement of income and retained earnings, a statement of cash flows, and a balance sheet of Franchisee, all for the fiscal year then ended. Franchisor shall have the right at any time to require audited annual statements to be provided to it; provided that Franchisor shall reimburse Franchisee for its increased accounting fees attributable to Franchisor’s imposition of this requirement;

(iv) An annual copy of Franchisee's signed 1120 or 1120S tax form and/or a Schedule C federal tax filing concerning the Business as filed with the Internal Revenue Service (or any forms which take the place of those forms), and all other federal, state and local sales, use and income tax reports Franchisee is required to file relating to the Business, all to be delivered within 30 days after filing; and

(v) A monthly statement of local advertising expenditures made pursuant to **Section 11.3** below, in a form satisfactory to Franchisor, to be delivered to Franchisor no later than the 21st day of each month; and

(vi) All reports or other information required to be submitted under this **Section 6.3** shall be submitted to the attention of Franchisor's accounting department. If any of the reports or other information required to be given to Franchisor in accordance with this Section are not received by Franchisor by the required deadline, Franchisor may charge Franchisee a late submission fee equal to \$100 per report, per week.

**6.4. Inspection and Audit.** Franchisor, through its employees and any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee, enter and inspect the assets used in connection with the Business and examine the Accounting Records, Business Records, all Financial Reports that Franchisee is required to submit under **Section 6.3** (including, but not limited, to all tax returns concerning the Business), as well as all documents relating thereto, and any other information, records or properties relating to the ownership, management or operation of the Business, to determine whether Franchisee has complied with the terms of this Agreement. Franchisor shall also have the right to videotape, photograph or otherwise record the operation of the Business as part of any such inspection. Franchisee shall cooperate with Franchisor in any such inspection and shall make Franchisee's personnel and assets available to Franchisor as may be necessary to carry out such inspection. Any such inspection shall be made at Franchisor's expense.

Without limiting the foregoing, Franchisor may audit or cause to be audited any statement Franchisee is required to submit pursuant to **Section 6.3**, and Franchisor may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by Franchisee in connection with the Business. If any such audit or review discloses an understatement of the Gross Sales for any period or periods, Franchisee shall pay to Franchisor, within 14 days after demand for payment is made, all additional Royalties, Services Fees, Marketing Fund Contributions or other amounts required to be paid based upon the results of such audit or review, plus interest from the date such amount was due until paid at the rate of 1.5% per month or the maximum rate permitted by law, whichever is less.

In order to verify the information supplied by the Franchisee, Franchisor may reconstruct Franchisee's sales through any reasonable method of analyzing and reconstructing sales. Franchisee agrees to accept any such reconstruction of sales unless Franchisee, within 14 days from the date of the notice of understatement or variance, provides evidence of Franchisee's sales during the relevant period in a form satisfactory to Franchisor.

The foregoing remedies shall be in addition to any other remedies Franchisor may have, and this **Section 6.4** shall survive the expiration or any earlier termination of this Agreement.

**6.5. Credit and Trade References.** Franchisee hereby authorizes Franchisor to make inquiries of Franchisee's bankers, suppliers and other trade creditors as to their dealings with Franchisee in relation to the Business, to discuss the affairs, finances and accounts of the Business and to obtain information and copies of invoices relating to sales or other dealings with all such persons and Franchisee in any way relating

to the Business. Franchisee hereby authorizes and directs such bankers, suppliers and other trade creditors to discuss with Franchisor the affairs, finances and accounts of the Business. Moreover, Franchisee agrees, upon the request of Franchisor, to execute and deliver such documents as are required to permit such bankers, suppliers or other trade creditors to release or disclose any such information and/or documents to Franchisor.

## **7. BRAND STANDARDS MANUAL**

During the term of this Agreement, Franchisor will loan to Franchisee one copy of, or provide Franchisee with electronic access to, Franchisor's confidential operations manual (the "**Brand Standards Manual**"), which may consist of printed manuals, computerized documents or software, information provided on the internet or an extranet, audiotapes, videotapes, or any other medium Franchisor adopts periodically for use with the System and designates as part of the Brand Standards Manual. The Brand Standards Manual will contain information and specifications concerning the mandatory standards and specifications for the development and operation of the Business. Notwithstanding, Franchisee acknowledges and agrees that the System does not include any personnel policies or procedures or security-related policies or procedures that Franchisor (at its option) may make available to Franchisee in the Brand Standards Manual or otherwise for Franchisee's optional use. Franchisee will determine to what extent, if any, personnel or security-related policies and procedures might apply to operations at the Business. Franchisor neither dictates nor controls labor or employment matters for franchisees and their employees and Franchisor is not responsible for the safety and security of Business employees or customers. and any other information and advice Franchisor may periodically provide to its franchisees. Franchisor may update and change the Brand Standards Manual periodically to reflect changes in the System and the operating requirements applicable to The Grout Medic Businesses, and Franchisee expressly agrees to comply with each requirement within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the requirement. The cost of implementing changes, updates or modifications to the System as called for in the Brand Standards Manual shall be borne exclusively by Franchisee regardless of the financial or other impact on Franchisee or the Business. Franchisee shall at all times ensure that its copy of the Brand Standards Manual and any other confidential materials supplied by Franchisor to Franchisee are kept current and up to date. Franchisee must keep any printed Brand Standards Manual in a secure location at the Business, and must restrict employee access to the Brand Standards Manual on a need to know basis, and take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Brand Standards Manual. If Franchisor and Franchisee have any disagreement about the most current contents of the Brand Standards Manual, Franchisor's master copy of the Brand Standards Manual will control. Upon the expiration or termination of this Agreement for any reason, Franchisee must return all copies of the Brand Standards Manual to Franchisor, and upon Franchisor's request, certify to Franchisor that Franchisee has not kept any copies in any medium. The Brand Standards Manual is confidential, copyrighted and Franchisor's exclusive property.

## **8. MODIFICATIONS OR IMPROVEMENTS TO THE SYSTEM**

**8.1. Modification by Franchisor.** Franchisee recognizes and agrees that from time to time hereafter, Franchisor shall change, modify or improve aspects of the System, including, without limitation, modifications to the Brand Standards Manual, the required Vehicle(s), equipment, tools, software, processes and systems to support the Business, the products and services offered for sale, the signage, the presentation and usage of the Marks, and the adoption and use of new, modified or substituted Marks or other proprietary materials for the Business. Franchisee agrees to accept, use and/or display for the purposes of this Agreement any such changes, modifications or improvements to the System, including, without limitation the adoption of new, modified or substituted Marks, as if they were part of the System as of the Effective Date, and Franchisee agrees to make such expenditures as such changes, modifications or

improvements to the System may require. Such changes, modifications or improvements to the System may include removal of previously authorized Vehicle(s), equipment, tools, software, processes and systems to support the Business, or the products and services offered for sale, the signage, the presentation and usage of the Marks in the Business. Franchisor will not be liable to Franchisee for any expenses or revenue losses associated with any modification to the System, including but not limited to any modification to Franchisor's current Brand Standards Manual which adversely impacts the Businesses' revenues. For purposes of this Agreement, all references to the System shall include such future changes, modifications and improvements. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in this Agreement. However, Franchisor will not require Franchisee to replace any previously approved Vehicle for three (3) years after Franchisee places it into service unless Franchisee fails to properly maintain the Vehicle or there is a substantial safety or mechanical defect in the Vehicle.

**8.2. Modification by Franchisee.** If Franchisee develops any new modification, concept, process, improvement or slogan in the operation or promotion of the Business or to the System, the same shall be deemed a work made for hire, and Franchisee shall promptly notify Franchisor of, and provide Franchisor with all necessary information, regarding such modification, concept, process, improvement or slogan. Franchisee acknowledges that any such modification, concept, process, improvement or slogan shall become Franchisor's sole and exclusive property and that Franchisor may use or allow other franchisees to use the same in connection with the System or the operation of The Grout Medic Businesses, without providing any compensation to Franchisee, and Franchisee agrees to execute and deliver all such additional instruments and documents as Franchisor may request to evidence the assignment and Franchisor's ownership of the innovation or improvement.

## **9. OBLIGATIONS OF FRANCHISEE**

Franchisee recognizes the mutual benefit to Franchisee, Franchisor and other franchisees of the System of the consistency of the appearance, services, products and advertising of the System and acknowledges and agrees that such consistencies are necessary for the successful operation of The Grout Medic Businesses. Franchisee covenants and warrants with respect to the operation of the Business that Franchisee and its employees and agents will comply with all of the requirements of the System and the Brand Standards Manual and will throughout the term of this Agreement:

**9.1. Standards & Specifications.** Operate the Business and sell and offer all products and services sold or offered hereby in accordance with the specifications, standards, business practices and policies of Franchisor now in effect or hereafter promulgated (and refrain from selling and offering any products or services that are not approved by Franchisor), and comply with all requirements of Franchisor, the System and the Brand Standards Manual as they are now or hereafter established, including, without limitation, any customer service, marketing, environmental, safety, and cleanliness standards and specifications. Franchisor and its duly authorized representatives shall have the right, if they so elect, at all reasonable times, to inspect the Business to ensure that Franchisee is complying with such specifications, standards, business practices and procedures, policies and requirements and to test and inspect any and all equipment, tools, systems and products used in connection with the operation of the Business, including, without limitation, the vehicle(s) used by Franchisee and its agents in operating the business ("**Vehicles**"). If Franchisee in any way shall fail to maintain the standards of quality for the products and services as established by Franchisor from time to time, Franchisor shall notify Franchisee in writing of the failure and give Franchisee 10 days in which to cure such failure. If Franchisee fails to cure such failure within such 10-day period, Franchisor shall, in addition to any other remedy available to it, have the right to assign to

the Business such persons as it deems necessary for the training of Franchisee's employees to ensure that the standards of quality for the products and services are maintained. Franchisee shall reimburse Franchisor for all costs associated with providing such personnel, including costs of transportation, meals, lodging, salaries, wages and other compensation (including fringe benefits).

**9.2. Pricing.** Franchisor may, from time to time, suggest pricing policies. Franchisee has the sole and exclusive right to set the minimum prices Franchisee charges for the products and services offered by Franchisee. Suggested pricing policies are not mandatory. Franchisor retains the right to establish maximum prices to be charged by Franchisee for sales promotions, to the extent permitted by law.

**9.3. Maintenance & Appearance.** Maintain at all times, at its expense, the Business and the Vehicles, machinery, equipment and tools, and if Franchisee leases or owns any real property in connection with the Business, any fixtures, furnishings, furniture, décor, premises, parking areas, landscape areas, and interior and exterior signs, in an excellent, clean, attractive and safe condition in conformity with the Brand Standards Manual and Franchisor's high standards and public image. Franchisee shall promptly make all repairs and replacements thereto as may be required to keep the Business and the Vehicles in the highest degree of safety, repair and condition and to maintain maximum efficiency and productivity, and to remain in compliance with Franchisor's standards. If Franchisor changes its image or standards of operation with respect to the Business or the Vehicles, Franchisee expressly agrees to comply, at its expense, with each change within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the change. The cost of replacing the Vehicles, machinery, equipment and tools shall be borne exclusively by Franchisee.

**9.4. Compliance with Laws.** Comply with all applicable laws, rules, ordinances and regulations that affect or otherwise concern the Business or the Vehicles, including, without limitation, vehicle registration, zoning, disability access, signage, fire and safety, security, fictitious name registrations, sales tax registration, environmental regulations, warranty contract requirements, employment and promotion practices, employee wages, child and immigrant labor, disabled persons, truth-in-advertising, and health and sanitation. Franchisee will be solely responsible for obtaining any and all licenses and permits required to operate the Business and the Vehicles (including, but not limited to, home improvement contractor licenses) and maintaining records demonstrating such compliance. Franchisor will not provide legal advice to Franchisee or otherwise be responsible to Franchisee for determining the applicability of or compliance with applicable law and Franchisee acknowledges and agrees that any communication between Franchisor and Franchisee relating to compliance with any of these laws shall be conclusively presumed to be only general educational information and that Franchisee's failure to obtain specific, professional third-party advice on such issues shall be unreasonable. Franchisee must forward to Franchisor any inspection reports or correspondence stating that Franchisee is not in compliance with any such laws, rules, ordinances and regulations to Franchisor within 24 hours of Franchisee's receipt of such report or correspondence.

**9.5. Legal Proceedings.** Franchisee will notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceedings and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, against Franchisee or any of Franchisee's properties, or of which Franchisee becomes aware, which may adversely affect the Franchisee's financial condition or ability to meet its obligations hereunder.

**9.6. Capacity & Efficiency.** Maintain sufficient inventories and employ sufficient qualified employees to operate the Business at its maximum capacity and efficiency at such hours or days as Franchisor shall designate or approve in the Brand Standards Manual or otherwise and operate the Business

for such hours or days so designated or approved by Franchisor. Franchisee acknowledges that it is solely responsible for all aspects of hiring, compensating and (when necessary) firing its employees.

**9.7. Uniforms.** Require all employees of the Business to wear apparel conforming to the specifications, design, and standards Franchisor may from time to time designate in the Brand Standards Manual or otherwise.

**9.8. Employee Conduct & Appearance.** Require all employees of the Business to conduct themselves at all times in a competent and courteous manner and use best efforts to ensure that its employees maintain a neat and clean appearance and render competent, sober and courteous service to customers of the Business. Franchisor shall have no control over Franchisee's employees, including, without limitation, work hours, wages, hiring or firing.

**9.9. Customer Service.** Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee must maintain high standards of quality and service in the operation of the Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Business and Franchisor may periodically adopt or modify standards relating to any aspect of customer service and Franchisee agrees to comply with any such standards. The Business shall in all dealings with its customers, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle or resolve (in a manner that meets Franchisor's standards) a customer complaint, Franchisor has the right to intervene and address such customer complaint (as Franchisor may deem appropriate). Franchisor has the right to terminate this Agreement for repeated violations of this **Section 9.9**. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in providing or arranging service for a customer of the Business pursuant to this **Section 9.9**. Further, upon the occurrence of any event that occurs at or otherwise involves the Business, or that occurs generally at a local, regional, national or even global scale, which has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other similar circumstance which may materially and adversely affect the System or the goodwill symbolized by the marks (each a "Crisis Management Event"), Franchisee must immediately inform Franchisor by telephone or electronic means, must cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event, and must implement such remediation plan as may be instituted by Franchisor, which may include Franchisor requiring a temporary closure of the Business as part of the Crisis Management Event remediation plan.

**9.10. Approved Suppliers and Rebates.** Use only those products, services, supplies, Vehicles, equipment and tools that conform to the standards and specifications designated by Franchisor in the Brand Standards Manual or otherwise. From time to time, Franchisor may designate approved suppliers, including itself or its affiliates, whose enumerated products or services shall be deemed to satisfy Franchisor's standards. Unless otherwise required by Franchisor, or if Franchisor designates an exclusive designated supplier, Franchisee may purchase any and all products, supplies, Vehicles, equipment and tools from any available source, so long as such products, supplies, Vehicles, equipment and tools conform to the standards and specifications established by Franchisor. If Franchisor designates itself as a supplier, Franchisor has the right to earn a profit on any items it supplies. Franchisor and its affiliates may receive payments, discounts or other consideration from suppliers in consideration of such suppliers' dealings with Franchisee and/or the system of The Grout Medic franchisees, and may use all amounts received by it without restriction. Franchisor is not required to give Franchisee an accounting of supplier payments or to share the benefit of supplier payments with Franchisee or other The Grout Medic franchisees. Moreover,



Franchisee acknowledges and agrees that Franchisor will not be liable for any losses (financial or otherwise) or damages including consequential or special damages, resulting from any delay in delivery or availability of any of the products or services designated by Franchisor. Franchisee is responsible for verifying and ensuring the any products or services it uses in the operation of the Business comply with applicable law. In the event that Franchisee determines that any product of an approved or designated supplier does not comply with applicable law, Franchisee may propose an alternate product or supplier in writing and Franchisor shall approve or disapprove such alternate product or supplier within 10 business days.

**9.11. Trade Dress.** Prominently display on the Vehicles or on any real property owned or leased by Franchisee in connection with the Business the name “The Grout Medic” using signs, decals or paint patterns, of such nature, form, color, number, location and size, and containing such material as Franchisor may from time to time reasonably direct or approve in writing; and not display on the Vehicles or in the Business or elsewhere any sign, decal or advertising media of any kind to which Franchisor reasonably objects. Franchisor or its authorized representatives may at any time during normal business hours inspect the Vehicles or enter the Business and remove any objectionable signs, decals or advertising media.

**9.12. Vehicles for Use in Business.** Use Franchisee’s best and continuing efforts to fully promote and develop the Business and use the Vehicles primarily for the purposes designated in this Agreement and avoid any activities that would conflict or interfere with or be detrimental to such purposes.

**9.13. Products & Services Offered.** Sell or offer only those products and services from the Vehicles or the Business specified by Franchisor from time to time. If Franchisor allows Franchisee’s Business to participate in any new product or service test, then Franchisee will participate in the test in accordance with the Brand Standards Manual and will discontinue offering any products and services that Franchisor decides not to permanently add to the authorized list. Following any such test, upon request from Franchisor, Franchisee will provide to Franchisor such results and data from such tests as Franchisor may reasonably request..

**9.14. Full-Time & Best Efforts.** Ensure that an individual who has completed the initial training program described in **Section 13.1** below (the “**Manager**”) devotes his or her best and devoted efforts to the management of the day-to-day operation of the Business.

