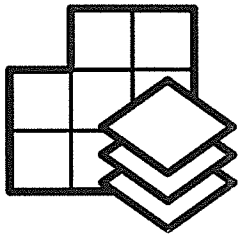
FRANCHISE DISCLOSURE DOCUMENT



TILE LIQUIDATORS

FRANCHISE DISCLOSURE DOCUMENT

TILE LIQUIDATORS LLC

DBA

TILE LIQUIDATORS

9912 Business Park Drive, Suite 140
Sacramento, CA 95827
916-801-8453
www.tileliquidators.us

You will operate a business selling residential and commercial Ceramic, Porcelain, Natural Stone, Granite Counter-tops, and Hardwood Flooring, laminate, LVT, Tools, setting materials and related products. You will provide these products to both retail customers as well as contractors and trade professionals. You will be operating under the Tile Liquidators Marks and using the System.

The Initial Franchise Fee is $35**,000.00**. The estimated required initial investment including franchise fee ranges from $62,200.00 to $108,300.00.

This disclosure document summarizes certain provisions of Your franchise agreement and other information in plain English. Read this document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before You can 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 government 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 the Franchise Administration Department at 9912 Business Park Drive, Suite 140, Sacramento, 95827.

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 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call CA 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: April 15, 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

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

What You Need to Know About Franchising *Generally*

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

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

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 risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation on in the State of California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

2. **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 the termination of your franchise and loss of your investment.

3. **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.

4. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise system with a longer operating history.

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.

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

Definitions.

To simplify this Franchise Disclosure Document, "We" means Tile Liquidators LLC, d.b.a. Tile Liquidators, the franchisor. Sometimes "Our" or "Us" refers to Tile Liquidators, when appropriate. "You" means the person who buys the franchise. If You are a legal entity, "You" includes all owners of any equity interest in the entity. "Licensed Business" means the business You will operate under the Franchise Agreement, offering and selling residential and commercial Ceramic, Porcelain, Natural Stone, Granite Counter-tops, and Hardwood Flooring, laminate, LVT, Tools, setting materials and related products operating under Our Marks and following Our System.

Our Predecessors and Affiliates

We do not have any predecessor or affiliates.

Our Names.

We do business under our corporate name, Tile Liquidators LLC, the name "Tile Liquidators" and the words "Tile Liquidators "city name"". We do not do business under any other name.

Our Address and Agent for Service.

Our principal business address is 9912 Business Park Drive, Suite 140, Sacramento, CA 95827. Our agents for service of process are disclosed in Attachment E.

Our Business Form.

We are a California limited liability company, organized November, 2016.

Our Business and Franchises Offered.

As a Tile Liquidator franchisee, you are part of the only discount flooring franchise concept in the industry.

You will sell tile, natural stone, hardwood, water proof floors, laminate, LVT, quartz and granite countertops and carpet. These sales will take place primarily from your showroom to retail, contractor and trade customers. You will provide these services to customers, operating under the Marks and using the System.

Our simple operating system helps you get up and running quickly, even with no flooring or business ownership experience.

The market for Your products is primarily the general public and specifically that segment that seeks to purchase residential and commercial Ceramic, Porcelain, Natural Stone, Granite Counter-tops, and Hardwood Flooring, laminate, LVT, Tools, setting materials and related products. You will compete with other national, regional and local residential and commercial Tile Flooring businesses, generally in well-developed markets. Your Licensed Business may operate in close proximity to major competitors. Some competitors will offer many goods and services that are the same as or similar to those You offer. There are no specific industry regulations for this type of business.

Prior Business Experience

Tile Liquidators LLC was established in November 2016 and began operating a Tile Liquidators' store at that time. In 2019, we formed a separate division to offer Tile Liquidator franchises. On January 1, 2021, we sold our Tile Liquidators' store and we no longer own or operate any locations.

Item 2. BUSINESS EXPERIENCE

Doug Disney – Manager, Director, CEO. Doug has been our managing partner since 2016. He has also been the owner of Palm Tile in Sacramento, California, since 2013. He was a regional sales manager for Emser Tile from 2010 to 2013. From 2001 to 2011 he was the president and CEO of Tile Outlet Always in Stock, Inc., the owner of the Tile Outlet Always in Stock franchise system.

Item 3. Litigation

No litigation is required to be disclosed in this Franchise Disclosure Document

Item 4. Bankruptcy

No person previously identified in Items 1 or 2 of this Franchise Disclosure Document has been involved as a debtor in proceedings under the US Bankruptcy Code required to be disclosed in this Item.

Item 5. Initial Fees

Initial Fee.

The Initial franchise fee for the Tile Liquidators franchise is $35,**000.00**. A second location is $30,000, third $25,000, fourth and greater are $20,000 each.

Payment of Initial Fee.

A $28,000 franchise fee is due in full with the signing of the Franchise Agreement.

In California, the payment of the franchise fee will be deferred until we have completed all of our pre-opening obligations and you are open for business.

Once paid, the franchise fee is non-refundable.

ITEM 6. Other Fees

Type of fee	Amount	Due Date	Remarks
Royalty Fee[1]	$1,800 per month. See Note A.	Payable monthly by Electronic Funds Transfer or other means.	Royalty fee is a flat amount, not based on sales volume. The royalty fee is subject to a 5% annual increase at our discretion.
Local Marketing	3 % of Gross Revenues is recommended.	Monthly	It is recommended that you spend at least 3% of Gross Revenues (but not less than $500 per month) on local marketing.
Additional Training [1]	Approximately $500 per person. In addition, You are solely responsible for all compensation, salaries, benefits and travel-related expenses for Yourself or any employees. See Note C.	In advance of the training program(s)	You and Your manager, must complete the initial training (cost included in the Initial Fee for first three persons trained) and certain additional training at Your cost. If You obtain a new or replacement manager, You will be responsible for the cost of initial training for that person after We have trained three people for You.
Transfer [1]	$2,500	Before completing transfer	Payable only if You sell Your franchise or any part of Your business. Fee is $500 if You transfer to a corporation or other entity with the same identical ownership and control.