**9.15. Participation in Loyalty Programs and Promotions.** If Franchisor institutes a customer loyalty program, participate in such customer loyalty program and pay all participation fees due to Franchisor or any third-party vendor, and also participate in all national, regional or local advertising and promotional activities Franchisor requires. Franchisee understands that Franchisor implements promotions such as discount coupons and other activities intended to enhance customer awareness for The Grout Medic Businesses on a national, regional or local level. Franchisee understands that its participation in these programs is essential to its success and that its participation may entail some cost to Franchisee. Franchisee agrees that Franchisor has no obligation to reimburse Franchisee for any costs it incurs due to its mandatory participation in these special promotional programs.

**9.16. Paying Vendors.** Franchisee will pay on a timely basis for all supplies, materials and expenses incurred in the operation of the Business. Franchisee is aware that it is responsible for all operating, selling and general and administrative expenses of the Business, and that failure to make prompt payments to its suppliers, vendors, contractors or employees may cause irreparable harm to the reputation and credit of Franchisor and other franchisees.

**9.17. Required Warranty.** The Franchisee will offer and honor a warranty as set forth herein (or longer if based on and commensurate with manufacturer warranty) on all materials and workmanship performed by Franchisee for each of its customers, at its own cost, including all costs regarding Franchisee's obligations upon termination of this Agreement, as the terms of such warranty may be established by Franchisor from time to time and subject to whatever requirements may apply under applicable law. Franchisee shall cooperate with Franchisor in all warranty claims and shall make no statements or admissions as to liability. Franchisee shall promptly report all warranty claims to Franchisor and shall undertake all warranty workmanship under the Marks. In the event that Franchisee fails to honor, rejects or otherwise respond to a customer warranty claim for which Franchisor, in the exercise of its business judgment, determines that coverage is required or appropriate in order to protect or preserve the goodwill in the Marks or the reputation of Franchisor, Franchisee or the System, Franchisor shall have the right to resolve such claim and Franchisee shall reimburse Franchisor any cost related to resolving such claim immediately on demand (which may be initiated by Franchisor, as provided in Section 5.2, above). In addition, any rejection or failure to honor or otherwise respond to a customer warranty claim for which Franchisor, in the exercise of its business judgment, determines that coverage is required or appropriate in order to protect or preserve the goodwill in the Marks or the reputation of Franchisor, Franchisee or the System shall be deemed a default under this Agreement and Franchisee's reimbursement of Franchisor's costs shall be in addition to any other rights Franchisor may have under this Agreement, including its right to terminate this Agreement under Section 23.2(xxii).

**9.18. Vehicles.** Purchase, obtain, or lease a sufficient number of Vehicles to service the Protected Territory and meet actual customer demand. Each Vehicle must comply with Franchisor's requirements as to make and model, as set forth in the Brand Standards Manual or in other directives from Franchisor, and shall be painted in accordance with, and equipped with inventory, tools and supplies complying with, Franchisor's then current specifications, all at Franchisee's sole cost and expense. Franchisee may utilize a personal vehicle when launching Franchisee's business, so long as such personal vehicles meets the requirements set forth in the Brand Standards Manual or other directives from Franchisor. Franchisee shall, at its own cost and expense, maintain the Vehicles in good order and repair and make the Vehicles available for inspection by Franchisor at any place within the Protected Territory as the parties may reasonably agree.

**9.19. Customers Outside of Protected Territory.** If a potential client outside the Protected Territory requests the services of Franchisee, Franchisee shall promptly refer such potential client to Franchisor or The Grout Medic franchisee that operates in the territory where such potential client's principal place of business is geographically located. If no The Grout Medic franchisee operates in such territory, Franchisee must promptly refer such potential client to Franchisor. Following such referral, if Franchisor determines that no The Grout Medic franchisee operates in the geographic area where such client's principal place of business is geographically located, Franchisor may (but is not obligated to) by written notice to Franchisee allow Franchisee to perform the requested services for such potential client. Franchisor's permission, if granted, for Franchisee to provide service to any potential client outside of the Protected Territory shall not be deemed to grant Franchisee any rights to provide service such potential client, or any other clients located outside of the Protected Territory, on an on-going basis. Franchisee specifically acknowledges that Franchisor (without providing any compensation to Franchisee) may grant one or more franchises the right to service clients located outside of the Protected Territory, regardless of whether Franchisee has previously provided services to such clients.

**9.20. Responsibility for Contractors.** Franchisee agrees to cause any third party sub-contractors engaged by Franchisee to perform work on behalf of Franchisee in respect of the Business to comply with all applicable requirements of this **Section 9**, including but not limited to the quality and

performance standards required of Franchisee, as well as the insurance requirements set forth in **Section 16.2** herein.

**9.21. Contact Center.** Franchisor maintains a contact center for the purpose of providing centralized customer service and scheduling for all businesses operating under the System and the Marks. Franchisee must utilize this contact center exclusively, comply with any rules and regulations adopted by Franchisor (in the Brand Standards Manual or otherwise) governing the contact center and pay the fees described in **Section 4.6**, above.

## **10. POINT OF SALE SYSTEM AND INFORMATION TECHNOLOGY**

**10.1. Hardware and Software Programs.** Franchisor may establish and maintain, and require Franchisee to use, such computer hardware and software programs and databases (including, but not limited to, email accounts and platforms) as it deems advisable from time to time, which may include software programs to assist in accounting, customer service, marketing, operations or management functions of the Business, in the form and configuration determined by Franchisor in its sole discretion (collectively, “**Computer Programs**”). Franchisee acknowledges and agrees that any Computer Program may allow Franchisor to have, and may require Franchisee to provide, continuous remote access, at Franchisee’s expense, to any of the information stored in or compiled by any Computer Program. Franchisee acknowledges that any and all information relating to the Business must be provided by Franchisee in the form and manner as Franchisor may require from time to time. Any Computer Program may require that Franchisee enter into a software license agreement and/or pay a fee to the software provider or to Franchisor, which may vary throughout the term of this Agreement. Any fees Franchisee must pay to Franchisor for such Computer Program will be intended to reimburse Franchisor for its costs of providing the Computer Program. Franchisee, at its expense, must purchase and use an estimating, computerized cash collection, and data processing system (the “**POS System**”) that meets the standards and specifications provided by Franchisor from time to time in the Brand Standards Manual or otherwise. Franchisee must enter all sales and other information Franchisor requires in the POS System. Franchisor may periodically require Franchisee, at its expense, to upgrade, update or replace the POS System to remain in compliance with the standards and specifications required by Franchisor. Franchisee, at its expense, must maintain the POS System in good working order and connected to any telephone system or computer network that Franchisor requires. Franchisor may require Franchisee, at its expense, to configure and connect the POS System to Franchisor’s systems to provide Franchisor with continuous real-time access to all information and data stored on the POS System. In all cases, Franchisee must implement and maintain an approved Payment Card Industry (PCI) compliance program for the Business, and Franchisee is solely responsible for protecting the Business from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor may require Franchisee to pay Franchisor or its designated third parties reasonable fees to support and upgrade the POS System and a reasonable fee to Franchisor or its designated third party for polling or collecting data from the POS System. In addition to the POS System, Franchisee, at its expense, must equip the Business with the computer hardware and software that Franchisor specifies periodically and maintain access to the Internet or other computer network(s) that Franchisor specifies. Franchisee shall purchase a laptop computer that is approved by Franchisor and converts into a tablet. In addition, Franchisee, at its expense, must also apply for and maintain other credit card, debit card or other non-cash payment systems that Franchisor periodically requires.

**10.2. Access to Data.** Franchisee acknowledges that Franchisor will have independent access to certain financial and other information of Franchisee that is stored electronically. During the term of this

Agreement and any subsequent franchise agreement between Franchisor and Franchisee, Franchisor will not disclose to any third party any specific financial or other information directly associated with Franchisee or the Business unless authorized by Franchisee. Franchisor may, however, disclose such information to its employees, attorneys, accountants, consultants, agents and others retained or employed by it who have a need to know such information in order to facilitate the administration of the relationship between Franchisee and Franchisor, or to comply with applicable law, court orders or accounting rules. During the term of this Agreement, Franchisee agrees that Franchisor may collect and disclose to other franchisees operating in the System data relating to Franchisee's operation of the Business for the purpose of benchmarking or performance recognition. Franchisee acknowledges that after the termination of this Agreement or any subsequent franchise agreement between Franchisor and Franchisee, Franchisor may release such information to other franchisees and prospective franchisees. Franchisor's obligations pursuant to this **Section 10.2** will in no way restrict its right to compile aggregate data for research and other purposes and to use or disclose such aggregate data. Franchisee acknowledges that Franchisor may require Franchisee to enter into a software license agreement whereby Franchisee will record and store data on a server hosted by a third party, and that such third-party may also have access to such data as necessary to perform such third party's obligations under the software license agreement.

## **11. ADVERTISING**

**11.1. Marketing Fund.** Franchisee must pay to Franchisor, or such other entity designated by Franchisor, the Marketing Fund Contribution established under **Section 4.3** herein, which amount shall be used by the Marketing Fund (defined below).

The Marketing Fund Contribution will be expended for the benefit of Franchisor, Franchisee and all other franchisees or users of the System in the United States and Canada for the production or purchase of such radio, television, print and/or other advertising materials or services as Franchisor deems necessary or appropriate, in its sole discretion, on a national, regional or local basis (the "**Marketing Fund**"). The expenditure of such funds for advertising is to be under the control of, and in the discretion of, Franchisor at all times, or such other entities designated by Franchisor. Franchisee understands and acknowledges that the Marketing Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of The Grout Medic Businesses for the benefit of all The Grout Medic Businesses and that Franchisor undertakes no obligation to ensure that the Marketing Fund benefits each The Grout Medic Business in proportion to its respective contributions. Franchisor agrees that all funds contributed to the Marketing Fund may be used to meet any and all costs (including, without limitation, reasonable salaries and overhead incurred by Franchisor) of developing, maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper, direct response literature, direct mailings, brochures, collateral advertising material, designing and implementing websites for Franchisor and/or its franchises, surveys of advertising effectiveness and other media programs and activities, employing advertising agencies to assist therewith and providing promotional brochures, decals and other marketing materials. Franchisee further acknowledges that the Marketing Fund may be used to develop, maintain, administer, direct and prepare materials, programs and public relations activities which promote the System in conjunction with one or more franchise systems which may be owned by Franchisor or Franchisor's affiliates; provided that a substantial focus of such materials, programs or activities includes the promotion of the System. Notwithstanding the foregoing, Franchisor agrees that the Marketing Fund's assets shall not be used to create, design or disseminate advertising or promotional materials that are primarily intended, or whose principal effect is, to recruit new franchisees and develop new franchised businesses operating under the Marks.

The Marketing Fund shall be accounted for separately from Franchisor's other funds and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and its programs (including, without limitation, conducting market research, preparing advertising and promotional materials, collecting and accounting for contributions to the Marketing Fund, paying for the preparation and distribution of financial statements, legal and accounting fees and expenses, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its authorized representatives in connection with programs funded by the Marketing Fund). The Marketing Fund will not be Franchisor's asset. An unaudited statement of the operations of the Marketing Fund shall be prepared annually, and shall be made available to Franchisee upon request. Franchisor may spend in any fiscal year more or less than the aggregate contribution of all The Grout Medic Businesses to the Marketing Fund in that year, and the Marketing Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. Any lender loaning money to the Marketing Fund shall receive interest at a reasonable rate. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended. Franchisor may cause the Marketing Fund to be incorporated or operated through a separate entity at such time as Franchisor may deem appropriate, and such successor entity, if established, will have all rights and duties specified in this **Section 11.2**. Franchisor will not be liable for any act or omission with respect to the Marketing Fund that is consistent with this Agreement and done in good faith. Except as expressly provided in this **Section 11.2**, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund. Franchisee acknowledges and agrees that Franchisor is not operating or acting as a trustee or fiduciary with respect to the Marketing Fund Contributions collected. Franchisee agrees to participate in any promotion, marketing or advertising campaigns created by the Marketing Fund. Franchisor may reduce contributions of franchises to the Marketing Fund and upon notice to Franchisee, reduce the Marketing Fund's operation or terminate the Marketing Fund and distribute unspent monies to those contributing franchisees in proportion to their contributions in the past.

Franchisor may form, at its sole discretion, an advisory board consisting of franchisees of the System (the "**Council**") to provide advice and counsel regarding Franchisor's use of Marketing Fund Contributions. Such Council shall function in an advisory capacity only and shall not exercise any authority over the Marketing Fund or over Franchisor. Franchisee must participate in Council-related activities and meetings, pay any dues assessed for the administration of that program, and pay Franchisee's own expenses associated with participating in Council activities. Franchisor will pay its proportionate share of Council dues based on the number of The Grout Medic Businesses it or its affiliates operate.

**11.2. Local Advertising.** Franchisee acknowledges and agrees that to effectively compete within the Protected Territory, Franchisee must undertake and execute an extensive marketing and advertising program designed to promote the Business within the Protected Territory. Therefore, in addition to making contributions to the Marketing Fund, Franchisee shall, at Franchisee's cost and expense, market, advertise and promote the Business in the Protected Territory and shall:

(i) market, advertise and promote the Business in the Protected Territory only in a manner that will reflect favorably on Franchisor, Franchisee, the services and products offered by Franchisee, and the good name, goodwill and reputation of Franchisor and the Business; and

(ii) not use any advertising or other marketing or promotional materials furnished by Franchisor or any other materials containing therein, thereon or therewith any of the Marks, for any purpose other than to market and promote the Business. Franchisee shall furthermore not copy or otherwise

duplicate any advertising or promotional materials prepared by or for, or furnished by, Franchisor without Franchisor's prior written consent.

In addition to contributions to the Marketing Fund, commencing upon the conclusion of the Grand Opening Period, Franchisee shall spend during the term of this Agreement a minimum of ten percent (10%) of its Gross Sales per month on advertising in the Protected Territory (either by way of direct promotion or participation in an Advertising Cooperative, as described in **Section 11.4**, below). Franchisee shall provide Franchisor with evidence that such monies have been expended in reports as required under **Section 6.3** herein. Franchisor retains the right to require that Franchisee's minimum local advertising expenditure be allocated (as directed by Franchisor) to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign.

Franchisee further acknowledges that Franchisor may require that any local marketing or advertising include reference (in a form determined by Franchisor) to one or more franchise systems which may be owned by Franchisor or Franchisor's affiliates; provided that a substantial focus of such materials, programs or activities includes the promotion of the Business.

The total amount of advertising funds expended by Franchisee for individual local market advertising shall be determined by Franchisee, subject to the foregoing minimum requirements. Local advertising expenditures shall not include incentive programs, including, without limitation, costs of honoring coupons or costs of honoring sales promotions, nor shall it include salaries, contributions, donations, press parties, or in-store fixtures or equipment, and exterior or interior signage.

**11.3. Advertising Cooperatives.** In connection with the Business and any and all other The Grout Medic Businesses owned or operated by Franchisee, Franchisee shall participate, if required by Franchisor, in any local, regional or national cooperative advertising group, consisting of other The Grout Medic Businesses, when and if any such groups are created (each, an "**Advertising Cooperative**"). The particular Advertising Cooperative(s) in which Franchisee may be required to participate shall be designated by Franchisor in its sole discretion (which designations may be based upon, without limitation, the particular Designated Market Area or the Area of Dominant Influence, as those terms are used in the advertising industry, where The Grout Medic Businesses operated by Franchisee are located). Franchisee's payments to any Advertising Cooperative shall be determined by Franchisee and those other franchisees of the System and/or Franchisor, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than the greater of \$10,000 or 2% of Gross Sales per annum in connection with any Advertising Cooperative. Amounts paid to an Advertising Cooperative shall be credited against payments Franchisee is otherwise required to make for local advertising as required by **Section 11.3** above. Any payments to an Advertising Cooperative shall be in addition to the amounts required to be paid or spent under **Sections 11.1** and **11.2** hereof. Franchisee further acknowledges that Franchisor may require that any Advertising Cooperative participate in marketing or advertising programs which may include one or more franchise systems which may be owned by Franchisor or Franchisor's affiliates; provided that a substantial focus of such programs includes the promotion of the System. Franchisee shall enter into such formal agreements with such other franchisees of the System and/or Franchisor, as the case may be, as shall be necessary or appropriate to accomplish the foregoing. If Franchisee becomes delinquent in its dues or other payments to the Advertising Cooperative, such delinquency shall be deemed a failure to participate in the Advertising Cooperative and a material breach of this Agreement. Franchisor may upon 30 days' written notice to Franchisee suspend or terminate an Advertising Cooperative's program or operations, or require an Advertising Cooperative to be changed or merged with other Advertising Cooperatives.

**11.4. Approval of Advertising.** All of Franchisee's advertising must be in such media, and of such type, format and other particulars as Franchisor may approve, must be conducted in a dignified manner, and must conform to such standards and requirements as Franchisor may specify. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by Franchisor shall be submitted to Franchisor at least 14 days prior to any publication or run date for approval, which may be arbitrarily withheld. Franchisor may grant or withhold its approval, in its sole discretion. Franchisor will provide Franchisee with written notification of its approval or disapproval within a reasonable time. If Franchisor does not notify Franchisee of its approval or disapproval within 10 days of Franchisor's receipt of the materials, the materials shall be deemed approved. Franchisee must discontinue the use of any approved advertising within five days of Franchisee's receipt of Franchisor's request to do so. No advertising or promotion by Franchisee shall be conducted on or through the Internet/world wide web or other electronic transmission via computer without express prior written approval by Franchisor. All advertising and promotion by Franchisee must be factually accurate and shall not detrimentally affect the Marks or the System, as determined in Franchisor's sole discretion. Franchisee shall use the telephone number provided by Franchisor in connection with all marketing initiatives.

**11.5. Ownership of Advertising Materials.** Franchisee acknowledges and agrees that Franchisor is the sole and exclusive owner of all copyrights in any and all marketing, advertising or promotional materials made available to Franchisee which have been prepared by or on behalf of Franchisor or contain any of the Marks and that such materials shall at all times remain the exclusive property of Franchisor. Franchisee shall not at any time transfer such materials to any third party, other than a licensee authorized to sell the products depicted in such materials, without Franchisor's prior written consent.

## **12. COUNSELING AND ADVISORY SERVICES AND ONSITE ASSISTANCE**

During the term of this Agreement, Franchisor will, upon the request of Franchisee, furnish an additional reasonable level of counseling and advisory services to Franchisee (as Franchisor deems appropriate) with respect to the opening and operation of the Business, including consultation and advice regarding the following: (i) the Vehicles; (ii) equipment selection and layout; (iii) selection and use of tools; (iv) employee selection and training; (v) advertising and promotion; (vi) bookkeeping and accounting; (vii) purchasing and inventory control; (viii) operational problems and procedures; (ix) periodic inspections; (x) licensing and permitting, and (xi) new developments and improvements to the System. These counseling and advisory services shall occur at Franchisor's offices or via telephone, online video conference, or e-mail. Franchisor shall provide such assistance at no additional expense to Franchisee. In addition, if requested by Franchisee and Franchisor's personnel are available, Franchisor may provide onsite assistance and training at the Business. Franchisor shall only be liable to Franchisee for acts of gross negligence or willful misconduct in connection with providing or failing to provide such services.

## **13. TRAINING**

**13.1. Initial Training.** Franchisee (or its principal owner) and its Manager must attend and successfully complete, to the satisfaction of Franchisor, an initial training program specified by Franchisor before the Business may open for business. Franchisee must complete the initial training program no later than three months after the Effective Date. No fee will be charged by Franchisor for the participation of up to two individuals in the initial training program; however, the Franchisee shall be responsible for the costs and expenses (such as transportation, lodging, meals, incidentals and compensation) of each person who attends the training. The Business must at all times be operated by a person who has successfully completed the initial training program. Franchisor reserves the right to waive all or a portion of the initial training

program in its sole discretion.

**13.2. Failure to Complete Initial Training Program.** If Franchisor determines, in its business judgment, that the Franchisee (or its principal owner) or its Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a business entity and the principal owner fails to complete the initial training program to Franchisor's reasonable satisfaction, or if the Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion and on terms designated by Franchisor, Franchisee may be permitted to select a substitute owner or Manager, as appropriate, and such substitute owner or Manager must complete the initial training to Franchisor's reasonable satisfaction.

**13.3. Training of Employees.** Franchisee shall implement a training program approved by Franchisor for employees of the Business and shall be responsible for the proper training of its employees. Franchisee agrees not to employ any person who fails or refuses to complete Franchisee's training program or is unqualified to perform his or her duties at the Business in accordance with the requirements established for the operation of a The Grout Medic Business.

**13.4. Additional Training.** Franchisee may have additional representatives attend Franchisor's initial training program, provided space is available and that reasonable notice is provided to Franchisor and that all travel, living, and related expenses incurred by Franchisee's representative during such training shall be at Franchisee's sole cost and expense. In addition, Franchisee and its Managers and employees shall attend and conduct such additional training programs as Franchisor may from time to time reasonably require relating to the operation of the Business and the System. Franchisee also may be required to purchase training videos or other instructional materials as specified by Franchisor from time to time in the Brand Standards Manual or otherwise.

**13.5. Annual Convention.** Franchisor shall require Franchisee and/or one or more of the operating managers of the Business to attend an annual convention. Franchisee will be responsible for the travel and living expenses of such persons, and Franchisor may charge a reasonable fee sufficient to cover the costs and expenses of the convention. Attendance at the annual convention shall be mandatory and the annual convention fee shall apply whether or not Franchisee attends the convention. The annual convention fee shall be the amount stated in the annual convention notice from Franchisor, or if Franchisee does not attend the conference, \$1,000 (or such then current amount set forth in the Brand Standard Manual).

## **14. MARKS**

**14.1. Ownership of the Marks.** Franchisee acknowledges and agrees that Franchisor is the owner of the Marks and that nothing herein contained shall give Franchisee any right, title or interest in and to the Marks, except the non-exclusive right to use the Marks in connection with the operation of the Business under the System in accordance with the terms of this Agreement. Franchisee also acknowledges and agrees that the Marks and all goodwill now or in the future pertaining to the Marks are the sole and exclusive property of Franchisor and that it shall not raise or cause to be raised any questions concerning, or objections to, the validity or ownership of such Marks on any grounds whatsoever. Franchisee will not seek to register, reregister or assert claim to or ownership of, or otherwise appropriate to itself, any of the Marks or any marks or names confusingly similar to the Marks, or the goodwill symbolized by the Marks except insofar as such action inures to the benefit of and has the prior written approval of Franchisor. Upon the expiration, termination or cancellation of this Agreement, whether by lapse of time, default or otherwise, Franchisee agrees immediately to discontinue all use of the Marks and to remove all copies, replicas,



reproductions or simulations thereof from the Business and the Vehicles and to take all necessary steps to assign, transfer or surrender to Franchisor, as appropriate, or otherwise place in Franchisor or its designees title to all such names or marks (other than the Marks) which Franchisee may have used during the term of this Agreement in connection with the operation of the Business. Franchisee hereby acknowledges that Franchisor owns and controls the System and all of its components.

**14.2. Use of the Marks.** In order to protect the Marks, the System, and the goodwill associated therewith, Franchisee shall, unless Franchisor otherwise consents in writing:

(i) Only use the Marks designated by Franchisor, and only in the manner authorized and permitted by Franchisor. Franchisee shall not make any changes or substitutions whatsoever in or to the use of the Marks unless directed by Franchisor in writing. Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and only for the sale of services and products expressly authorized by Franchisor, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights and a breach of this Agreement;

(ii) Only use the Marks for the operation of the Business or in advertising for the Business. Franchisee must not register, attempt to register, obtain any ownership in, or otherwise utilize any website, domain name, URL, social media account, Internet presence or other electronic communications portal relating to the Business that has not been previously approved by the Franchisor. If Franchisee registers, attempts to register, obtains any ownership in, or otherwise utilizes any website, domain name, URL, social media account, Internet presence or other electronic communications portal in violation of this **Section 14.2(ii)**, in addition to any rights Franchisor may have under **Section 19.2(xv)** hereof, Franchisee acknowledges and agrees that any such website, domain name, URL, social media account, Internet presence or other electronic communications portal, including any copyrights therein, are Franchisor's property. If a court of competent jurisdiction determines that any ownership rights to any website, domain name, URL, social media account, Internet presence or other electronic communications portal are not automatically transferred to Franchisor pursuant to this **Section 14.2(ii)**, Franchisee agrees to execute any documents Franchisor deems necessary to give effect to this **Section 14.2(ii)**;

(iii) Operate and advertise the Business only under the name "The Grout Medic" or such other Marks as Franchisor may designate from time to time, without prefix or suffix, except as specifically instructed by Franchisor to describe the location of the Business;

(iv) If Franchisee is a corporation, limited liability company, partnership or other type of entity, not use any of the Marks, including, without limitation, the name "The Grout Medic" in its corporate or other legal name without the prior express written consent of Franchisor;

(v) Follow applicable state or local laws or ordinances if such state or local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise file a report or other certificate indicating that "The Grout Medic" or any similar name is being used as a fictitious or assumed name, include in such filing or application therefor an indication that the filing is made as a franchisee of "The Grout Medic, LLC, a Delaware limited liability company with its principal office address in Charlottesville, Virginia," and provide a copy of such filing to Franchisor;

(vi) Have the symbol TM, SM or R enclosed in a circle or such other symbols or words as Franchisor may designate to protect the Marks on all surfaces where the Marks appear; and

(vii) Franchisee shall be required to use the Marks on all materials representing the Business, including without limitation business cards, stationary, e-mail correspondence, apparel, checks, proposals, contracts, signage, Vehicle advertising and marketing and promotional materials, provided Franchisee (1) accurately depicts the Marks on the materials, (2) includes a statement on the materials indicating that the business is independently owned and operated by Franchisee, (3) does not use the Marks in connection with any other trademarks, trade names or service marks unless specifically approved by Franchisor in writing prior to such use, and (4) makes available to Franchisor, upon its request, a copy of any materials depicting the Marks.

**14.3. Internet and Website Use.** Franchisee will not establish a website, social media account, listing or any other form of presence on the Internet using or containing any of the Marks or anything similar to “The Grout Medic” without Franchisor’s prior written consent. Franchisor retains the right to pre-approve Franchisee’s use of linking and framing between Franchisee’s web pages and all other web sites.

**14.4. Infringement.** Franchisee shall promptly inform Franchisor in writing of any infringement or imitations of any Marks, the System, or any act of unfair competition against Franchisor or Franchisee as to which Franchisee has knowledge. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement or unfair competition without first obtaining Franchisor’s written consent. Franchisor shall have the exclusive right to institute, negotiate, compromise, settle, dismiss, appeal or otherwise handle any such action and take such steps as it may deem advisable to prevent any such action and to join Franchisee and any other franchisees as a party to any such action to which Franchisor may be a party and to which Franchisee is or would be a necessary or proper party, but nothing herein shall be construed to obligate Franchisor to seek recovery of costs or damages of any kind in any such litigation, the assertion or waiver of such claims being within the sole discretion of Franchisor. The costs of any such action shall be paid by Franchisor, and any recovery obtained from such infringers shall be paid to Franchisor.

Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in Franchisor’s opinion, be necessary or advisable to protect and maintain Franchisor’s interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor’s interest in the Marks. If Franchisee complies with the provisions of this **Section 14.4**, Franchisor will reimburse Franchisee for all expenses reasonably incurred in any legal proceeding disputing Franchisee’s authorized use of any Mark(s). Such reimbursement does not include Franchisee’s expenses for removing signage or discontinuing use of any Mark(s). Franchisor will not reimburse Franchisee in any disputes where Franchisor challenges Franchisee’s use of a Mark.

**14.5. Substitute Marks.** If Franchisor decides to change, add or discontinue use of any Mark, or Franchisor’s license to use the same, or to introduce additional or substitute Marks, Franchisee, upon a reasonable period of time after receipt of written notice, shall take such action, at its sole expense, as is necessary to comply with such changes, alteration, discontinuation, addition or substitution. Franchisor shall not have any liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.

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

**15.1. Independent Contractor.** Franchisee is an independent contractor with sole control and oversight for the direction of the Business, subject only to the terms of this Agreement. Any subcontractors retained by Franchisee are independent contractors of Franchisee alone. This Agreement is not intended to,

and does not create, a fiduciary or other special relationship between the parties, or make any party a principal, agent, legal representative, parent, affiliate, subsidiary, joint venturer, partner, employer, joint employer, employee or servant of any other party for any purpose. In that regard:

(i) Franchisor has no right or duty to operate the Business and disclaims any liability under this Agreement from any damages arising out of the operation of the Business.

(ii) Franchisee is solely responsible for recruiting, interviewing, hiring, timekeeping, scheduling, payroll processing, supervising, disciplining and firing of its personnel, and Franchisee's personnel are not employees, independent contractors or agents of Franchisor. Franchisor has no right or duty to supervise, or to exercise control over, personnel of Franchisee in the operation of the Business, and disclaims any rights or responsibilities as to personnel of Franchisee. Franchisee is solely responsible for consulting with Franchisee's own third-party human resources service provider and/or legal counsel concerning compliance with applicable personnel laws and regulations, and for complying with those laws and regulations.

(iii) Except as provided in this Agreement, Franchisee is solely responsible for training Franchisee's personnel. To the extent that Franchisor provides Franchisee with guidelines, recommendations, materials and other resources related to training Franchisee's management and non-management personnel, Franchisee may use those training resources, or may choose to use alternate training resources, so long as Franchisee's management and non-management personnel are trained to operate the Business in a safe manner compliant with the terms of this Agreement and all applicable legal requirements.

(iv) Franchisee is solely responsible for establishing and enforcing Franchisee's own policies related to personnel practices and labor relations policies. To the extent that Franchisor provides Franchisee with guidelines, recommendations, materials and other resources related to personnel practices and labor relations, Franchisee may use those resources, or may choose to use alternate resources. Franchisee is solely responsible for consulting with Franchisee's own third-party human resources service provider and/or legal counsel concerning compliance with applicable personnel and labor relations laws and regulations, and for complying with those laws and regulations.

**15.2. Public Notices.** During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public, public officials, its suppliers, its independent contractors, its employees, and others, as an independent contractor operating the Business pursuant to a franchise from Franchisor, but not jointly with Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous manner at the Business and on all websites, customer contracts, forms, business cards, electronic communications, advertisements, stationery or other materials, the form and content of which Franchisor has the right to specify and change.

**15.3. Employee Statements and Acknowledgments.** During the term of this Agreement, Franchisee shall hold itself out to prospective employees, and to current employees, as an independent contractor operating the Business pursuant to a franchise from Franchisor, but not jointly with Franchisor. Franchisee shall take any reasonable action that Franchisor considers necessary to that end. As of the date of this Agreement, Franchisor considers the following actions, without limitation, are necessary: (i) stating conspicuously on each employment application that the prospective employee is applying to be an employee of Franchisee and not an employee of Franchisor; (ii) stating Franchisee's entire business name, rather than just using Franchisor's brand name and/or logo, on payroll checks and/or payroll-related

communications to employees; and (iii) requiring employees to sign acknowledgements that they are not employees of Franchisor, even though they are selling services and/or products identified by Franchisor's brand name and/or logo, are receiving payroll checks and other communications that contain Franchisor's brand name and/or logo, may have applied for jobs through Franchisor's website, or may communicate with or receive non-mandatory feedback, coaching or recommendations from representatives of Franchisor in emails or other electronic or written communications, or during telephone calls, meetings or inspections. Franchisor reserves the right to specify and change the content and form of these statements and acknowledgements.

**15.4. Contracts and Representations.** Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, Franchisor or in any way to bind Franchisor, or to make any representation to any third party tending to indicate a business relationship with Franchisor beyond that created under this Agreement. Franchisor disclaims any liability for, and shall not be held liable under this Agreement, for any claim or judgment arising as a result of, any such action. Franchisee further agrees not to incur or contract for any debt or obligation on behalf of the Franchisor, represent or imply to third parties that Franchisee is an agent of Franchisor, or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor, or be detrimental to the good name and reputation of Franchisor or any other franchisees of Franchisor.

## **16. INDEMNIFICATION, INSURANCE AND TAXES**

**16.1. Indemnification.** Franchisee agrees to indemnify, defend and hold harmless Franchisor and its affiliates, shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any taxes described in **Section 16.3** below and any Claims incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or any of its Affiliates); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Business, including any negligent or intentional acts; (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information; or (g) any "joint employer," "agency" or "ostensible agency" or similar claims based on the establishment or operation of the Business. For purposes of this indemnification provision:

(i) The term "**Claims**" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigations and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses.

(ii) Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by any of the Indemnified Parties. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding.

(iii) In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred.

(iv) If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

(v) This indemnity will continue in effect after the expiration or termination of this Agreement.

**16.2. Insurance.** Franchisee agrees to secure and maintain during the term of this Agreement, at its own cost, an insurance policy or policies protecting Franchisee and Franchisor and its affiliates against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Business or the Vehicles, including, but not limited to, comprehensive general liability insurance, automobile liability insurance, property and casualty insurance, statutory workers' compensation insurance, and umbrella liability insurance. In connection with this obligation, Franchisee agrees that:

(i) Such policy or policies shall reflect industry standards, shall be written by a responsible carrier or carriers acceptable to Franchisor, shall name Franchisor and its affiliates as additional insureds (with the exception of any employer's liability or workers' compensation insurance), and shall provide at least the types and minimum amounts of coverage as are specified in the Brand Standards Manual as modified by Franchisor from time to time. Franchisee understands and acknowledges that the amounts of coverage required by Franchisor are minimum amounts and do not represent a recommendation by Franchisor as to the amount of insurance coverage Franchisee should maintain for the Business. Franchisee further understands and acknowledges that it is Franchisee's sole responsibility to determine the proper insurance coverage that is appropriate to protect Franchisee's interests and that Franchisee should seek the consultation and advice of an independent insurance broker to assist Franchisee in making an informed determination.

(ii) Prior to the opening of the Business and, thereafter, at least 30 days prior to the expiration of any such policy or policies, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder, and all such certificates shall expressly contain endorsements requiring the insurance company to give Franchisor at least 30 days written notice in the event of material alteration to termination, non-renewal, or cancellation of, the coverages evidenced by such certificates and notice of any claim filed under such policy within 30 days after the filing of such claim.

(iii) If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of

Franchisee, and Franchisee shall pay to Franchisor on demand all costs incurred by Franchisor in connection with the placement of such insurance.