Type of fee	Amount	Due Date	Remarks
Interest on past due amounts [1]	One and one-half percent (1.5%) per month	Upon payment of past due amount	Payable only if you fail to make payment of any amount owed to Us.
Renewal [1]	50% of the then-current Initial Fee	Before consummating Renewal	
Profits on supplies or equipment	Variable	When You purchase items from Us or Our affiliate(s)	Some items (for example, those bearing the Marks) may be available only from Us or an affiliate. We or the affiliate would expect to realize a profit on any such sales. You may elect to purchase other items from or through Us or an affiliate, in which case We or Our affiliate will generally realize a profit on the sale.

1. These fees are imposed by and are payable to Us. All fees are non-refundable.

Notes Regarding Other Fees:

Note A. Royalty Fees

You will pay a monthly Royalty Fee. You will pay by electronic funds transfer. We may, upon 30 days prior written notice, require You to pay Royalties by check, pre-authorized check, electronic funds transfer or similar mechanism. We may, upon notice, require You to pay Your Royalty Fees on a different periodic basis. The royalty fee is subject to a 5% annual increase at our discretion.

Note B. Training Expense.

During your franchise term, We will provide initial training to You and up to two additional persons as part of your Initial Fee. After the first three persons, You must bear the cost of training additional sales staff or managers. In all cases, You are solely responsible for all salaries, compensation, benefits, travel and related expenses for trainees.

We may require You or Your sales staff to attend additional training at a location We determine. Generally, You must pay Our usual fee(s) for mandatory training. In any event, You are solely responsible for all salaries, compensation, benefits and travel related expenses of trainees.

We may provide or make available training materials and equipment for You or Your employees and may charge a fee. All training materials are Trade Secrets. You must require any of Your employees to successfully complete any training program(s) if We designate them as mandatory.

Item 7. Estimated Initial Investment

	LOW AMOUNT	High Amount	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial Fee (Note A)	**$35,000.00**	**$35,000.00**	**Lump Sum**	**$35,000.00 due in full at signing**	**Us**

				of franchise agreement.	
Travel & Living Expenses While Attending Initial Training	$300.00	$1500.00	As Incurred	Before, During & After Training	Vendors, Airlines, Hotels, Car Rental Companies, etc.
Real Estate Improvements (Note B)	$500.00	$4,500.00	As agreed with Landlord or Mortgage Lender	As Arranged	Landlord or Mortgage Lender
Rent & Security Deposit (3 Months)	$6,000.00	$10,000.00	As agreed with Landlord	As Arranged	Landlord
Leasehold Improvements (Note C)	$0.00	$2,000.00	As Incurred	As Arranged	Landlord, Lender or Contractor(s) and Vendors
Equipment (Note D)	$1,500.00	$6,500.00	As Incurred	As Arranged	Vendors, Leasing Cos or Lender
Furniture, Office Equipment & Software	$500.00	$2,500.00	As Incurred	As Arranged	Vendors, Leasing Cos or Lender
Signs	$500.00	$2,600.00	As Arranged	As Arranged	Us, Vendors, Leasing Cos or Lender
Licenses	$200.00	$500.00	Lump Sum	Before Opening	State, County, City
Grand Opening (Note E)	$1,000.00	$3000.00	As Incurred within first 90 days	As Incurred within first 90 days	Us & Vendors
Marketing (3 months) (Note E)	$500.00	$5,000.00	As Arranged; See Item 6.	As Arranged; See Item 6.	Us, Advertising Media Vendors
Insurance (Note F)	$1,200.00	$2,200.00	As Arranged	As Arranged	Insurance Companies
Legal and Accounting Fees (Note H)	$2,000.00	$4,000.00	As Incurred	As Incurred	Your Lawyer and Accountant
Opening Inventory of Supplies	$9,000.00	$16,000.00	As Arranged	As Arranged	Us and Vendors
Additional Funds (3 months) (Note I)	$4,000.00	$13,000.00	As Incurred	As Incurred	Employees, Vendors, Utilities, Taxing Agencies, Etc.

Total	**$62, 200.00**	**$108,300.00**			

Notes Regarding Initial Investment:

Note A: Initial Fee.

This fee is non-refundable.

Note B: Real Estate Rental.

You must obtain and maintain a retail showroom and sufficient warehouse space that meets our requirements. If You already lease or own Premises, You should review Your lease or purchase documents to evaluate the cost of real estate rental. If not, lease situations will vary in rental amounts, lease terms, amount of space required, tenant improvements required, security deposit and advance rental required. Location is a very major factor in the amount of rent required. You may elect to own Your own Premises, in which case it is not possible for Us to estimate the cost because of the wide variations in price and financing options. If You rent real estate for the Premises, You may be liable for the entire term of the lease whether or not You succeed in the Licensed Business. You should consult Your lease documents and your attorney. We do not select your location, However, we must approve it to make sure the location is in compliance with our minimum standards.

Note C: Leasehold Improvements

If You already lease or own Premises, You should review Your lease or purchase documents to evaluate the cost of real estate leasehold improvements. If not, lease situations will vary in rental amounts, lease terms, amount of space required and tenant improvements required. Size, configuration and landlord requirements will be major factors in cost. Some landlords finance leasehold improvements by amortizing them over the lease term and charging a higher rental amount to cover the cost. You should attempt to determine Your costs and financing options before deciding on Premises.