(iv) Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in **Section 16.1** hereof. Notwithstanding the existence of such insurance, Franchisee, as agreed above, is and shall be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Business and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

(v) Franchisee shall not permit any third party sub-contractor to perform any work or offer any services on behalf of Franchisee in respect of the Business unless such sub-contractor maintains insurance coverage in such amounts and types as Franchisee is required to maintain under the provisions of this Section, and such insurance names Franchisor as an additional insured. Franchisee shall maintain evidence of such insurance by its subcontractors and provide such proof of insurance as Franchisor may require in its sole discretion from time to time.

(vi) At a minimum, Franchisee must obtain the following insurance policies and minimum coverage amounts: (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Business, or your conduct of business with a minimum per occurrence coverage of \$1,000,000 and general aggregate liability coverage of \$2,000,000; (2) auto insurance for the Vehicles in an amount required by state law; (3) property and casualty insurance; (4) workers' compensation insurance that complies with the statutory requirements of the state in which the Business is located; and (5) employer liability coverage with a minimum limit of \$500,000. You may have to purchase additional coverage, either in dollar limits or types, if required by your state's laws. Factors that may affect your cost of insurance include the value and age of your equipment, number of employees, your safety record and record of workers' compensation claims, record of liability claims and driving record. You may purchase this insurance from a vendor of your choice.

**16.3. Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement including, but not limited to, if applicable, state employment tax, state sales tax (including any sales or use tax on equipment purchased or leased) and all other taxes and expenses of operating the Business. In no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant to occur against the Business, the Vehicles or any tangible personal property used in connection with the operation of the Business.

## **17. ASSIGNMENT**

**17.1. Assignment by Franchisor.** This Agreement may be unilaterally assigned by the Franchisor and shall inure to the benefit of its successors and assigns. Franchisee agrees and affirms that Franchisor may sell itself, its assets, the Marks and/or the System to a third-party; may go public, may engage in private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee further agrees and affirms that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or

noncompetitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities; however, following any such purchase, merger, acquisition or affiliation, neither Franchisor nor its successors or assigns under this Agreement shall license any third party to operate within the Protected Territory using the Marks. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement. If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in The Grout Medic business or to offer or sell any products or services to Franchisee. In the event of a sale, transfer or assignment by Franchisor of this Agreement or any interest therein, such transfer or assignment will constitute a novation as to Franchisor and Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations. The consent of Franchisee to such sale, transfer or assignment shall not be required and, notwithstanding any such sale, transfer or assignment, Franchisee shall continue to be fully bound by its obligations under this Agreement.

**17.2. Assignment by Franchisee.** Franchisee shall not subfranchise, sell, assign, transfer, merge, convey or encumber, in whole or in part (each, a "**Transfer**"), the Business, the Vehicles, this Agreement or any of its rights or obligations hereunder, or suffer or permit any such Transfer of the Business, the Vehicles, this Agreement or its rights or obligations hereunder to occur by operation of law or otherwise without the prior express written consent of Franchisor. In addition, if Franchisee is a corporation, limited liability company, partnership, business trust, or similar association or entity, the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, may not Transfer their equity interests in such corporation, limited liability company, partnership, business trust, or similar association or entity, without the prior written consent of Franchisor. Furthermore, in the event that any shareholder, member, partner, investor or other direct or indirect equity holder of Franchisee (the "**Equity Holder**") is a corporation, limited liability company, partnership, business trust, or similar association or entity, the interests of the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, in such Equity Holder, may not be Transferred, without the prior written consent of Franchisor. Any Transfer in violation of this Section shall be void and of no force and effect, will be ineffective against Franchisor and will constitute a material default under this Agreement. If Franchisee or an Equity Holder is a corporation, limited liability company, partnership, business trust, or similar association or entity with certificated equity interests, all stock or equity certificates of Franchisee or Equity Holder shall have conspicuously endorsed upon them a legend in substantially the following form:

"A transfer of this stock is subject to the terms and conditions of a The Grout Medic, LLC FRANCHISE AGREEMENT dated the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_."

Franchisor's consent to a Transfer of any interest in this Agreement, or of any direct or indirect ownership interest in the Franchisee, an Equity Holder or any owner thereof, shall not constitute a waiver of any claims Franchisor may have against Franchisee, the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

**17.3. Death or Disability of Franchisee.** Upon the death or incapacity of any person with an interest in this Agreement, in Franchisee, in the Franchised Business, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person must transfer such interest to a third party approved by Franchisor within 6 months after such death or incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject

to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this **Section 17**, the executor, administrator, or personal representative of the decedent will transfer the decedent's interest to another party approved by us within a reasonable time, which disposition will be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, we may terminate this Agreement, pursuant to **Section 19.2(xiv)**. Any transfer subject to this section which is made in accordance with a succession plan approved in advance by Franchisor will be deemed approved for the purposes of this **Section 17.3**. Franchisor shall not unreasonably withhold its consent to the Transfer of this Agreement or any ownership interest to the deceased or disabled Franchisee's or Equity Holder's spouse, heirs or members of his or her immediate family, provided all requirements of **Section 17.4** have been complied with (except payment of the transfer fee, which shall not apply to such Transfers). A "disability" shall have occurred with respect to Franchisee if Franchisee, or, if Franchisee is a corporation, partnership or limited liability company, its controlling shareholder, partner, member or other equity holder, is unable to actively participate in its activities as Franchisee hereunder for any reason for a continuous period of three months. As used in this **Section 17.3**, "Franchisee" may include a disabled or deceased controlling shareholder, partner or member where the context so requires.

**17.4. Approval of Assignment.** Franchisor agrees not to unreasonably withhold its consent to a Transfer; provided however, that prior to the time of transfer, Franchisee fulfills the terms of the transfer policy of Franchisor which is then in effect. Franchisor may, as part of such policy and in its sole discretion require that:

(i) all monetary obligations (whether under this Agreement or any other agreement) of Franchisee, the transferor and the transferee (as applicable) to Franchisor or Franchisor's affiliates or subsidiaries, or other creditors of the business, being paid in full;

(ii) Franchisee, the transferor and the transferee (as applicable) not being in default under this Agreement or any other agreement between Franchisee and the transferor and Franchisor or Franchisor's affiliates or subsidiaries;

(iii) Franchisee, the transferor and the transferee (as applicable) and its owners executing a general release, the same or similar to Franchisor's standard form of General Release, attached as **Exhibit C-7**, of any and all claims against Franchisor and its affiliates, subsidiaries, members, managers, officers, directors, employees and agents; provided, however, that if a general release is prohibited, Franchisee, the transferor and the transferee (as applicable) shall give the maximum release allowed by law;

(iv) Franchisee or the transferor paying to Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000) or an amount equal to Franchisor's out-of-pocket costs to review and process the transfer;

(v) the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may reasonably require, to demonstrate ability to conduct the Business;

(vi) Franchisee and the transferor have provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee, transferor and the prospective transferee relating to the intended sale or transfer of the Franchise, and the Franchisor determines that the



terms and conditions of the proposed Transfer (including, without limitation, the purchase price) are not so burdensome as to affect adversely operation of the Business by the transferee;

(vii) the transferee, or all holders of a legal or beneficial interest of greater than five percent (5%) in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term;

(viii) if Franchisee or the transferor receives a Promissory Note from the transferee or otherwise agrees to defer receipt of part of the sales price, then any such Promissory Note, Security Agreement and/or other document concerning that debt shall expressly provide that Franchisee's and the transferor's right to payment is subordinate to transferee's ongoing obligations to Franchisor under this Agreement;

(ix) the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the approved location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the Transfer have been complied with or satisfied;

(x) at Franchisor's request, the proposed transferee refurbishes the Vehicles or purchases additional Vehicles in accordance with the specifications provided in the Brand Standards Manual; and

(xi) at Franchisor's option and request, Franchisee and the transferee (as applicable) executes Franchisor's then-current form of Franchise Agreement, which Franchise Agreement shall supersede in all respects the terms and conditions of this Agreement and may contain terms and conditions substantially different from those set forth herein, including, without limitation, additional fees and/or an increase in Royalties, Services Fees or Marketing Fund Contributions and/or a change in the size or composition of the Protected Territory; however, the transfer Franchise Agreement shall only provide for the number of additional renewal terms called for by this Agreement.

**17.5. Removal of General Partner.** If Franchisee is a limited partnership, Franchisee may not remove or appoint, or permit the limited partners to remove or appoint, a new or successor general partner without the prior written consent of Franchisor (even if such appointment is due to the resignation, death or disability of the general partner).

**17.6. Franchisor's Dealings with a Transferee.** Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee. Franchisee also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Franchisee waives any claim that action Franchisor takes in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships. Further, Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an

inspection of Franchisor's records relating to the Franchise by an intended transferee identified by Franchisee.

**17.7. For Sale Advertising.** Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Business, or in any communication media, any form of advertising relating to the sale of the Business or the rights granted hereunder.

**17.8. Transfer to a Controlled Entity.** If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company which shall be entirely owned by Franchisee ("**Controlled Entity**"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer must be obtained in writing and shall be conditioned upon the satisfaction of the following requirements:

(i) the Controlled Entity is newly-organized and its charter provides that its activities are confined exclusively to the operation of the Business;

(ii) Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(iii) all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the transferee shall be required to pay a transfer fee, as required, pursuant to **Section 17.4.(iv)**;

(iv) the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(v) all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

(vi) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof of a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

(vii) copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption;

(viii) Franchisee has paid to Franchisor all reasonable legal expenses and other fees and charges incurred by Franchisor in connection with such assignment and the preparation, execution and filing of any of the documents referred to in this **Section 17.8**; and

(ix) Franchisee has satisfied all accrued monetary obligations of Franchisee to Franchisor and any governmental authority, prior to assignment or transfer.

The term of the transferred franchise shall be the unexpired term of this Agreement, including all rights to successor franchises, subject to any and all conditions applicable to Franchisee's right to operate successor franchises.

## **18. RESTRICTIVE COVENANTS AND CONFIDENTIALITY**

### **18.1. Covenants Not to Compete.**

(i) *Non-Competition during Term.* In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and Franchisee's spouse, and, if Franchisee is not an individual, its shareholders, members, partners and managers, as applicable, and their spouses (each, a "**Bound Party**"), agree that they will not, during the term of this Agreement, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, during the term of this Agreement, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business. which is located (i) within the Protected Territory, or (ii) within a radius of twenty (20) miles as the crow flies of the Protected Territory, or (iv) within a radius of twenty (20) miles as the crow flies of any other The Grout Medic Business or The Grout Medic Business in development that has been assigned a protected; or (v) within the United States of America; or (vi) within the world.

(ii) *Post-Term Non-Competition.* In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and the Bound Parties agree that they will not, for two (2) years following the effective date of termination or expiration of this Agreement for any reason, or following the date of a Transfer by Franchisee, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business which, is (i) located or operating within the Protected Territory or within a radius of twenty (20) miles as the crow flies of the Territory or (ii) located in or operating within twenty (20) miles of any other existing The Grout Medic Business or The Grout Medic Business in development that has been assigned a protected territory.

(iii) *Competitive Business.* For purposes of this Agreement, the term "**Competitive Business**" means any business operating, or granting franchises or licenses to others to operate, in any business which offers or sells interior grout cleaning, repair, restoration, recaulking, and protection services (other than another The Grout Medic Business operated by Franchisee under license from Franchisor). Neither Franchisee nor the other Bound Parties will be prohibited from owning securities in a Competitive Business if they are listed on a stock exchange or traded on the over-the-counter market and represent 3% or less of the number of shares of that class of securities which are issued and outstanding.

(iv) *General.* The parties acknowledge that the covenants contained in this **Section 18** are based on the reason and understanding that Franchisee and the Bound Parties will possess knowledge of Franchisor's business and operating methods and confidential information, disclosure and use of which would prejudice the interest of Franchisor and its franchisees. Franchisee further understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result

from breach of these covenants, and agrees that, in the event of the actual or threatened breach of this **Section 18** by Franchisee or any of its partners or shareholders or any member of the immediate family of Franchisee or any of its partners or shareholders, Franchisor shall be entitled to an injunction, without bond, restraining such person from any such actual or threatened breach, in addition to any other relief to which Franchisor may be entitled in law or equity. If any part of this restriction is found to be unreasonable in time or distance, such time or distance may be reduced by appropriate order of the court to that deemed reasonable. Franchisee further acknowledges and agrees that the provisions of this **Section 18.1** shall be tolled during any default under this **Section 18.1**, and that the restriction shall be applicable for the greater of two years from termination or two years from a court issuing an order restraining the Bound Party from violating this **Section 18.1**.

**18.2. Non-Solicitation.** Franchisee and the Bound Parties agree that while this Agreement is in effect and for two (2) years after expiration or termination of this Agreement for any reason, or following the date of a Transfer by Franchisee, they will not, directly solicit, or otherwise materially interfere with or disrupt the customer or vendor relationship between Franchisor and any of their respective customers and vendors or between any other The Grout Medic franchisee and its customers and vendors.

**18.3. Trade Secrets and Confidential Information.**

Franchisee acknowledges and agrees that in connection with the operation of The Grout Medic Businesses and the System, Franchisor has developed competitively sensitive proprietary and confidential information which are not commonly known by or available to the public. This proprietary and confidential information does not include any information that (a) is commonly known by or available to the public; (b) has been voluntarily disclosed to the public by Franchisor; (c) been independently developed or lawfully obtained by Franchisee; or (d) has otherwise entered the public domain through lawful means. All information which comprises the System including the information and data in the Brand Standards Manual will be presumed to be confidential information of Franchisor, along with the identity and contact information of any customers of the Business.

Franchisee and each Bound Party agree that while this Agreement remains in effect such party will not, directly or indirectly, disclose or publish to any party, or copy or use for such party's own benefit, or for the benefit of any other party, any of Franchisor's proprietary or confidential information, except as required to carry out Franchisee's obligations under this Agreement or as Franchisor has otherwise expressly approved in writing. All proprietary and confidential information of Franchisor is the sole and exclusive property of Franchisor. Franchisee and each Bound Party agree that the restriction contained in the preceding sentence will remain in effect with respect to the confidential information for five years following termination or expiration of this Agreement for any reason; provided, however, if the confidential information rises to the level of a trade secret, then such restriction shall remain in effect until such time as the information does not constitute a trade secret. Franchisee also agrees that it and all of its employees and agents will take appropriate steps to protect Franchisor's confidential information from any unauthorized disclosure, copying or use. At any time upon Franchisor's request, and in any event upon termination or expiration of this Agreement, Franchisee will immediately return any copies of documents where there are materials containing confidential information and will take appropriate steps to permanently delete and render unusable any confidential information stored electronically.

**18.4. Personal Covenants of Certain Bound Parties.** As a condition to the effectiveness of this Agreement, and at the time Franchisee delivers this signed Agreement to Franchisor, each Bound Party of Franchisee must sign and deliver to Franchisor the Personal Covenants attached hereto as **Exhibit C-2** (the "**Personal Covenants**"), agreeing to be bound personally by all the provisions of **Sections 18.1, 18.2** and

**18.3** hereof. If there are any changes in the identity of any such Bound Party while this Agreement is in effect, Franchisee must notify Franchisor promptly and ensure the new Bound Party signs and delivers to Franchisor the Personal Covenants.

**18.5. Agreements by Other Third Parties.** Upon execution of this Agreement and throughout the Initial Term and any succeeding terms, Franchisee, shall cause each of its management and supervisory employees, Principal Owners, and any individual who will have access to Franchisor's confidential information (including the Brand Standards Manual) to execute a noncompetition, nonsolicitation and/or nondisclosure agreement substantially in the form(s) provided by Franchisor from time to time; however, Franchisee shall be responsible for determining the enforceability of such agreements and making such modifications as may be necessary to ensure such agreements comply with applicable law

**18.6. Franchisee Claims No Defense.** Franchisee expressly agrees that the existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this **Section 18**.

**18.7. Freedom to Contract.** Franchisee represents and warrants that neither Franchisee nor any of its principals are, at the time of signing this Agreement, subject to any non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement which would restrict or limit Franchisee's or such principal's ability to participate in the ownership or operation of the Business. Franchisee further represents and warrants that neither Franchisee nor any of its principals will be in breach of any such non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement as a result of entering into this Agreement or participating in the ownership or operation of the Business.

## **19. TERMINATION**

**19.1. Termination by Franchisee.** Franchisee may terminate this Agreement if:

(i) Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such material breach within 90 days after written notice thereof is delivered to Franchisor. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured with such 90-day period and Franchisor has commenced and is continuing to make good faith efforts to cure such breach, Franchisor shall be given an additional 60-day period to cure the same, and this Agreement shall not terminate.

(ii) If Franchisee terminates this Agreement pursuant to this Section, all post-termination obligations of Franchisee described herein shall not be waived but shall be strictly adhered to by Franchisee, and Franchisee shall remain obligated to honor all other obligations set forth in this Agreement that, by their terms, apply subsequent to termination of the franchise relationship, including the payment of all outstanding Royalties and other fees due hereunder and compliance with the post-termination covenant not to compete.