Even if You are taking over or continuing in an existing **Tile Liquidators** Premises or another existing facility, We may require that You remodel, redecorate or make other changes to the Premises to comply with Our specifications, at Your cost.

You must maintain the Premises, at Your expense, including furniture, fixtures, interior and exterior paint and landscaping, in accordance with the Our specifications.

Note D: Equipment.

If You are buying a fully equipped outlet from Us the cost of mandatory equipment will be within this range. If You purchase from another franchisee or if you elect to acquire Your mandatory equipment from other sources, it may cost more. We are not obligated to offer your business on a fully equipped basis.

Some new franchisees will have existing businesses and will already have some of the equipment they will need. This may or may not be Your situation. However, even if You have an existing Tile Liquidators business that is fully equipped, You may need additional or different equipment if You are expanding Your operations or to comply with Our standards.

If You lease the equipment, that may increase Your monthly fixed expenses. If You borrow money to purchase the equipment, that may increase Your monthly fixed expenses.

Note E: Grand Opening.

We recommend a "grand opening" appropriate for Your community, competitive situation and similar factors. The cost of a grand opening will depend on the types of marketing media available, the cost of marketing space or time and the local competitive situation. We estimate that You can accomplish an adequate grand opening for between $1,000.00 and $3,000.00.

Note F: Advertising.

We recommend that you spend a minimum of $500.00 per month on local marketing.

Note G: Insurance.

We require You to purchase and maintain, at Your expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability assumed under this Agreement. Such insurance shall be on an occurrence basis and shall consist of combined single limit coverage of at least one million dollars per occurrence/two million dollars annual aggregate. If you have employees, You must purchase and maintain worker's compensation and employer's liability insurance with a reputable insurer acceptable to Us or with a state agency. You must provide Us with one or more certificates of insurance evidencing such coverages and naming Us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverages under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to Us. Upon Our request You must provide Us with a true copy of any insurance policy, including all endorsements. Every insurance policy must provide that coverage is primary/non-contributory. Every insurance policy must be with an insurance company that meets Our criteria as set forth in the Manual.

Workers Compensation and employers liability insurance are included in the estimate.

Note H: Legal and Accounting.

You may need an attorney to assist and advise You in setting up Your business organization and reviewing contract documents. This estimate does not include any ongoing needs for legal services in connection with relationships with customers or vendors. You may also need accounting services to help set up your processes and provide tax advice.

Note I: Additional Funds.

This estimates Your initial start up expenses. You may have to use some of these additional funds to pay for Our Management Assistance if you request from us extraordinary management or support services during the early stages of your Licensed Business. In addition, these estimates include payroll costs and various service costs such as utilities. These estimates do not include owner compensation or return on investment. These figures are estimates and We cannot guarantee that You will not have additional expenses starting the business. Your costs will depend on factors such as; how closely You follow Our methods and procedures; Your management skill, experience and business acumen; local economic conditions; the local market for the products and services You offer; the prevailing wage rate; competition; and the sales level You reach during the initial period.

Going Concern Value Not Included.

If You purchase an existing operating **Tile Liquidators** business from Us or from another franchisee, You should expect to pay, in addition to the estimated initial investment, an amount representing the fair market going concern value of the business. That value might exceed the estimated initial investment. Any purchase of existing business assets and goodwill would be under a separate agreement negotiated between You and the seller.

No Financing.

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

No Refunds.

We will not refund any of the payments You make except as provided in Item 5, above.

Item 8. Restrictions on Sources of Products and Services

You must purchase from Us or a supplier We approve certain equipment, supplies and inventory necessary to start or operate your Tile Liquidators. As to other equipment, supplies and inventory, You may purchase them from the vendor(s) of Your choice, but the item(s) must meet Our specifications. We issue specifications in writing and incorporate them in the Manual. These specifications include quality, accuracy, preparation, installation, application, delivery, performance, design and appearance. In some instances, You must purchase items that comply with Our reasonable subjective determination of whether they meet the standards and comport with the **Tile Liquidators** image. If We have not provided specifications, You may purchase any items that reasonably meet the requirements of the Licensed Business.

You must purchase from Us or a vendor We approve all items used to start or operate Your business that contain or bear the Marks. We and Our affiliate, **Tile Liquidators LLC** are currently the only approved vendors for the initial equipment package. We or our designated vendor(s) will make a wholesale profit consistent with industry standards. All items that You purchase from approved suppliers must meet Our specifications. This includes advertising and marketing materials, forms, and promotional items. In addition, You must purchase the signs used to identify the Licensed Business(s) and Premises from a vendor We approve.

We publish a list of approved vendors and order procedures in the Manual. We may approve other vendors if You request it in writing or if a vendor requests it and if the vendor demonstrates to Our satisfaction that it is financially stable and can provide product(s) or service(s) that meet Our specifications and that are consistent with Our image. We may charge a reasonable fee to cover Our costs in evaluating a proposed vendor. We will give you a good faith estimate of our cost of evaluating a proposed vendor within a reasonable time after you make the request, but before we begin the evaluation process. We will normally make Our decision within sixty days. We reserve the right to disapprove any previously approved vendor whose performance falls below Our standards. We will make any approvals of new vendors or revoke approval of vendors in writing and will incorporate Our decision in the Manual.

During the fiscal year covered by Our Audited Financial Statements (Attachment A), neither We nor our affiliate derived any revenue from vendors based on required purchases or leases by franchisees made in accordance with Our specifications. Because of common industry practices, we expect to receive rebates, discounts and allowances from some vendors with whom you do business. We will place such monies in a separate fund to cover the cost of franchisee conferences and conventions and franchisee incentive programs. We will make a reasonable attempt to administer the funds in a way that is fair and equitable. We anticipate that such rebates, discounts and allowances may range from zero percent to as high as fifteen percent of the amount of your purchase of certain items. We expect the amount and availability to vary from time to time based upon factors outside our control. We will prepare an annual unaudited accounting of the amount of monies received and their application by general category and will provide You with a copy upon written request.

Please review Item 11 for information regarding computer hardware and software You must purchase or license.

We may negotiate purchase arrangements with suppliers for Your benefit in the future. Except as described in this Item, We do not currently provide any material benefits to You based upon Your use of designated or approved sources except that You know that We have confidence that the designated or approved vendor can perform to Our specifications.

We estimate that Your purchases of goods and services from approved sources will represent approximately 90 to 100% of Your overall purchases in operating the Licensed Business.

We estimate that Your purchases of goods and services in accordance with specifications will represent approximately 90 to 100% of Your total purchases in connection with establishing Your Licensed Business and approximately 90 to 100% of Your total purchases in connection with operating Your Licensed Business.

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 FRANCHISE DISCLOSURE DOCUMENT.

Obligation	Section in Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	Articles 1, 6, 9, 12, 15, 17, Exhibits A, B, & E	Items 5, 8, 9, 11, 12, & 17 Attachment B, Exhibits A, B & E Attachment B,
b. Pre-opening purchases/leases	Articles 1, 6, 7, & 8 Exhibits A, B, C & D	Items 5, 6, 7, 8, 9 & 17 Attachment B, Exhibits A, B, C & D Attachment B,
c. Site development and other pre-opening requirements	Articles 1, 2, 4, 6, 7, 8, 11, 15 & 17, Exhibits A, B, C & D	Items 5, 6, 9, 11, 12 & 17 Attachment B, Exhibits A, B, C & D Attachment B,
d. Initial and ongoing training	Articles 1, 4, 5, 6, 7, 9, 11, 12, 13, 15 & 20	Items 5, 6, 7, 8, 9, 11, 14, 15 & 17
e. Opening	Articles 1, 2, 4, 6, 7, 8, 11, 12, 19, Exhibits A, B, C, D, E, F, G, I & K	Items 5, 6, 7, 8, 9, 11, 12, 16, 17, 22, Attachment B, Exhibits A, B, C, D, E, F, G, I & K
f. Fees	Articles 2, 3, 4, 5, 7, 9, 11, 12, 17, 18, 20 (if applicable)	Items 5, 6, 7, 8, 9, 10, 17, Attachment B, Attachment B, (if applicable)
g. Compliance with standards and policies/Operating Manual	Articles 1, 2, 3, 4, 5, 6, 7, 11, 12, 13 & 15 & Exhibits C & D	Items 8, 9, 12, 13, 16, 17, Attachment B, Exhibits C & D
h. Trademarks and proprietary information	Articles 1, 2, 5, 6, 7, 11, 15, 16, 17, 18 (if applicable) & Exhibits A, B, D, F, G, I & L (if applicable)	Items 1, 2, 8, 9, 11, 12, 13, 14, 16, 17, Attachment B, Exhibits A, B, D, F, G, I & L (if applicable)

Obligation	Section in Agreement	Item in Franchise Disclosure Document
i. Restrictions on products/services	Articles 1 & 7 & Exhibit D	Items 1, 8, 9, 12, 13, 14, 16 & 17 & Attachment B, Exhibit D
j. Warranty and customer service requirements	Articles 1, 2, 3, 4, 5, 7, 8 & 15,	Items 1, 8, 9, 12, 13, 14, 15, 16 & 17
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	Articles 4, 5, 7 & 15, Exhibits C & D	Items 6, 8, 9, 16, & 17, Attachment B, Exhibits C & D
m. Maintenance, appearance and remodeling requirements	Articles 1, 6, 7, 9, 11, 12, 15, 16 & 17, Exhibits A, C & D	Items 6, 7, 9, 13, 15, 16 & 17, Attachment B, Exhibits A, C & D
n. Insurance	Articles 8 & 15	Items 7, 9 & 17
o. Marketing	Articles 1, 2, 3, 6, 7, & 15	Items 7, 8, 9, 13, 14, 16, 17 & 18
p. Indemnification	Articles 8, 11 & 15	Items 7, 9 & 17
q. Owner's participation/management/staffing	Articles 4, 5, 7, 11, 13, 15 & 17, Exhibits G & I	Items 7, 8, 9, 12, 13, 15, 16, & 17, Attachment B, Exhibits G & I
r. Records/reports	Articles 3, 7, 8, 12 & 15	Items 8, 9, 15 & 17
s. Inspections/audits	Articles 3, 7, & 15	Items 6, 8, 9, 16 & 17
t. Transfer	Articles 1, 6, 7, 11, 12, 13, 14, 15, 16, 17 & 18 (if applicable)	Items 6, 9, 13, 14 & 17
u. Renewal	Articles 9, 10 & 15	Items 6, 9 & 17
v. Post-termination obligations	Articles 5, 8, 10, 13, 14, 15, 16, 17 & 18 (if applicable)	Items 6, 9, 13, 14 & 17
w. Non-competition covenants	Articles 1, 5, 7, 11, 15, 16 17 & 18 (if applicable)	Items 9, 13, 14 & 17
x. Dispute resolution	Article 19	Items 9 & 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

Pre-opening Obligations.

Except as listed below, We need not provide any assistance to You.