**19.2. Termination by Franchisor without a Cure Period.** Franchisor may immediately terminate this Agreement upon written notice to Franchisee, without opportunity to cure and without any prejudice to the enforcement of any other legal right or remedy, if:

(i) Franchisee fails to satisfactorily complete initial training pursuant to **Section 13.2**;

(ii) Franchisee fails to commence operation of the Business within the Protected Territory within three months after execution of this Agreement, except for any delay that is agreed to in writing by the Franchisor, in its sole discretion;

(iii) Franchisee abandons, fails or refuses to actively operate the Business for five (5) or more consecutive days (unless the Business has not been operational for a purpose approved by Franchisor);

(iv) Franchisee files a petition under any bankruptcy or reorganization law, becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property;

(v) Franchisee is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

(vi) Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction; it being understood that in no event shall this Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding;

(vii) Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within 60 days thereafter;

(viii) Franchisee makes a general assignment for the benefit of its creditors;

(ix) If Franchisee is a business entity of any type, if Franchisee is dissolved either voluntarily or involuntarily;

(x) Franchisee fails to pay when due any amount owed to any creditor, supplier or lessor of the Business or the Vehicles or any taxing authority for federal, state or local taxes (other than amounts being bona fide disputed through appropriate proceedings) and Franchisee does not correct such failure within ten (10) calendar days after written notice is delivered thereof to Franchisee;

(xi) Franchisee or any of Franchisee's owners are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the System and the goodwill associated with the Marks;

(xii) Franchisee operates the Business or any phase of the Business in a manner that presents a substantial environmental, health or safety hazard to Franchisee's customers, employees or the public;

(xiii) Franchisee makes a material misrepresentation to Franchisor before or after being granted the franchise;

(xiv) Franchisee makes an unauthorized Transfer of this Agreement, the franchise, the Business, or an ownership interest in Franchisee;

(xv) Franchisee (a) misuses or makes an unauthorized use of any Mark and fails to cure this default within ten (10) days of receiving notice of it, (b) misappropriates any Mark or challenges Franchisor's or a licensor's ownership of the Marks, (c) files a lawsuit involving the Marks without Franchisor's consent, or (d) fails to cooperate with Franchisor in the defense of any Mark;

(xvi) Franchisee commits any act which can be reasonably expected to materially impair or detrimentally impact the goodwill associated with any Mark;

(xvii) Franchisee or any Bound Party breaches or fails to comply fully with **Section 18** above;

(xviii) Franchisee makes or permits a third party to make any unauthorized use or disclosure of any confidential information or trade secret of Franchisor;

(xix) Franchisee fails to comply with any federal, state or local law or regulation applicable to the operation of the franchise, provided that if the failure to comply does not involve tax evasion or result in governmental proceedings then Franchisee will be given a reasonable period (not to exceed 30 days) to come into compliance with the law or regulation;

(xx) Franchisee knowingly maintains false books or records or denies Franchisor's authorized representatives immediate access to Franchisee's books and records during an audit or inspection;

(xxi) Franchisee submits to Franchisor a financial report or other data, information or supporting records which understate by more than three percent (3%) the Royalties and/or Marketing Fund Contributions due for any reporting period and is unable to demonstrate that such understatements resulted from an inadvertent error;

(xxii) Franchisee has defaulted under the Agreement three (3) or more times within a 12-month period, even if such defaults were subject to a right to cure or is cured after notice is delivered to Franchisee;

(xxiii) Franchisee defaults under any other agreement between Franchisor and Franchisee, such that Franchisor has the right to terminate such agreement or such agreement automatically terminates; or

(xxiv) Franchisee has three (3) or more failed payments within any twelve (12) month period.

**19.3. Termination by Franchisor with a Cure Period.**

(i) Franchisor shall have the right to terminate this Agreement upon 10 days written notice if defaults remain uncured in Franchisor's sole discretion for the following reasons:

(a) Franchisee fails to pay when due any amount owed to Franchisor or its affiliates or subsidiaries, whether under this Agreement or not; or

(b) Franchisee fails to operate the Business under supervision of an approved Manager.

(ii) Franchisor shall have the right to terminate this Agreement upon 30 days written notice if any default under this Agreement remains uncured, in Franchisor's sole discretion and judgment. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured within such 30 day period and Franchisee has commenced and is continuing to make good faith efforts to cure such breach, Franchisee shall be given an additional 30 day period to cure the same, and this Agreement shall not terminate. By way of example only, the following are some of the contract breaches for which Franchisee will be provided with notice and an opportunity to cure under this provision:

(a) Franchisee fails or refuses to submit financial statements, reports or other operating data, information or supporting records when due;

(b) Franchisee fails to relocate or commits a default (other than a monetary default which shall be subject to **Section 19.3(i)(a)** above) under the lease, sublease, purchase contract or other contract for the Business, the Vehicles or any equipment, tools or supplies utilized in the operation thereof;

(c) Franchisee fails to provide or maintain required insurance coverage;

(d) Franchisee fails to restore the Business to full operation within a reasonable period of time (not to exceed 90 days) after the Business is rendered inoperable by any casualty; or

(e) Franchisee fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by Franchisor.

**19.4. Adverse Change of Law.** Franchisor and Franchisee acknowledge that the franchise rights contemplated under this Agreement are granted on the assumption that there will be no adoption, promulgation, modification or reinterpretation by any governmental authority of any applicable law, regulation, policy, order, circular or similar directive which action materially and adversely affects Franchisor's or Franchisee's ability to enjoy the economic benefits of this Agreement, or to enforce its rights hereunder or thereunder (an "Adverse Change of Law", which does not constitute an Event of Force Majeure) during the term of this Agreement. If, at any time during the term of this Agreement, there occurs an Adverse Change of Law, the parties agree to use their best efforts and to cooperate with each other in good faith to amend this Agreement either to bring it into conformity with the requirements of the Adverse Change of Law or to seek an alternative way to comply with the Adverse Change of Law which allows both parties to continue to enjoy the economic benefits of this Agreement. If, in Franchisor's or Franchisee's judgment, this Agreement cannot be modified to comply with the Adverse Change of Law without



undermining material elements of the franchise relationship or the enjoyment of the economic benefits thereunder, Franchisor or Franchisee (as applicable) may, at its option, without liability for such action or any further obligation to the other, terminate this Agreement and the territorial rights granted hereby upon 90 days' written notice to Franchisor or Franchisee (as applicable); provided that Franchisee shall be required to comply with all post-termination obligations set forth in this Agreement as a continuing condition to any such termination.

## **20. EFFECT OF AND OBLIGATIONS UPON TERMINATION**

**20.1. Obligations upon Termination or Expiration.** Upon the expiration or termination of this Agreement, whether by reason of lapse of time, default in performance or other cause or contingency, Franchisee shall:

(i) immediately return to Franchisor all material furnished by Franchisor containing confidential information, operating instructions, business practices, or methods or procedures, including, without limitation, the Brand Standards Manual;

(ii) immediately cease to operate within the Protected Territory, and cease all use of the Marks, and the use of any and all signs, slogans, symbols, logos, advertising materials, forms, products and other items bearing the Marks, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(iii) immediately pay all sums owing to Franchisor which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, and any other amounts due to Franchisor;

(iv) immediately upon demand by Franchisor pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(v) if Franchisee retains possession of the Vehicles, at Franchisee's expense, make such reasonable modifications to the exterior and interior of the Vehicles as Franchisor requires to eliminate its identification as a Mobile Unit operated in connection with a The Grout Medic Business and to avoid violation of the non-compete provision;

(vi) upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the approved location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

(vii) if Franchisee retains possession of any real property used in connection with the Business, at Franchisee's expense make such reasonable modifications to the exterior and interior décor of the real property as Franchisor requires to eliminate its identification as a The Grout Medic Business and to avoid violation of the non-compete provision;

(viii) continually refrain from operating or doing business under any name or in any manner that may give the general public the impression that this Agreement is still in force or that Franchisee is connected in any way with Franchisor or that Franchisee has the right to use the System or the Marks;

(ix) continually refrain from making use of or availing itself to any of the Confidential Information, Brand Standards Manual or other information received from Franchisor or disclosing or revealing any of the same in violation of **Section 18.3** hereof, including (but not limited to) all data and information concerning any customers of the Business;

(x) promptly take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "The Grout Medic" or any of the Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(xi) Upon demand by Franchisor, assign to Franchisor or its designee all of Franchisee's rights, title, and interest in the telephone numbers, telephone directory listings and advertisements, website URLs, e-mail addresses, store leases and governmental licenses or permits used for the operation of the Business. Simultaneously with Franchisee's execution of this Agreement, Franchisee will execute the Internet Web Sites and Listings Agreement attached hereto as **Exhibit C-3** and the Telephone Listing Agreement attached hereto as **Exhibit C-4**;

(xii) fulfill all of Franchisee's obligations to customers under all outstanding contracts and any warranties provided for in this Agreement notwithstanding the expiration or termination of the same. In order to ensure that Franchisee honors these obligations, within fourteen (14) days after the effective date of expiration or termination, Franchisee shall post a bond in an amount equal to one half of one percent (0.5%) of Franchisee's gross sales for the last twenty-four (24) months or pay Franchisor a fee of ten thousand dollars (\$10,000), whichever is greater; and

(xiii) strictly comply with the noncompetition and confidentiality terms and conditions of **Section 18** above.

**20.2. Effect of Expiration or Termination.** Upon the expiration or termination of this Agreement for any reason, any and all rights granted to Franchisee hereunder shall be extinguished immediately, but Franchisee shall not be relieved of any of its obligations, debts or liabilities hereunder. In addition to any other rights and remedies (and in lieu of immediately exercising its rights under this Section, Franchisor may (i) notify each supplier, distributor or vendor of products and services that Franchisee is no longer authorized to purchase products and services, and that sales of such items to Franchisee must therefore be discontinued until further notice from Franchisor and (ii) remove information on Franchisee and the Business from Franchisor's website, cancel Franchisee's access and use of the POS System, cancel Franchisee's account on any Franchisor intranet network. The expiration or earlier termination of this Agreement for any reason will be without prejudice to the rights of Franchisor against Franchisee and will not destroy or diminish the binding force and effect of any of the provisions of this Agreement that expressly, or by reasonable implication, come into or continue in effect on or after the expiration or earlier termination hereof.

## **21. OTHER BUSINESS**

Franchisee agrees not to carry on or conduct or permit others to carry on or conduct any other business, activity or operation (other than the operation of the Business in conformity with this Agreement and the Brand Standards Manual) at any location at which the Business operates without first obtaining the written consent of Franchisor. Notwithstanding the foregoing, if Franchisee operated an existing business before execution of this Agreement from the same premises as the Business or desires to do so and such existing or other business is not competitive with Franchisor or any then currently affiliated franchisor or brand that is owned or controlled by Premium Service Brands, LLC (as determined by Franchisor), then Franchisee may continue to operate, or commence operations of, such other business following written notice to Franchisor. In all cases, Franchisee must fully indemnify the Indemnified Parties with respect to the operation of such other business.

## **22. OWNERSHIP OF FRANCHISEE**

Attached hereto as Exhibit C-5 is a description of the legal organization of Franchisee (whether a corporation, limited, liability company, partnership or otherwise), the names and addresses of each person or entity owning a 10% or greater interest in Franchisee (the “**Principal Owners**”) and the percentage of such interest owned by such person or entity. Franchisee agrees to notify Franchisor in writing whenever there is any change in the organizational structure or ownership interest of Franchisee as set forth on Exhibit C-5. Franchisor shall require each Principal Owner and such Principal Owner’s spouse, if any, to execute the Guaranty Agreement attached hereto as Exhibit C-6.

## **23. SUCCESSORS AND THIRD-PARTY BENEFICIARIES**

This Agreement and the covenants, restrictions and limitations contained herein shall be binding upon and shall inure to the benefit of Franchisor and its successors and assigns and shall be binding upon and shall inure to the benefit of Franchisee and its permitted heirs, successors and assigns. Except as contemplated by **Section 17.1**, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. This Agreement is, however, intended to bind the Bound Parties to the extent set forth in this Agreement.

## **24. CONSTRUCTION**

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, and any other gender, as the context or sense of this Agreement or any provision hereof may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named. Except where this Agreement expressly obligates Franchisor not to unreasonably withhold its approval of any of Franchisee’s actions or requests, Franchisor has the absolute right, in its sole and arbitrary discretion, to refuse any request Franchisee makes or to withhold its approval of any of Franchisee’s proposed or effected actions that require Franchisor’s approval. Whenever Franchisor reserves discretion in a particular area or where it agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment in making its decision or exercising its rights. Franchisor’s decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if its decision or action is intended, in whole or significant part, to promote or benefit the System generally, even if the decision or action also promotes its financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product or

service quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System.

## 25. INTERPRETATION AND HEADINGS

The parties agree that this Agreement should be interpreted according to its fair meaning. Franchisee waives to the fullest extent possible the application of any rule which would construe ambiguous language against Franchisor as the drafter of this Agreement. The words “include,” “includes” and “including” when used in this Agreement will be interpreted as if they were followed by the words “without limitation”. References to section numbers and headings will refer to sections of this Agreement unless the context indicates otherwise. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

## 26. NOTICES

All notices or other communications required or permitted to be given under the terms of this Agreement, shall be given in writing, and be delivered personally, by email, by certified, express or registered mail, or by an overnight delivery service (e.g., UPS or Fed Ex.), postage prepaid, addressed to the party to be notified at the respective address set forth on Exhibit C-1, or at such other address or addresses as the parties may from time to time designate in writing in accordance with this Section. Any notice shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) immediately upon transmission via email (as long as receipt is confirmed); (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by registered mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on Exhibit C-1 of this Agreement, or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

The Grout Medic, LLC  
Attention: Paul Flick  
126 Garrett Street, Suite J  
Charlottesville, Virginia 22902

## 27. DISPUTE RESOLUTION

**27.1. Choice of Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

**27.2. Consent to Jurisdiction and Venue for Disputes.** Any action brought by either party shall be brought in the appropriate state or federal court located in or serving county and state in which Franchisor maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party (currently the City of Charlottesville, VA). The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered and return receipt requested, or by any other manner provided by law. This

exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction. This Agreement was executed and accepted at Franchisor's current place of business in the City of Charlottesville, VA. The parties anticipate that the performance of certain of Franchisee's obligations arising under this Agreement, including the payment of certain monies due Franchisor, will initially occur in the City of Charlottesville, VA.

**27.3. Cumulative Rights and Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

**27.4. Limitation of Damages and Disclaimer.** FRANCHISEE AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, UNDER ANY THEORY OF LIABILITY, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT, INCLUDING REASONABLE ACCOUNTING AND LEGAL FEES; PROVIDED THAT FRANCHISOR SHALL BE ENTITLED TO LOST PROFITS BASED ON A FAILURE OF FRANCHISEE TO OPERATE THE BUSINESS FOR THE ENTIRE TERM OF THIS AGREEMENT..

**27.5. WAIVER OF JURY TRIAL.** FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

**27.6. No Class Actions.** FRANCHISOR AND FRANCHISEE AGREE THAT ANY AND ALL LITIGATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS.

**27.7. Agreement on Statutes of Limitation.** EXCEPT FOR AN ACTION ARISING FROM FRANCHISEE'S NONPAYMENT OR UNDERPAYMENT OF AMOUNTS FRANCHISEE OWES FRANCHISOR PURSUANT TO THIS AGREEMENT, OR AN ACTION RELATED TO FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS, ANY AND ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN 2 YEARS FROM THE DATE ON WHICH THE PARTY ASSERTING SUCH ACTION KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH ACTION.

**27.8. Service of Process.** The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Franchisee and/or the Principals by serving a person of suitable age and discretion (such as the person in charge of the office) at the notice address of Franchisee specified in **Exhibit C-1** to this Agreement and as to Franchisor, by serving the Franchisor at the notice address specified in **Section 26** above or by serving Franchisor's registered agent.

## **28. COSTS AND ATTORNEYS' FEES**

If either party incurs any expenses in connection with the other party's failure to pay any amounts it owes when due, submit any requested reports when due or otherwise comply with this Agreement, the breaching party shall reimburse the non-breaching party for any of the costs and expenses which the non-breaching party incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. The duty to pay such costs and fees shall survive termination or expiration of this Agreement.

## **29. WAIVER**

No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default. In addition, subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **30. SEVERABILITY**

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under of this Agreement.

Notwithstanding the above, each of the covenants contained in **Section 18** shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

## **31. FORCE MAJEURE**

**31.1. Acts of God.** Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God (including tornadoes, tropical storms, hurricanes, and storm surges), war, governmental regulation or control, epidemic, pandemic, or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay; provided that if the delay extends beyond 365 days then Franchisor may terminate this Agreement upon delivery of written notice to Franchisee, in which case Franchisee shall comply with all of its post-termination obligations under this Agreement.. This clause shall not result in an extension of the term of this Agreement.

**31.2. Losses.** Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if Franchisor's or Franchisee's breach is due to strikes, lockouts, casualties, acts of God, war or other causes beyond the reasonable control of the parties.

## **32. TIMING**

Time is of the essence; except as set forth in **Section 31.1**, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

## **33. DELEGATION BY FRANCHISOR**

Franchisor shall have the right to delegate (to one or more affiliates and/or third-parties) performance of any or all of its obligations and duties hereunder. Franchisee further agrees to such delegation. Franchisee further agrees that: (i) the term "Franchisor" as used in this Agreement will refer only to The Grout Medic, LLC and not our parent or affiliates; (ii) Franchisor is not authorized to contract for or on behalf of its parent or any of its affiliates; and (iii) this Agreement will not be deemed to bind or otherwise restrict Franchisor's parent or any of Franchisor's affiliates.