Before You open Your Licensed Business, We will:

1. License you to use our Marks and System in connection with your Licensed Business (Franchise Agreement - Article 1);
2. Designate Your Territory (Franchise Agreement - Article 1);
3. Review and approve or disapprove Your selected business Premises (Franchise Agreement - Articles 1 & 7) as follows:

    a. You are responsible for securing a location. Although We will provide You with any information We have about available locations, You should independently evaluate the proposed location. We do not own Premises and rent them to You.
    b. You are responsible for complying with all local ordinances and building permits and to obtain any required permits.
    c. We require You to maintain and repair the Premises and equipment. We may require You to replace equipment to comply with Our current specifications and image every three years.
    d. You must obtain and install the required equipment, signs, fixtures and supplies from approved suppliers. Please refer to Item 8 for more information.
    e. The factors We will consider in reviewing any proposed site will be unique to that site. However, we will generally consider such factors as: demographics of the surrounding area; the type of nearby development; zoning; physical characteristics of the proposed site; the status of nearby competition; the economics of the proposed site; and access issues. No one factor or combination of factors will be determinative in every case.
    f. If you do not secure a location that We can reasonably approve within 180 days (or any extension We agree to) You will forfeit Your Initial Fee. We are interested in locations, not forfeitures, so if You are making a reasonably diligent effort to secure a good location, We would ordinarily expect to agree to reasonable extensions. We expect you to communicate with us about your efforts.

4. Loan You one or more operations manuals ("the Manual") (Franchise Agreement - Article 1); and
5. Provide initial training for You and one manager, if applicable, as follows:

Subject	Time Begun	Instructional Material	Hours of Classroom Training*	Hours of On The Job Training*	Instructor*
Orientation to **Tile Liquidators**	Before Opening	Manual, Lecture, Slides	2	NA	Doug Disney/Matthew Murphy

Subject	Time Begun	Instructional Material	Hours of Classroom Training*	Hours of On The Job Training*	Instructor*
Objectives of **Tile Liquidators**	Before Opening	Manual, Lecture, Slides	2	NA	Doug Disney/Matthew Murphy
New Office Development	Before Opening	Manual, Lecture, Slides	1	NA	Doug Disney/Matthew Murphy
Service Overview	Before Opening	Manual, Lecture, Slides	2	NA	Doug Disney/Matthew Murphy
Operations	Before Opening	Manual, Lecture, Slides	5	21	Doug Disney/Matthew Murphy
Support Systems & Computer Systems	Before Opening	Manual, Lecture, Slides	5	NA	Doug Disney/Matthew Murphy
Sales	Before Opening	Manual, Lecture, Slides	3	NA	Doug Disney/Matthew Murphy
Marketing & Advertising	Before Opening	Manual, Lecture, Slides	2	NA	Doug Disney/Matthew Murphy
People Management	Before Opening	Manual, Lecture, Slides	1	NA	Doug Disney/Matthew Murphy
Tours/Vendor Introduction	Before Opening	Manual, Lecture, Slides	5	NA	Doug Disney/Matthew Murphy/Vendors
Certification Testing, Graduation & Send-off	Before Opening	Manual, Lecture, Slides	2	NA	Doug Disney/Matthew Murphy

* All times are approximate and We may adjust them based upon Your experience and rate of learning. Although the person(s) indicated will coordinate and be responsible for training, they may bring in other appropriate persons to actually conduct the training or some portion of it.

We do not charge for the initial training for You or Your manger (initial training for a total of three people is included in Your Initial Fee), but You must pay the travel and living expenses for You and Your employee(s). All training occurs at Our **Sacramento**, **CA** training center and at one or more operating **Tile Liquidators** business(es). We will decide whether You successfully complete the initial training program based upon knowledge test results and Our observations of Your ability to use the knowledge effectively.

Doug Disney has over 20 years of experience in the tile industry including the owning and operating of tile stores and two tile related franchise systems. Matt Murphy began working at the original Tile Liquidators store in 2017. In 2019, he began working for us in training and franchise sales.

Obligations after opening, We will:

1. Take any actions We deem appropriate to protect or defend the Marks or System (Franchise Agreement - Article 1);

2. Loan You one or more operations manuals ("the Manual"), which contains specifications and mandatory and suggested standards and procedures. This manual is confidential and remains Our property. We will modify this manual, but the modifications will not alter Your status and rights under the Franchise Agreement. (Franchise Agreement - Article 1). Attachment D includes a copy of the Manual's table of contents. The Manual currently contains approximately 40 pages.

3. Collect and manage funds received as rebates, discounts and allowances from vendors you do business with (Franchise Agreement – Article 2); and

4. Provide a periodic training program for Your manager(s) and for certain other employees, at Our regular charge for the training (Franchise Agreement - Articles 4 & 5). Please refer to Item 6 for information regarding the frequency and number of training programs We may require You to participate in.

After You open the Licensed Business, We expect to be in regular contact with You to discuss Your operation of the Licensed Business and to generally be of assistance. We plan to provide additional on-going training for You and Your manager(s) and employees at Our usual charges. The Agreement does not obligate Us to provide such services, however.

You may not engage in sales through alternative distribution channels or the Internet without Our prior written approval. We are not required to give You such approval. (Franchise Agreement – Article 1)

We currently do not have an advisory council. If We form or approve an advisory council, You must participate. Any advisory council would not have decision-making power. It would be advisory only. We have the right to form, change or dissolve any advisory council.

Advertising

We do not have a national advertising fund and we are not required to provide any national advertising. We suggest that you spend approximately three percent (3%) of your gross revenues on advertising but there is not requirement.

Time To Open

The typical length of time between when You sign the Agreement or pay the initial franchise fee and the time when Your Licensed Business opens will generally be three to six months. The factors affecting this length of time include the time necessary for You to obtain Premises and equipment, schedule Your initial training, and hire and train any necessary employees. There may be unusual circumstances in which, because of delays, construction schedules and other events beyond Our control it takes longer than six months. On the other hand, it could be less than three months.

Training

Before opening Your Licensed Business, You and Your manager or sales staff, must successfully complete Our initial training program. We will decide whether You successfully complete the initial training program based upon knowledge test results and Our observations of Your ability to use the knowledge effectively. We will ordinarily schedule the initial training program so that You will complete the pre-opening portions no more than 60 days before the scheduled opening of Your Licensed Business. You are responsible for all salaries, compensation and travel related expenses of persons receiving training, both initial training and on-going training. For further information regarding expenses related to the initial training, please review again Item 6.

Training will be conducted by Doug Disney, Matthew Murphy and various vendors.

Computer Software

We require You to use certain computer equipment and software. You may select any computer hardware that meets or exceeds Our current minimum requirements. You are responsible to maintain and repair Your hardware and to update or upgrade Your software. We may recommend or require additional hardware. We may require You to purchase specified point of sale or register equipment and software and/or portable hand-held devices. We currently require You to use the following computer hardware and software:
Notes:

1. We do not provide any support for computer hardware, "Proprietary Software" operated on computer systems.
2. The **Tile Liquidators** current software program is Quick books 2020 or newer. We require your software is updated to the newest version at least every 4 years. This will keep all franchisees on similar platforms which will assist in training and developing our own reports and systems within Quick books.

Item 12. Territory

We will grant You a geographic territory ("Territory") which will be a five (5) mile radius from Your approved location. If You are not in breach of the Agreement, We will not locate or open a competitive business under the Marks and using the System in Your Territory, either company-owned or franchised, during the term of the Agreement. You are permitted to operate the Franchised Business only at one location. There are no restrictions on where customers may come from.

We reserve the right to sell products through the Internet using the Tile Liquidators trade name or trademarks including within Your Territory. You may not market your goods and services over the Internet or through other alternative distribution methods without our prior written approval.

The Agreement allows modification of Your Territory only upon the written agreement of You and Us.

Except as described above, We and Our affiliate(s) will not establish other franchised or company-owned **Tile Liquidators** offices within Your Territory. Except as described above, We will not alter Your Territory. Your continued Territory rights are not affected by your sales volume, market penetration or any other contingency.

Item 13. Trademarks

We give You the right to use the name "**Tile Liquidators®**" and other trade names, trademarks, service marks, trade dress and logos We currently use or which We may adopt or approve (the "Marks") in the Licensed Business. You must follow Our rules when You use the Marks. You may only use the Marks exactly as We specify. You may not use any of the Marks in connection with the offer or sale of any unauthorized product or service.

We own the right to use the name and service mark "**Tile Liquidators®**"

Principal Register federal registration of the Mark. Reg # 5,180,503 Registered April 11, 2017 by the United States Patent and Trademark Office has issued to

There are no presently active determinations of the Patent Office, the Trade Mark Administrator of any state or any court, any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Marks that is relevant to Your ability to use the Marks in connection with the Licensed Business.

There are no agreements that significantly limit Our rights to use or license You to use the Marks in any manner material to the Licensed Business.

You must inform Us if You become aware of any misuse or misappropriation of the Marks or anything confusingly similar. You may not start any litigation relating to the wrongful use of the Marks without Our prior written approval. We may take whatever action We deem appropriate to protect or defend the Marks or System, but We need not take any action.

If a third party sues You claiming that You are infringing the trademark or trade name of the third party by using the Marks, You must inform Us immediately. We will indemnify You as to that claim only and have the right to control the litigation.

It may become necessary in Our sole discretion, because of trademark litigation, a decision of the Patent and Trademark Office, or otherwise, to change the Marks. In that event, You must immediately adopt the new or revised Marks and Our maximum liability, including for any purported goodwill, is to reimburse You for the actual out-of-pocket costs of changing the principal signs identifying Your Premises.

We do not know of any person claiming or having superior rights to any of the Marks or of any infringing uses of the Marks that could materially affect Your use of the Marks.

Item 14. Patents, Copyrights and Proprietary Information

We do not currently own any patents. We have copyrighted and will continue to copyright the Manual and revisions of all Manuals and Handbooks and construction plans loaned to You, and all training materials We provide or sell to You and Your employees. We have not registered any copyrights, but may in the future.

The Manual(s), the contents of each, and certain other information We will provide to You, including certain recipes and annual reports on marketing funds expenditures, if required, are all confidential trade secrets. All information We provide to You or which You develop in the course of performing under the Franchise Agreement which is not generally available to the public and which a competitor might find valuable are trade secrets. If we designate something as a "Trade Secret", You must treat it as a Trade Secret whether or not it would otherwise meet any definition of "Trade Secret". You are responsible for protecting all trade secrets and You cannot transfer them or sell them to anyone at any time. You must require Managers and other employees who have access to Trade Secrets to comply with Your obligations under the Franchise Agreement to protect Our Trade Secrets.

Item 15. Obligation to Participate in the Operation of the Franchised Business

You must either devote Your full time and effort to managing and operating the Licensed Business or delegate its management or operation to a responsible person. You must reserve and exercise ultimate authority and responsibility over operation and management of the Licensed Business. If You delegate management and operation to a manager, the manager must first successfully complete Our initial training program within sixty days after assuming the role of manager. If You are a corporation or other entity, each owner must personally guaranty the Agreement and the entity must designate a competent manager. We do not require the designated manager to be an equity owner of the franchised business. You must require each manager and employee to whom You disclose our trade secrets to be subject to the trade secrets section of the Franchise Agreement (Franchise Agreement – Article 5). You must require every manager and employee with access to trade secrets to sign a confidentiality agreement. The current form of confidentiality agreement is Exhibit G to the Franchise Agreement.