## **34. WITHHOLDING PAYMENTS**

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

## **35. CUMULATIVE RIGHTS**

The rights granted hereunder are cumulative, and no exercise or enforcement by either party of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy to which either Franchisor or Franchisee are entitled, either by this Agreement or by law.

## **36. ENTIRE AGREEMENT**

This Agreement and any addendum, schedule or exhibit attached hereto contains the entire agreement between the parties hereto relating to the operation of the Business and no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, have been made or relied upon by the parties other than those set forth herein or in Franchisor's Disclosure Document provided to Franchisee. No agreement altering, changing, waiving or modifying any of the terms and conditions of this Agreement shall be binding upon either party unless and until the same is made in writing and executed by all interested parties. Nothing in this Agreement or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that the Franchisor furnished to the Franchisee.

## **37. COUNTERPARTS**

This Agreement may be signed in multiple counterpart copies, each of which will be deemed an original.

## 38. REVIEW OF AGREEMENT AND FRANCHISEE'S ACKNOWLEDGEMENTS

**38.1. Receipt of this Agreement and the Franchise Disclosure Document.** Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has had a copy of the Franchisor's disclosure document for not less than fourteen (14) calendar days and this Agreement in final complete form in its possession for not less than seven (7) business days.

**38.2. Consultation by Franchisee.** Franchisee represents and acknowledges that it has had the opportunity to have this Agreement and the business offered hereunder reviewed by professionals of Franchisee's choosing prior to executing this Agreement, and has either consulted with such professionals or has deliberately declined to do so.

**38.3. Anti-Terrorism Provision.** Franchisee and each of Franchisee's owners represents and warrants to Franchisor that: (i) neither Franchisee nor any owner is named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals," "Blocked Persons" or other sanctions lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control currently located at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>; (ii) Franchisee and each owner will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the U.S. Patriot Act (currently located at <https://www.justice.gov/archive/ll/highlights.htm>), U.S. Executive Order 13224 (currently located at <https://www.treasury.gov/resource-center/sanctions/Documents/13224.pdf>) or any similar laws; and (iii) Franchisee and each Owner shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

**38.4. Acknowledgements.** Franchisee assumes sole responsibility for the operation of the Business and acknowledges that, while Franchisor may furnish advice and assistance to Franchisee from time to time during the term of this Agreement, Franchisor has no legal or other obligation to do so except as specifically set forth herein. In addition, Franchisee acknowledges that Franchisor does not guarantee the success or profitability of the business franchised hereunder in any manner whatsoever and shall not be liable therefor; in particular, Franchisee understands and acknowledges that the success and profitability of the business franchised hereunder depend on many factors outside the control of either Franchisor or Franchisee (such as interest rates, unemployment rates, demographic trends and the general economic climate) and there are significant risks in any business venture, but principally depend on Franchisee's efforts in the operation of the business and the primary factor in Franchisee's success or failure in the business franchised hereunder will be Franchisee's own efforts. Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a The Grout Medic Business involves business risks and that the success of the venture is dependent in part upon the business abilities and efforts of Franchisee. IN ADDITION, FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR AND ITS REPRESENTATIVES HAVE MADE NO REPRESENTATIONS OR WARRANTIES TO FRANCHISEE THAT ARE INCONSISTENT WITH THE MATTERS SET FORTH IN THIS AGREEMENT, AND THAT FRANCHISEE HAS UNDERTAKEN THIS VENTURE SOLELY IN



RELIANCE UPON THE MATTERS SET FORTH HEREIN, THE CONTENTS OF FRANCHISOR'S DISCLOSURE DOCUMENT, AND FRANCHISEE'S OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.

IN WITNESS WHEREOF, each of the undersigned has executed this Franchise Agreement under seal as of the Effective Date.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick  
Title: CEO

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Acceptance: \_\_\_\_\_

**EXHIBIT C-1**  
**TO FRANCHISE AGREEMENT**  
**MISCELLANEOUS INFORMATION; TERRITORY DEFINED**

Effective Date: \_\_\_\_\_

Franchisee's Name: \_\_\_\_\_

Initial Franchise Fee: \$65,000

Address of Franchisor:

The Grout Medic, LLC  
126 Garrett Street, Suite J  
Charlottesville, Virginia 22902  
Attn: Paul Flick

Address of Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Protected Territory: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Note: Franchisor may provide a map as a graphic representation of the Protected Territory. In the event of any conflict, discrepancy or confusion, the zip codes listed on this **Exhibit C-1** shall control.

Disclosure Law Compliance:

Delivery Date of Disclosure Document: \_\_\_\_\_, 20\_\_\_. A copy of the Receipt is attached as **Exhibit C-9**.

Delivery Date of completed copy of this Agreement: \_\_\_\_\_, 202\_\_.

INITIALS: \_\_\_\_\_

INITIALS: \_\_\_\_\_

**EXHIBIT C-2**

**TO FRANCHISE AGREEMENT**

**PERSONAL COVENANTS**

Each of the undersigned (“**you**”) agrees that:

**1.** All capitalized terms used but not defined in this Personal Covenants shall have the meaning set forth in that certain The Grout Medic, LLC FRANCHISE AGREEMENT, dated as of \_\_\_\_\_ (the “**Franchise Agreement**”), by and between **The Grout Medic, LLC (“Franchisor”)**, and \_\_\_\_\_ (“**Franchisee**”).

**2.** You are a Bound Party.

**3.** As an inducement to Franchisor to enter into the Franchise Agreement, and in consideration of the direct and personal benefits you will derive from the Franchise Agreement, you agree that: (i) you have read and understand all the provisions of **Sections 18.1, 18.2, 18.3, 18.7 and 27.1 – 27.7** of the Franchise Agreement; (ii) you will be personally bound by all of the obligations and covenants of Franchisee contained in **Sections 18.1, 18.2, 18.3, 18.7 and 27.1 – 27.7** as if such obligations and covenants were made and given personally by you directly to Franchisor; and (iii) such obligations and covenants are fair and reasonable and will not deprive you of your livelihood.

**4.** If any sentence, clause, paragraph, or combination of any of them in **Sections 18.1, 18.2, 18.3, 18.7 and 27.1 – 27.7** of the Franchise Agreement is held by a court of competent jurisdiction to be unenforceable as applied to you, then such unenforceable sentence, clause, paragraph, or combination may be modified by such court to the extent necessary to render it enforceable, and if it cannot be so modified, it shall be severed and the remainder of **Sections 18.1, 18.2, 18.3, 18.7 and 27.1 – 27.7** shall remain in full force and effect.

**5.** Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that Franchisor furnished to Franchisee.

The undersigned hereby execute and deliver this instrument effective as of the Effective Date of the Franchise Agreement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C-3**

**TO FRANCHISE AGREEMENT**

**INTERNET WEB SITES AND SOCIAL MEDIA AGREEMENT**

THIS INTERNET WEB SITES AND SOCIAL MEDIA AGREEMENT (the “**Internet Listing Agreement**”) is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”), by and between **The Grout Medic, LLC**, a Delaware limited liability company (the “**Franchisor**”), and \_\_\_\_\_ (the “**Franchisee**”).

**WITNESSETH:**

**WHEREAS**, Franchisee desires to enter into a The Grout Medic, LLC Franchise Agreement (the “**Franchise Agreement**”) to operate a The Grout Medic interior grout and tile cleaning, repair, restoration, recaulking and protection services business (the “**Business**”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. “**Termination**” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

**2.1. Interest in Internet Web Sites and Social Media.** Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, social media, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the “**Internet Web Sites and Listings**”) related to the Business or the Marks (all of which right, title, and interest is referred to herein as “**Franchisee’s Interest**”).

**2.2. Transfer.** On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the “**Internet Companies**”) with which Franchisee has Internet Web Sites and Listings: (i) to transfer all of Franchisee’s Interest in such Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

**2.3. Appointment; Power of Attorney.** Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following: (i) direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor; (ii) direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and (iii) execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

**3. CERTIFICATION OF TERMINATION.** Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has Terminated.

**4. CESSATION OF OBLIGATIONS.** After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

## **5. MISCELLANEOUS**

**5.1. Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

**5.2. Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Internet Listing Agreement.

**5.3. No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

**5.4. Further Assurances.** Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

**5.5. Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

**5.6. Effect on Other Agreements.** Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

**5.7. Survival.** This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

**5.8. Joint and Several Obligations.** All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

**IN WITNESS WHEREOF,** the undersigned have executed or caused their duly authorized representatives to execute this Internet Web Sites and Listings Agreement as of the Effective Date.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick  
Title: CEO

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C-4**

**TO FRANCHISE AGREEMENT**

**TELEPHONE LISTING AGREEMENT**

THIS TELEPHONE LISTING AGREEMENT (the “**Telephone Listing Agreement**”) is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”), by and between The Grout Medic, LLC, a Delaware limited liability company (hereinafter the “**Franchisor**”), and \_\_\_\_\_ (the “**Franchisee**”).

**WITNESSETH:**

**WHEREAS**, Franchisee desires to enter into a The Grout Medic, LLC Franchise Agreement (the “**Franchise Agreement**”) to operate a The Grout Medic interior grout and tile cleaning, repair, restoration, recaulking and protection services business (the “**Business**”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. “**Termination**” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

**2.1. Interest in Telephone Numbers and Listings.** Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers, lead routing numbers, and regular, classified, yellow-page, and other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) related to the Business or the Marks (all of which right, title, and interest is referred to herein as Franchisee’s “**Interest**”).

**2.2. Transfer.** On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “**Telephone Companies**”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

**2.3. Appointment; Power of Attorney.** Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following: (i) direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor; (ii) direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and (iii) execute the Telephone Companies' standard assignment forms or other documents in order to effect such transfer or termination of Franchisee's Interest.

**3. CERTIFICATION OF TERMINATION.** Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has Terminated.

**4. CESSATION OF OBLIGATIONS.** After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

## **5. MISCELLANEOUS**

**5.1. Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

**5.2. Indemnification.** Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Telephone Listing Agreement.



**5.3. No Duty.** The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

**5.4. Further Assurances.** Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

**5.5. Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

**5.6. Effect on Other Agreements.** Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

**5.7. Survival.** This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

**5.8. Joint and Several Obligations.** All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**

\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick

Name: \_\_\_\_\_

Title: CEO

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

**EXHIBIT C-5**  
**TO FRANCHISE AGREEMENT**  
**FRANCHISEE INFORMATION**

1. Franchisee's legal organization (mark one):

- sole proprietorship;
- partnership;
- corporation; or
- limited liability company.

2. *If Franchisee is not a sole proprietor*, list of all partners, members or shareholders or others (including other entities) holding any ownership interest in Franchisee:

	Name and address	% interest	Active in Operation of Business? (yes/no)
(a)			
(b)			
(c)			

3. If Franchisee is not a sole proprietor, list of Franchisee's officers, directors, managers and/or general partners:

	Name	Title
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____

The undersigned certifies that all information contained in this **Exhibit C-5** is accurate and complete, and agrees to notify Franchisor promptly (and in any case within 15 days) upon any change in the information required to be disclosed in this **Exhibit C-5**.

**FRANCHISEE:**

\_\_\_\_\_  
 [Name of Entity or Individual]

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

Name: \_\_\_\_\_

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

**EXHIBIT C-6**

**TO FRANCHISE AGREEMENT**

**GUARANTY AGREEMENT**

In consideration of, and as an inducement to, the execution by The Grout Medic, LLC (“**Franchisor**”) of that certain The Grout Medic, LLC Franchise Agreement, dated \_\_\_\_\_ (as the same from time to time may be amended, modified, extended or renewed, the “**Franchise Agreement**”), by and between \_\_\_\_\_ (“**Franchisee**”) and Franchisor, the undersigned (“**Guarantor**”), for the term of the Franchise Agreement and any extension or renewal thereof, and thereafter until all obligations of Franchisee to Franchisor have been satisfied, jointly and severally, do hereby personally, absolutely, and unconditionally guarantee that Franchisee shall punctually pay and perform each and every undertaking, condition, and covenant set forth in the Franchise Agreement. Guarantor further waives acceptance and notice of acceptance of the foregoing obligations of Franchisee, and any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition to the liability of Guarantor.

This Guaranty is a guarantee of payment and performance not merely one of collection. Guarantor further consents and agrees that its liability under this Guaranty shall be direct and immediate and joint and several; that Guarantor shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; that such liability shall not be contingent or conditioned upon the pursuit of any remedies against Franchisee or any other person; and that such liability shall not be diminished, relieved or otherwise affected by the extension of time, credit or any other indulgence which Franchisor, its affiliates, successors or assigns 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, or the release of any one or more Guarantors hereunder, or the consent to assignment of any interest in Franchisee, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until all obligations of Franchisee to Franchisor have been satisfied.

Until all obligations of Franchisee to Franchisor have been satisfied, the obligations of Guarantor under this Guaranty shall remain in full force and effect without regard to, and shall not be released, discharged or in any way modified or affected by, any circumstance or condition (whether or not the undersigned shall have any knowledge or notice thereof), including, without limitation, any bankruptcy, insolvency, reorganization, composition, liquidation or similar proceeding, with respect to Franchisee or its properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding. Guarantor’s liability will not be contingent or conditioned on Franchisor’s pursuit of any remedies against Franchisee or any other person. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Franchise Agreement or by law or in equity.

Guarantor hereby agrees that without the consent of or notice to any Guarantor and without affecting any of the obligations of Guarantor hereunder, any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and the Franchisee and Guarantor guarantees and promises to perform all of the obligations of the Franchisee under the Franchise Agreement as so amended, compromised, released or altered. Upon notice from Franchisor that Franchisee has failed to pay monies due and owing to Franchisor under the Franchise Agreement, any and each Guarantor agrees to cure the monetary default within five business days from such notice.

Any and all notices required or permitted under this Guaranty shall be personally delivered, sent by certified mail, or sent by any other means (including, without limitation, overnight courier service such as UPS, FedEx or a similar service) which affords the sender evidence of delivery or attempted delivery. The address(es) for Notices to Guarantor(s) is(are) indicated below, unless and until a different address has been designated by written notice to Franchisor. The address for Notices to Franchisor shall be as designated in the Franchise Agreement.

Upon the death of a Guarantor, the estate of such Guarantor shall be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect. Guarantor expressly acknowledges that the obligations hereunder survive the termination or expiration of the Franchise Agreement. Franchisor's failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future. No delay or failure of Franchisor in the exercise of any right, power, or remedy shall operate as a waiver thereof, and no partial exercise by Franchisor shall preclude any further exercise thereof or the exercise of any other right, power or remedy.

This Guaranty shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia, without recourse that state's (or any other's) choice of law or conflicts of law principles. If, however, any provision of this Guaranty would not be enforceable under the laws of the Commonwealth of Virginia, and if the business franchised under the Franchise Agreement is located outside of the Commonwealth of Virginia and the provision would be enforceable under the laws of the state in which the Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or other doctrine of law of the Commonwealth of Virginia or any other state, which would not otherwise apply. Any litigation initiated under this Guaranty shall be instituted exclusively at Franchisor's discretion in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Franchisor's headquarters. Guarantor expressly agrees that Guarantor is subject to the jurisdiction and venue of those courts for purposes of such litigation. Each Guarantor hereby waives and covenants never to assert any claim that Guarantor is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

If Franchisor chooses to proceed against Guarantor under this Guaranty, and Franchisor prevails, Guarantor shall reimburse Franchisor its costs and expenses associated with the proceeding, including its reasonable attorneys' fees, court costs and expenses.

Each paragraph, provision and term of this Agreement shall be considered severable, and if any paragraph, provision or term herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, each of the undersigned has affixed its signature on \_\_\_\_\_.

**GUARANTORS:**

Agreed:

\_\_\_\_\_  
[Name of Guarantor]

**FRANCHISOR:**

**THE GROUT MEDIC, LLC**

\_\_\_\_\_  
Signature (SEAL)

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

Address: \_\_\_\_\_

Name: Paul Flick

Its: CEO

Social Security No.: \_\_\_\_\_

\_\_\_\_\_  
[Name of Guarantor]

\_\_\_\_\_  
Signature (SEAL)

Address: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

**EXHIBIT C-7**

**TO FRANCHISE AGREEMENT**

**GENERAL RELEASE**

This General Release is made effective this \_\_\_\_\_. In consideration for the grant by **The Grout Medic, LLC**, a Delaware limited liability company, to the undersigned of certain rights in connection with the operation of a The Grout Medic Business and/or the transfer, termination or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally release, discharge, and acquit Franchisor, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from any and all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, development agreement, franchise agreement or any other agreement executed by any of the undersigned and The Grout Medic, LLC (or any subsidiary or affiliate of The Grout Medic, LLC), any The Grout Medic Business (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and The Grout Medic, LLC (or any subsidiary or affiliate of The Grout Medic, LLC), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against The Grout Medic, LLC (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive. This General Release shall survive the assignment or termination of any of the franchise agreements or other documents entered into by and between The Grout Medic, LLC and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws. This General Release shall be governed by and construed in accordance with the laws of the state in which Franchisor maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party without regard to its conflicts of law provisions.

**WITNESS:**

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

\_\_\_\_\_, Individually

\_\_\_\_\_, Individually

**EXHIBIT C-8**

**TO FRANCHISE AGREEMENT**



**ACH Authorization**

I, \_\_\_\_\_, authorize The Grout Medic, LLC to initiate an electronic debit against the bank account according to the terms outlined below. I acknowledge that the origination of the ACH transactions must comply with the provisioning of United States law.

Billing commences upon signature of this form and is subsequently debited monthly until I, \_\_\_\_\_, notify The Grout Medic, LLC of its cancellation by sending written notice in such time and manner to allow both The Grout Medic, LLC and receiving financial institution a reasonable opportunity in which to act upon it.

**Business Checking ACH Information**

Legal Checking Account Name: \_\_\_\_\_  
DBA: \_\_\_\_\_  
Banking Institution: \_\_\_\_\_  
Bank ABA Routing Number: \_\_\_\_\_  
Bank Account Number: \_\_\_\_\_

**Business Contact Information**

Street Address: \_\_\_\_\_  
City, State: \_\_\_\_\_  
Zip Code: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

Customer Signature: \_\_\_\_\_  
Customer Printed Name: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

***Please attach a copy of a voided check.***

**EXHIBIT C-9**

**TO FRANCHISE AGREEMENT**

**COPY OF SIGNED RECEIPT TO FRANCHISE DISCLOSURE DOCUMENT**

**(to be attached by Franchisor following execution)**



**EXHIBIT D**  
**TO THE GROUT MEDIC, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**



## **Bringing Grout & Tile Back To Life**

**Brand Standards Manual**  
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# The Grout Medic Brand Standards Manual

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**EXHIBIT E**

**TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF CURRENT FRANCHISEES  
(AS OF DECEMBER 31, 2021)**

Arizona: TUCSON: Perel, Nikki, 8716 West Epworth Road Marana, AZ 44107, 866-994-7688

California

SACRAMENTO EAST: Bunce, Ron 7099 Cinnamon Teal Way, El Dorado Hills, CA 95762, 916-402-1485

SACRAMENTO WEST: Bunce, Ron 7099 Cinnamon Teal Way, El Dorado Hills, CA 95762, 916-402-1485

SANTA CLARA WEST: Bunce, Ron 7099 Cinnamon Teal Way, El Dorado Hills, CA 95762, 916-402-1485

SAN DIEGO METRO: Smith, Donna 4620 32nd Street San Diego CA 92116, 866-994-7688

SAN DIEGO COASTAL: Smith, Donna 4620 32nd Street San Diego CA 92116, 866-994-7688

SAN DIEGO INLAND: Smith, Donna 4620 32nd Street San Diego CA 92116, 866-994-7688

CHINO HILLS: Nilesh Bharadwaj, Nilesh, 5857 Pine Ave., Suite B, Chino Hills, California USA 91709, [nilesh@thegroutmedic.com](mailto:nilesh@thegroutmedic.com); (909) 304-2434

Colorado

DENVER NORTH: Schierwagen, Bruce, 3556 Polk Circle East Wellington, CO 80549, 970-556-9304

NORTHERN COLORADO: Schierwagen, Bruce, 3556 Polk Circle East Wellington, CO 80549, 970-556-9304

DENVER SOUTH: Barrios, Harold, 5805 S. Danube Circle Aurora, CO 80015, 303-994-7688

DENVER WEST: Barrios, Harold, 5805 S. Danube Circle Aurora, CO 80015, 303-994-7688

COLORADO SPRINGS: Barrios, Harold, 5805 S. Danube Circle Aurora, CO 80015, 303-994-7688

Florida:

DAYTONA BEACH: Glennon, Bill & Boniecki, Diane, 1000 Walker Street # 76 Holly Hill Florida 32117, 402-978-3460

JACKSONVILLE SOUTH: Polomik, Steve, 112 Bartram Oaks Walk, Saint Johns, FL 32259, 866-994-7688

JACKSONVILLE NORTH: Polomik, Steve, 112 Bartram Oaks Walk, Saint Johns, FL 32259, 866-994-7688

ORLANDO NORTH: Nolte, Cory, 1144 Travertine Terrace, Sanford, FL 32771, 866-994-7688

ORLANDO SOUTH: Nolte, Cory, 1144 Travertine Terrace, Sanford, FL 32771, 866-994-7688

CLEARWATER-ST. PETERSBURG: Marcellus, Gina, 848 Crooked Branch Drive, Clermont, Florida USA 34711, [gmarcellus@thegroutmedic.com](mailto:gmarcellus@thegroutmedic.com); (352) 227-0420

Illinois:

NAPERVILLE: Bandyk, Ron, 422 N. Kensington, LaGrange Park IL. 60526, 630-425-2424

FOX RIVER: Stevenson, Alvin, 6N707 Brookhaven Lane, St Charlies, IL 60175, 866-994-7688

Maine:

SOUTHERN MAINE & COASTAL NEW HAMPSHIRE: Burch, Brandon, 25 Sequoia Drive Freeport ME, 04032, 866-994-7688

Maryland

SOUTHERN MONTGOMERY CO: Cyr, Dennis, 4709 Longhorn Drive Beltsville, MD 20705, 301-285-0600

NORTHERN MONTGOMERY CO: Cyr, Dennis, 4709 Longhorn Drive Beltsville, MD 20705, 301-285-0600

Michigan

ANN ARBOR: Jurek, Kandi, 8933 Ringneck Drive Ypsilanti, MI 48197, 866-994-7688

Missouri

GREATER ST. LOUIS: Lupo, Matt, 2031 Magnolia Garden Dr. O'Fallon, MO, 866-994-7688

SOUTHEAST KANSAS CITY: Schlottach, Eric, 245 SE Coyle Dr. Lee's Summit, MO 64063, 866-994-7688

Nebraska

OMAHA: Glenn, Mike 4822 South 160th St., Omaha, NE. 68135, 402-978-3460

Nevada

LAS VEGAS: Craig, Jason, 1525 Spiced Wine Ave, Unit 26105, Henderson Nevada USA 089074  
[jcraig@thegroutmedic.com](mailto:jcraig@thegroutmedic.com) (678) 378-3865

New Jersey

BERGEN COUNTY: Zifchak, William, 525 Riverdale Ave. #2D Yonkers NY 10705, 201-613-5255

SOMERSET-MERCER COUNTIES: Capaci, Frank, P.O. Box 184 Hazlet, NJ 07730, 908-231-0110

MIDDLESEX COUNTY: Capaci, Frank, P.O. Box 184 Hazlet, NJ 07730, 908-231-0110

MONMOUTH COUNTY: Capaci, Frank, P.O. Box 184 Hazlet, NJ 07730, 908-231-0110

UNION COUNTY: Capaci, Frank, P.O. Box 184 Hazlet, NJ 07730, 908-231-0110

OCEAN COUNTY: Lawlor, Ted, 91 Oak Leaf Dr. Little Egg Harbor, NJ 08087, 609-601-4700

New York

NASSAU COUNTY SOUTH: Zafar, Amir, 1556 N. Jerusalem Rd., Merrick, NY. 11566, 516-733-4600

SUFFOLK COUNTY West: Khan, Nauman, 1556 N. Jerusalem Avenue, Merrick, NY 11566, 516-733-4400

SUFFOLK COUNTY NORTH: Khan, Nauman, 1556 N. Jerusalem Avenue, Merrick, NY 11566, 516-733-4400

SUFFOLK COUNTY EAST: Khan, Nauman, 1556 N. Jerusalem Avenue, Merrick, NY 11566, 516-733-4400

WESTCHESTER COUNTY: Ghias, Andy, 260 Church Street Apt. 5A1 White Plains, NY 10603, 914-694-7000

BERGEN COUNTY: Zifchak, William, 12 Ludvigh Rd., Nanuet, New York USA, 10954,  
[wzifchak@thegroutmedic.com](mailto:wzifchak@thegroutmedic.com), (201) 803-7681

North Carolina

CHARLOTTE SOUTHWEST: Jimmy Wilkins, 12601 Mayes Road Huntersville, NC 28078, 866-994-7688

CHARLOTTE SOUTHEAST: Jimmy Wilkins, 12601 Mayes Road Huntersville, NC 28078, 866-994-7688

CHARLOTTE NORTH: Jimmy Wilkins, 12601 Mayes Road Huntersville, NC 28078, 866-994-7688

DURHAM: Lane, Bruce, 1800 Wheel Wright Pl. Apt. 118, Cary, NC 27519, 919-357-3145  
RALEIGH: Lane, Bruce, 1800 Wheel Wright Pl. Apt. 118, Cary, NC 27519, 919-357-3145

### Ohio

CINCINNATI: Payne, Garry, 6855 Midnight Sun Drive Maineville, OH 45039, 513-244-3340  
COLUMBUS WEST: Taylor, Suzanne, 366 Northview Drive, Powell, OH 43065, 614-962-1149  
DAYTON: Payne, Garry, 6855 Midnight Sun Drive Maineville, OH 45039, 513-244-3340  
NORTH PITTSBURGH: Macabobby, Ed, 3514 E. Western Reserve Rd., Poland, Ohio USA 44514  
[macabobby@thegroutmedic.com](mailto:macabobby@thegroutmedic.com); (330) 758-9729

### Pennsylvania

NORTH PITTSBURGH: Macabobby, Ed 3514 E. Western Reserve Rd., Poland, OH 44514, 800-295-8876

### South Carolina

East Greenville-Spartanburg: Green Jr., Jimmy, 448 Magness Dr., Spartanburg, SC 29303, 866-994-7688

### Tennessee

NASHVILLE NORTH: Stokely, Andrew and Crystal, 135 College St, Gallatin, TN, 866-994-7688  
NASHVILLE SOUTH: Stokely, Andrew and Crystal, 135 College St, Gallatin, TN, 866-994-7688

### Texas

NORTH AUSTIN: Liburdi, James, 1401 Satellite View Suite 5201 Round Rock, TX 78665, 866-994-7688  
DENTON / COLLIN COUNTIES: Lamarsaude, Christophe, 439 W. Commerce St., #804, Dallas, TX 75208, 866-994-7688  
WISE /PARKER / HOOD/ JOHNSON COUNTIES:  
Lamarsaude, Christophe, 439 W. Commerce St., #804, Dallas, TX 75208, 866-994-7688  
DALLAS COUNTY:  
Lamarsaude, Christophe, 439 W. Commerce St., #804, Dallas, TX 75208, 866-994-7688  
TARRANT COUNTY:  
Lamarsaude, Christophe, 439 W. Commerce St., #804, Dallas, TX 75208, 866-994-7688  
HUNT / ROCKWELL / KAUFMAN / ELLIS COUNTIES:  
Lamarsaude, Christophe, 439 W. Commerce St., #804, Dallas, TX 75208, 866-994-7688  
HARRIS COUNTY: Gall, Stephen, 18703 Clay Road, Suite 100, Houston, Texas, USA 77084,  
[sgall@thegroutmedic.com](mailto:sgall@thegroutmedic.com); (832) 904-8908  
TRAVIS COUNTY: Pedro Calzada, Pedro, 1422 Collier Street, # 207, Austin, Texas USA 78704,  
[pedro@thegroutmedic.com](mailto:pedro@thegroutmedic.com); (254) 485-7696

### Virginia

NORTHERN VIRGINIA EAST: Muirhead, David, 9622 Branchview Ct., Manassas VA 20110, 703-349-1468  
NORTHERN VIRGINIA WEST: Muirhead, David, 9622 Branchview Ct., Manassas, VA 20110, 703-349-1468  
FREDERICKSBURG: Muirhead, David, 9622 Branchview Ct., Manassas, VA 20110, 703-349-1468  
RICHMOND: Muirhead, David, 9622 Branchview Ct., Manassas, VA 20110, 703-349-1468  
ALEXANDRIA: Kiehn, Robert, 13350 Ferry Landing Lane Woodbridge, VA 22191, 866-994-7688  
ARLINGTON: Kiehn, Robert, 13350 Ferry Landing Lane Woodbridge, VA 22191, 866-994-7688

**EXHIBIT F**

**TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM  
(JANUARY 1, 2021 TO DECEMBER 31, 2021)**

The following is a list of names, addresses and telephone numbers of franchisees who have left the Grout Medic franchise system during the most recently completed fiscal year ending **December 31, 2021**, or who have not communicated with Company within 10 weeks of the disclosure document issuance date:

No franchisee left the system between September 17, 2021, the date when Franchisor acquired The Grout Medic franchise system. and December 31, 2021.

## EXHIBIT G

### TO THE GROUT MEDIC, LLC FRANCHISE DISCLOSURE DOCUMENT

#### FRANCHISE COMPLIANCE QUESTIONNAIRE

As you know, The Grout Medic, LLC and you are preparing to enter into a Franchise Agreement for the operation of a Business. In this Questionnaire, The Grout Medic, LLC, will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

All representations requiring prospective franchisees to assent to a release, estoppels or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.

	<b>Question</b>	<b>Yes/No</b>
1.	Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement, or (b) if you are a resident of New York or Rhode Island, at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or payment of any consideration, or (c) if you are a resident of Michigan, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration?	
2.	Have you personally reviewed the Disclosure Document, the Franchise Agreement and each exhibit, amendment and/or addendum attached to it?	
3.	Do you understand all of the information contained in the Disclosure Document, the Franchise Agreement and each exhibit, amendment and/or addendum attached to it?	
4.	Have you discussed the benefits and risks of operating a The Grout Medic Business with an attorney, accountant or other professional advisor of your choosing and do you understand those risks?	
5.	Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?	
6.	Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise -- meaning that any prior oral or written statements not included in the Franchise Agreement or our Disclosure Document will not be binding?	



	<b>Question</b>	<b>Yes/No</b>
7.	Do you understand that that the franchise granted is for the right to operate a Business only in the territory described on Exhibit C-1 to the Franchise Agreement, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, near your territory?	
8.	Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Section 16.2 and that an injunction is an appropriate remedy to protect the interests of The Grout Medic System if you violate the covenant(s)?	
9.	Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?	
If you answered “No” to any of the questions numbered 1-9, please explain:		
10.	Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document?	
11.	Was any oral, written or visual claim or representation made to you which stated, suggested, predicted or projected your sales, income or profit levels?	
12.	Did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to or different from the information in the Disclosure Document?	
13.	Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a The Grout Medic Business?	
14.	Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support, service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?	
15.	Have you ever been convicted of a felony, crime or other offense that may affect your ability to be a successful business owner or which may reflect poorly on the Brand? (Note: Answering “Yes” to this question, does not automatically disqualify you from franchise ownership but a failure to disclose may.)	

	Question	Yes/No
<p>If you answered "Yes" to questions 10-15, please explain in detail:</p>		

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

\_\_\_\_\_  
 Name of person or company who will be the Franchisee

\_\_\_\_\_  
 Signature

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_

\_\_\_\_\_  
 Signature

Name: \_\_\_\_\_  
 Date: \_\_\_\_\_

**EXHIBIT H**  
**TO THE GROUT MEDIC, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**STATE-SPECIFIC ADDENDA**

**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR CALIFORNIA FRANCHISEES**

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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

OUR WEBSITE AT [www.thegroutramedic.com](http://www.thegroutramedic.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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.

Risk Factors:

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk if your franchise fails.

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

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

Item 3, Additional Disclosure:

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

Item 6, Additional Disclosure:

The highest interest rate allowed by California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee 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 there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

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

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

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

Any litigation must be pursued in courts located in the county and state in which we maintain our principal place of business (currently Albemarle County, Virginia). Each party will bear its own expenses, including attorneys' fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281 and the Federal Arbitration Act) to any provision of a franchise agreement restricting venue to a forum outside the State of California.

**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR ILLINOIS FRANCHISEES**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Additional Risk Factors:

THE FRANCHISOR MAY SUBCONTRACT INTERIOR TILE AND GROUT CLEANING, REPAIR, RESTORATION, RECAULKING AND PROTECTION SERVICES WITHIN YOUR “PROTECTED” TERRITORY TO OTHER (INCLUDING TO OTHER FRANCHISEES) WITH NO COMPENSATION TO YOU.

Item 5, Additional Disclosures. The following statements are added to Item 5:

Item 5 is supplemented to reflect that we must defer the payment of all initial fees payable to us until we have fulfilled all of our material pre-opening obligations to you and you have commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

Item 17, Additional Disclosures. The following statements are added to Item 17:

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

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

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

**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF ILLINOIS**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and The Grout Medic, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Illinois Law Modification**

The Illinois Franchise Disclosure Act requires that certain provisions contained in franchise documents, including the Franchise Agreement, be amended to be consistent with Illinois law. Therefore, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the modification set forth below shall be controlling:

1. Illinois law governs the agreements between the parties to this franchise.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
4. Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. THE FRANCHISOR MAY SUBCONTRACT INTERIOR TILE AND GROUE CLEANING, RESTORATION, REPAIR, RECAULKING, AND PROTECTION SERVICES WITHIN YOUR “PROTECTED” TERRITORY TO OTHER (INCLUDING TO OTHER FRANCHISEES) WITH NO COMPENSATION TO YOU.
6. Sections 4.1 and 4.7 of the Franchise Agreement are modified to reflect that Franchisor must defer the payment of all initial fees payable to Franchisor until Franchisor has fulfilled all of its material pre-opening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition. Accordingly, notwithstanding anything to the contrary contained in the Franchise Agreement, Franchisee must pay Franchisor the Franchise Fee and initial technology fee payable to Franchisor at the time Franchisor has fulfilled all of its material pre-opening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**

\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick

Name: \_\_\_\_\_

Title: CEO

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Illinois]**



**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR INDIANA FRANCHISEES**

The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7) contains certain laws governing the relationship between a Franchisor and Franchisee. Certain of these laws conflict with provisions contained in our customary Franchise Agreement and related documents. Set forth below is an overview of certain disclosures contained in the attached Franchise Disclosure Document which are amended by virtue of the Indiana law.