Item 16. Restrictions on What the Franchisee May Sell

You may offer for sale only products we approve, from the provided vendors we have established. You will offer residential and commercial Ceramic, Porcelain, Natural Stone, Granite counter-tops, laminate, LVT, Hardwood flooring, tools, setting materials and related products under Our Marks and following Our System and of a type, quality and variety consistent with the **Tile Liquidators** image. You must obtain Your supplies and equipment from suppliers We select or approve. We have sole discretion in determining what constitutes the **Tile Liquidators** image. The image is constantly evolving as markets change and evolve. You may not engage in sales through alternative distribution channels or the Internet without Our prior written approval. We are not required to give You such approval.

We may change the System or any part of the System at any time, and as changed it will remain the System. We own any improvements or changes in the System whether We, You or other franchisees develop them and have the right to adopt and perfect such improvements or changes without compensating You. If We modify the System, You must, at Your own expense, adopt and use the modification(s) as if they were part of the System at the time You signed the Agreement. There are no restrictions on Our right to modify the types of goods and services You will offer except that We will remain primarily a seller of residential and commercial Ceramic, Porcelain, Natural Stone, Granite Counter-tops, Laminate, LVT, Hardwood Flooring, tools, setting materials and related products.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

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

	Provision	Section in Franchise Agreement	Summary
a.	Term of the Franchise	Article 1	15 years.
b.	Renewal or extension of the term	Article 9	If You are in good standing and We continue the franchise system in Your area, We may permit You to renew for another term under the then-current agreement, which may be materially different than the agreement We are now offering.
c.	Requirements for You to renew or extend	Article 9	Franchisees may be asked to sign a new contract with materially different terms than their original contract. You must be in good standing with Us, sign new agreement, update to current showroom standards, give 12 months notice and pay a fee of not more than 1/2 of the then-current Initial Fee.
d.	Termination by You	None	You have no unilateral right to terminate the franchise
e.	Termination by Franchisor without cause	None	
f.	Termination by Franchisor with cause	Article 15	We may terminate only for cause. We may, in lieu of terminating your franchise, terminate your territorial rights and leave your franchise in full force and effect; however, terminating Your territorial rights does not limit Our rights thereafter to terminate your franchise for the same or a different cause.
g.	"Cause" defined--defaults which can be cured	Article 15	You have 72 hours to cure: failure to pay Us or Our affiliate or another **Tile Liquidators** franchisee; unauthorized assignment; abandonment (even if unintentional); You become insolvent; failure to pay any taxes before delinquent; sublicensing of Marks; impasse among owners of Franchise; violation of any law or rule (including any health codes, rules or regulations); conviction of a felony; failure to operate properly using the Marks; unethical or dishonest business dealings; failure to maintain insurance; failure to timely deliver estoppel certificate; or termination of any other agreement between You and Us for cause. You have 30 days to cure any breach of the Agreement for which the Agreement does not specify a shorter period.

	Provision	Section in Franchise Agreement	Summary
h.	"Cause" defined--defaults which cannot be cured	Article 15	Non-curable defaults: repeated defaults, even if cured; You are adjudged bankrupt; assignment for benefit of creditors; abandonment of business; convicted or plead guilty to violating law relating to Licensed Business.
i.	Your obligations on termination/nonrenewal	Articles 16 & 17	No further use of Marks, telephone numbers, telephone listings, computer software, trade secrets or the Manual; certain notification obligations; payment of sums due to Us; We have option to lease or assume lease for Your Premises; sign document(s) to transfer telephone numbers; continuing royalties on pending sales, if any; and We have option to purchase any part of Your business assets. If We elect to assume Your lease and to operate a **Tile Liquidators** business from Your Premises, You must cooperate in a changeover procedure, including notifying the landlord of the change of tenant, conducting an inventory, permitting Us to use Your furniture, fixtures and equipment for up to 60 days, and permitting Us to communicate directly with Your employees, vendors and customers in order to facilitate a smooth transition.
j.	Assignment of contract by Franchisor	Articles 12, 14 & 21	No restriction on Our right to assign except that if Our assignee assumes all of Our obligations to You then We are free of further liability to You.
k.	"Transfer" by You--definition	Articles 11, 12, 13 & 14	Includes any assignment, transfer, sale, sublease or encumbrance of the Agreement, the Franchise, the assets of Your business, the Premises, or of any ownership interest in the Franchisee if You are a corporation, partnership or limited liability company or other form of Entity.
l.	Franchisor's approval of transfer by franchisee	Articles 11, 12, 13 & 14	Franchisor has the right to approve or disapprove all transfers.

	Provision	Section in Franchise Agreement	Summary
m.	Conditions for Franchisor's approval of transfer	Articles 11, 12, 13 & 14	You are current in all fees to Us; You are not in material breach of the Agreement; You have paid all debts of Your business; new Franchisee signs release of claims against Us for representations You made; You sign a mutual termination and release of the Agreement; We receive transfer fee ($2500); new Franchisee signs the then-current form of Agreement (except preserving Your financial terms for balance of Your term); new Franchisee qualifies; new Franchisee successfully completes initial training program; new Franchisee obtains rights to Your Premises lease, if applicable; and We receive 30 day right of first refusal. The fee to transfer to an entity with identical ownership is $500.
n.	Franchisor's right of first refusal to acquire Your business	Article 12 & 17	We may match any offer for Your business.
o.	Franchisor's option to purchase Your business	Article 17	On termination, We may purchase any part of Your business at the fair market value of the tangible personal property purchased.
p.	Your death or disability	Articles 12 & 13	Your heirs or personal representative must, within 90 days, either (i) request the right to continue to operate the business, subject to Article 13 of the Agreement except that no transfer fee will be payable, or (ii) sell the Licensed Business to a third party, subject to Article 13 of the Agreement. If We deny a request to continue to operate the business, the 90 days to sell begins on the date of Our denial. The same applies if You become disabled as defined in Article 14 of the Agreement.
q.	Non-competition covenants during the term of the franchise	Article 16	No involvement in any competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires . This provision may not be enforceable under California law	Articles 16 & 18 (if applicable)	For 24 months, You must not compete with Us within 20 miles of the boundaries of Your Territory, solicit or divert any of Our customers or vendors or customers or vendors of any other franchisee, disclose any trade secrets, or solicit or hire any of Our employees, former employees or franchisees. For 24 months, You will not be employed by or in business with any person or entity that does any of those things.
s.	Modification of the agreement	Article 21	Only by written agreement; We may modify Manual at any time.
t.	Integration/merger clause	Article 21	Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.