1. The Franchise Agreement and related documents by and between us and you, as an Indiana franchisee, will be governed by Indiana law and not the law of the Commonwealth of Virginia.
2. You, as an Indiana franchisee, have the right to litigate in Indiana and are not restricted to the requirements in the Franchise Agreement to sue only in Albemarle Virginia.
3. The covenants of non-competition with respect to you, as an Indiana franchisee, will be limited to an area equal to the protected area granted to you and other Franchisees.
4. Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.
5. The reservation of rights to any specified remedy or limitation of remedies available to you, as an Indiana franchisee, contained in Sections 19.1(iv) and 27.4 of the Franchise Agreement is subject to the provisions of the Indiana Deceptive Franchise Practices Law [IC 23-2-2.7-1(10)].
6. The Sections in the Franchise Agreement that relate to termination, non-renewal, governing law, venue for litigation, modification, covenants not to compete and any limitations period for bringing claims are only applicable to the extent they are not inconsistent with or prohibited by Indiana law. Indiana law will control to the extent of any inconsistency or prohibition.

**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF INDIANA**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and The Grout Medic, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the following, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Indiana Law Modification**

In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 through 23-2-2.5-51, the parties to the Franchise Agreement agree as follows:

1. If any of the provisions of the Franchise Agreement concerning termination and non-renewal, governing law, venue for litigation or arbitration, modification, covenants not to compete or any limitations period on the time in which claims may be brought are inconsistent with either the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law, then such laws will apply to the extent inconsistent with the terms of the Franchise Agreement.
2. Sections 3.2(viii) and 17.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition to renewal or transfer of the franchise. Each provision is inapplicable to the extent inconsistent with the Indiana Deceptive Franchise Practices Law, IC § 23-2-2.7-1(5).
3. No representation or acknowledgment by the Franchisee in the Franchise Agreement is intended to or shall act as a release, assignment, novation, waiver or estoppel to deprive the Franchisee of the rights and protections provided in the Indiana Franchise Disclosure Law or to relieve any person of any liability under the Indiana Deceptive Franchise Practices Law.
4. Each of the provisions of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Amendment.
5. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the attachments to the Franchise Agreement, the terms of this Amendment shall govern.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**

\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick

Name: \_\_\_\_\_

Title: CEO

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Indiana]**

**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR MARYLAND FRANCHISEES**

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF MARYLAND**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and The Grout Medic, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Maryland Law Modification**

The Maryland Franchise Registration and Disclosure Law requires that certain provisions contained in franchise documents, including the Franchise Agreement, be amended to be consistent with Maryland law. Therefore, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the modifications set forth below shall be controlling:

1. While the Franchise Agreement requires you to disclaim the occurrence and/or acknowledge the nonoccurrence of acts which would constitute a violation of franchise laws, such representation and acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability or claims arising under the Maryland Franchise Registration and Disclosure Law.
2. While the Franchise Agreement requires litigation to be conducted only in a court in the Commonwealth of Virginia, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. If you are required to sign a general release of claims pursuant to the Franchise Agreement as a condition of renewal, sale and/or assignment/transfer of your franchise, such release will not apply with respect to any liability under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law may be brought within three (3) years after the grant of the franchise.
5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.
6. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.
7. Except as otherwise provided in this Amendment, all of the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or any attachments thereto, the terms of this Amendment shall govern and control.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**

\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick

Name: \_\_\_\_\_

Title: CEO

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Maryland]**

**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR MINNESOTA FRANCHISEES**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

Items 5 and 7, Additional Disclosures:

All initial fees and payments due to us before you open your Business are deferred until we complete our pre-opening obligations to you and you open your Business.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. (Minnesota Rule 2860.4400J). Also, a court will determine if a bond is required.



**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and The Grout Medic, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Minnesota Law Modification**

1. This Amendment is made a part of the Franchise Agreement.
2. Section 3.2 of the Franchise Agreement is hereby amended by adding the following:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 4, which requires, except in certain specified cases, that a franchisee be given one hundred eighty (180) days’ notice for non-renewal of the Franchise Agreement.
3. Sections 3.2(ix) and 17.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release will exclude claims arising under Minnesota Statutes 80C.01 through 80C.22.
4. Sections 4.1 and 4.7 3 of the Franchise Agreement are revised to state that the Minnesota Department of Commerce requires Franchisor to defer payment of the initial franchise fee and other initial payments owed by Franchisee to Franchisor until Franchisor completes its pre-opening obligations to Franchisee under the Franchise Agreement.
5. Section 14.4 of the Franchise Agreement is hereby amended by adding the following:

The Minnesota Department of Commerce requires that the Franchisor indemnify Minnesota franchisees against any losses, costs or expenses resulting from claims by third parties that the franchisee's use of the Franchisor's trademark infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of franchisee's use of the Franchisor's trademark except in accordance with the requirements of the franchise, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
6. Section 19 of the Franchise Agreement is hereby amended by adding the following:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, which requires, except in certain specified cases, that a franchisee be given ninety (90) days’ notice of termination (with sixty (60) days to cure).
7. Sections 27.1 and 27.2 of the Franchise Agreement are hereby amended by adding the following:

Under Minn. Stat. Sec. 80C.21 and Minnesota Rule 2860.4400J, nothing in this paragraph or in this Agreement shall in any way abrogate or reduce (1) any rights of the Franchisee

as provided for in Minnesota Statutes, Chapter 80C, including, but not limited to, the right to submit matters to the jurisdiction of the courts of Minnesota, or (2) Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

8. No representation or acknowledgment by the Franchisee in the Franchise Agreement is intended to or shall act as a release, assignment, novation or waiver that would relieve any person from liability under Minnesota Statutes 80C.01 through 80C.22.

9. Minnesota Statutes, Section 80C.14, Subd. 5, requires that consent to the transfer of the Business will not be unreasonably withheld. The Sections in the Franchise Agreement that relate to transfer are applicable to the extent they are not inconsistent with Minnesota law. In the event of any inconsistency, Minnesota law will control.

10. Minnesota Rule 2860.4400J prohibits Franchisor from requiring Franchisee to waive its rights to a jury trial. Section 27.5 of the Franchise Agreement that relates to waiver of jury trial shall not apply to franchises governed by Minnesota law.

11. Franchisor acknowledges that Minnesota Rule 2860.4400J provides that Franchisee cannot consent to Franchisor obtaining injunctive relief, but that Franchisor may seek injunctive relief, and that a court will determine if a bond is required.

12. Franchisor acknowledges that no action may be commenced under Minnesota Statutes, Section 80C.17, Subd. 5, more than 3 years after the cause of action accrues.

13. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law (Minnesota Statutes, Chapter 80C, Sections 80C.01 through 80C.22) are met independently without reference to this Amendment.

14. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the Attachments to the Franchise Agreement, the terms of this Amendment shall govern.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick

Name: \_\_\_\_\_

Title: CEO

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Minnesota]**

**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR NEW YORK FRANCHISEES**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

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

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

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

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

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

3. The following is added to the end of Item 4:

Except as provided above, neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

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.

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

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

**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF NEW YORK**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_  
("Franchisee" or "you") and The Grout Medic, LLC ("Franchisor"), dated \_\_\_\_\_  
\_\_\_\_\_ (the "Franchise Agreement") shall be amended by the addition of the following language, which  
should be considered an integral part of the Franchise Agreement (the "Amendment").

**New York Law Modification**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the Franchise Agreement agree as follows:

1. Section 17.1, "Assignment by Franchisor," of the Franchise Agreement shall be supplemented with the following paragraph:

No assignment shall be made except to an assignee, who, in the good faith judgment of Franchisor, is willing and possesses the economic resources to fulfill Franchisor's obligations under such Franchise Agreement.

2. Section 16.1, "Indemnification," of the Franchise Agreement shall be amended by the addition of the following:

Notwithstanding anything to the contrary in this Section 16.1, Franchisee shall not be required to indemnify for any claims arising out of a breach of the Franchise Agreement by Franchisor or other civil wrongs of the Franchisor.

3. Section 30, "SEVERABILITY," paragraph one, of the Franchise Agreement shall be deleted in its entirety and shall have no force or effect and the following shall be substituted in lieu of the first paragraph of Section 30:

**30. SEVERABILITY.** Except as expressly provided to the contrary in this Agreement, each section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of provisions of this Agreement as may remain otherwise intelligible; and, the latter shall continue to be given full force and effect and bind the parties to this Agreement; and said invalid sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

4. Section 27.1, "Choice of Law," of the Franchise Agreement shall be deleted in its entirety and shall have no force or effect and the following shall be substituted in lieu of Section 27.1 of the Franchise Agreement:

**27.1 Choice of Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The foregoing choice of law should not be considered a waiver of any right

conferred upon Franchisee by the General Business Law of New York State, Article 33. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

5. Sections 3.2(ix) and 17.4(iii) of the Franchise Agreement each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release will exclude claims arising under the General Business Law of New York State, Article 33, Sections 680 through 695, and the regulations issued thereunder.

6. No representation or acknowledgment by the Franchisee in the Franchise Agreement is intended to or shall act as a release, assignment, novation, waiver or estoppel which would relieve a person from any duty or liability imposed by Article 33, Sections 680 through 695, of the General Business Law of the State of New York and the regulations issued thereunder.

7. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York General Business Law, Article 33, are met independently without reference to this Amendment.

8. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the Attachments to the Franchise Agreement, the terms of this Amendment shall govern.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

By: \_\_\_\_\_  
Name: Paul Flick  
Title: CEO

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of New York]**

**ADDENDUM TO THE GROUT MEDIC, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR VIRGINIA FRANCHISEES**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for The Grout Medic, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Item 5, Additional Disclosures. The following statement is added to Item 5:

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

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

Section 13.1-564 of the Virginia Retail Franchising Act makes it unlawful for a franchisor to cancel a franchise agreement without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick  
Title: CEO

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Virginia]**

**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_  
("Franchisee" or "you") and The Grout Medic, LLC ("Franchisor"), dated \_\_\_\_\_  
\_\_\_\_\_ (the "Franchise Agreement") shall be amended by the addition of the following language, which  
should be considered an integral part of the Franchise Agreement (the "Amendment").

**Virginia Law Modification**

IN RECOGNITION OF THE REQUIREMENTS OF THE VIRGINIA RETAIL FRANCHISING ACT,  
THE PARTIES TO THE FRANCHISE AGREEMENT AGREE AS FOLLOWS:

1. Section 4.1 and Exhibit C-1 of the Franchise Agreement are amended and supplemented as follows:

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

2. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Amendment.

3. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the attachments to the Franchise Agreement, the terms of this Amendment shall govern.

**FRANCHISOR:**  
**The Grout Medic, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

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

Name: Paul Flick

Title: CEO

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

Name: \_\_\_\_\_

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Virginia]**



**ADDENDUM TO HANDYMAN PRO, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR WASHINGTON FRANCHISEES**

**Washington Law Modification**

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us 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 us including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed under a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to jury trial, may not be enforceable.
5. Transfer fees are collectible to the extent they reflect Franchisor's reasonable estimated or actual costs in effecting the transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. **The State of Washington's Department of Financial Institutions, Securities Division requires us to defer payment of the initial fee and other initial payments owed by franchisees to us until we have fulfilled our initial pre-opening obligations under the Franchise Agreement to the franchisee and the franchisee is open for business.**
8. **Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

**AMENDMENT TO THE GROUT MEDIC, LLC  
FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

The Grout Medic, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and The Grout Medic, LLC (“Franchisor”), dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which should be considered an integral part of the Franchise Agreement (the “Amendment”).

**Washington Law Modification**

IN RECOGNITION OF THE REQUIREMENTS OF THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT, WASH. REV. CODE §§ 19.100.010 THROUGH 19.100.940, THE PARTIES TO THE FRANCHISE AGREEMENT AGREE AS FOLLOWS:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us 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 us including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed under a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to jury trial, may not be enforceable.
5. Transfer fees are collectible to the extent they reflect Franchisor’s reasonable estimated or actual costs in effecting the transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. Notwithstanding anything to the contrary contained in Section 9.10 of the Franchise Agreement relating to the Franchisor’s right to receive a profit on the sale of items to Franchisee, in accordance with RCW 19.100.180(2)(d), Franchisor shall not charge franchisees more than a fair and reasonable price.

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

**9. The State of Washington’s Department of Financial Institutions, Securities Division requires us to defer payment of the initial fee and other initial payments owed by franchisees to us until we have fulfilled our initial pre-opening obligations under the Franchise Agreement to the franchisee and the franchisee is open for business.**

10. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Amendment.

11. Except as otherwise provided in this Amendment, all the other terms, covenants and agreements in the Franchise Agreement shall remain the same, and the Franchise Agreement, as amended, shall continue in full force and effect. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement or the attachments to the Franchise Agreement, the terms of this Amendment shall govern.

**FRANCHISOR:**  
**THE GROUT MEDIC, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
[Name of Entity or Individual]

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

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

Name: Paul Flick

Name: \_\_\_\_\_

Title: CEO

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

**[Signature Page to Amendment to The Grout Medic, LLC Franchise Agreement for the State of Washington]**

**EXHIBIT I**  
**TO THE GROUT MEDICE FRANCHISE, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**GUARANTEES OF PERFORMANCE**

**GUARANTEE OF PERFORMANCE  
FTC**

For value received, Premium Service Brands, LLC, a Delaware limited liability corporation located at 126 Garrett Street, Suite J, Charlottesville, VA 22902 (the “**Guarantor**”), absolutely and unconditionally guarantees to assume the duties and obligations of The Grout Medic, LLC, a limited liability corporation located at 126 Garrett Street, Suite J, Charlottesville, VA 22902 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2022 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee in Charlottesville, VA on the 25th day of March, 2022.

**Guarantor:**

**Premium Service Brands, LLC**

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

Name: Paul Flick

Title: CEO

**GUARANTEE OF PERFORMANCE**  
**Virginia**

For value received, absolutely and unconditionally guarantees the performance by Premium Service Brands, LLC, a Delaware limited liability corporation located at 126 Garrett Street, Suite J, Charlottesville, VA 22902 (the "**Guarantor**") of all the obligations of The Grout Medic, LLC, limited liability corporation located at 126 Garrett Street, Suite J, Charlottesville, VA 22902 under its franchise registration in the State of Virginia and of its franchise agreements. This guarantee continues until all such obligations of The Grout Medic, LLC under its franchise registration and franchise agreements are satisfied. Premium Service Brands, LLC is not discharged from liability if a claim by the franchisee against The Grout Medic, LLC remains outstanding. Notice of acceptance is waived. Notice of default on the part of The Grout Medic, LLC is not waived. This guarantee is binding on Premium Service Brands, LLC and on its successors and assigns.

The Guarantor executes this guarantee in Charlottesville, VA on the 25th day of March, 2022.

**Guarantor:**

**Premium Service Brands, LLC**

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

Name: \_\_\_\_\_ Paul Flick

Title: \_\_\_\_\_ CEO

**GUARANTEE OF PERFORMANCE**  
**Illinois**

For value received, Premium Service Brands, LLC (“**Guarantor**”), a limited liability company organized under the laws of the State of Delaware and located at 126 Garrett Street, Suite J, Charlottesville, VA 22902, absolutely and unconditionally guarantees to assume the duties and obligations of The Grout Medic, LLC, located at 126 Garrett Street, Suite J, Charlottesville, VA 22902 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2022 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and on its successors and assigns.

The Guarantor executes this guarantee in Charlottesville, VA on the 25th day of March, 2022.

**Guarantor:**

**Premium Service Brands, LLC**

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

Name: Paul Flick

Title: CEO

### **State Effective Dates**

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.

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

<b>State</b>	<b>Effective Date</b>
California	Not Applicable
Hawaii	Not Applicable
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Not Applicable
Rhode Island	Pending
South Dakota	Not Applicable
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**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 Grout Medic, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Grout Medic, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in Exhibit A.

The franchisor is The Grout Medic, LLC, located at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902. Its telephone number is 1-434-995-5582.

ISSUANCE DATE: March 25, 2022

The Grout Medic, LLC authorizes the respective state agents identified in Exhibit A to receive service of process on its behalf in the particular states.

I have received a disclosure document dated March 25, 2022 that included the following exhibits:

- (A) List of State Administrators and Agents for Service of Process; (B) Financial Statements; (C) Franchise Agreement and Franchise Agreement Exhibits; (D) Brand Standards Manual Table of Contents; (E) List of Current Franchisees; (F) List of Franchisees Who Have Left The System; (G) Franchise Compliance Questionnaire; (H) State-Specific Addenda; and (I) Guarantees of Performance.

Our franchise sellers are Paul Flick, David Raymond, Russell Kruse and Kris Nilsson, each at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902 and (434) 995-5582, and the following person(s) (if applicable): \_\_\_\_\_.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed name

**KEEP THIS COPY FOR YOUR RECORDS.**

**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 Grout Medic, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Grout Medic, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in Exhibit A.

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_____	_____	_____
Date	Signature	Printed name
_____	_____	_____
Date	Signature	Printed name

**SIGN THIS COPY AND RETURN TO US.**