	Provision	Section in Franchise Agreement	Summary
u.	Dispute resolution by arbitration or mediation	Article 19	Except for actions for the sole purpose of collecting unpaid monies, including franchise fees, royalties or to enforce trademark or trade secret rights and covenants against competition, We will settle all disputes with You by Arbitration, which will only occur after the parties try informally to resolve the dispute and participate in mediation.
v.	Choice of forum	Articles 19 & 21	Disputes are to be submitted to Arbitration in Sacramento, **CA**, with the exceptions of actions for the sole purpose of collecting unpaid franchise fees and royalties or enforcing Our rights in the Marks, trade secrets and covenants against competition which shall be brought in Your local jurisdiction.
w.	Choice of law	Article 21	The law of the state where Your Licensed Business is located applies.

Item 18. Public Figures

We do not currently 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 information that differs from that included in Item 19 may only be given if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Doug Disney, **Tile Liquidators**, 9912 Business Park Drive Ste. 140, Sacramento, Ca 95827 (916) 801-8453, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20. Outlets and Franchisee Information

Systemwide Outlet Summary

For years 2019 to 2021

Table 1

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	2	+2
	2020	2	4	+2
	2021	4	7	+3
Company-Owned	2019	1	1	0
	2020	1	1	0
	2021	1	0	-1
Total Outlets	2019	1	3	+2
	2020	3	5	+2
	2021	5	7	+2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)

For years 2019 to 2021
Table 2

States	Year	Number of Transfers
California	2019	0
	2020	0
	2021	0
Arizona, Texas, Utah	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Status of Franchised Outlets

For Years 2019 to 2021
Table 3

State	Year	Outlets at Start of Year	Outlets Opened	Terminated	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Nevada	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
California	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	0
	2021	1	3	0	0	0	0	4
Arizona	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	1	0
Utah	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Texas	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	1	0
Totals	2019	0	2	0	0	0	0	2
	2020	0	3	0	0	0	0	5
	2021	0	4	0	0	0	0	7

Status of Company-Owned Outlets

For Years 2019 to 2021
Table 4

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	1	0
Totals	2019	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1

Projected Openings as of December 31, 2021
Table 5

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
CA	10	4	0
Utah	1	2	0
Idaho	0	2	0
Nevada	1	2	0
Oregon	0	2	0
Arizona	0	3	0
New Mexico	0	1	0
Tennessee	0	2	0
North Carolina	1	2	0
Georgia	0	2	0
South Carolina	0	2	0
Texas	0	2	0
TOTAL	**13**	**26**	**0**

A list with the name, address and current business telephone number of Our franchisees is attached as Exhibit "C".

No Tile Liquidators franchisee signed confidentiality clauses in the last three fiscal years.

There are no Tile Liquidators trademark specific franchisee organizations associated with the franchise being offered

The following franchisees left the system within the previous fiscal year:

Mike Adams, 3110 N. 5th Ave., Phoenix, CA 85017, (602) 585-8728
David Webb,15502 Hwy 3, Unit 103, Webster, TX 77598 (512) 565-6067

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

Item 21. Financial Statements

Attachment A contains a copy of our audited financial statements for our fiscal years ending December 31, 2020 and December 31, 2021.

Item 22. Contracts

We urge You to read all of the contracts and agreements carefully. This Franchise Disclosure Document cannot possibly contain all of the terms of the various agreements. It is important that You understand all of those terms. We have attached the following contracts and agreements:

Attachment B - Franchise Agreement

with:

Exhibit A, Location of Licensed Business
Exhibit B, Deleted
Exhibit C, Required Equipment;
Exhibit D, Items Pursuant to Specifications
Exhibit E, Lease Conditional Assignment Agreement
Exhibit F, Assignment of Telephone Numbers
Exhibit G, Trade Secrets and Confidentiality Agreement

Attachment H – Application

Attachment I - Release

Item 23. Receipt

A receipt for this Franchise Disclosure Document is attached at the end of this document. You must remove one copy, sign it and return it to Us.

State Effective Dates

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

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

State	Effective Date
California	

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.

INTERNET WEBSITE NOTICE

OUR WEBSITE IS LOCATED AT TILELIQUIDATORS.US

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

FRANCHISE DISCLOSURE DOCUMENT

ATTACHMENTS

Attachment A – Financial Statements

TILE LIQUIDATORS – FRANCHISOR
(A Division of Tile Liquidators, LLC)

FINANCIAL STATEMENTS
December 31, 2021 and 2020

TILE LIQUIDATORS – FRANCHISOR
(A Division of Tile Liquidators, LLC)

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INDEPENDENT AUDITOR'S REPORT

To the Member
Tile Liquidators – Franchisor
Sacramento, California

Opinion

We have audited the accompanying financial statements of Tile Liquidators – Franchisor (a Division of Tile Liquidators, LLC), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and member 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 Tile Liquidators – Franchisor (a Division of Tile Liquidators, LLC) as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tile Liquidators – Franchisor 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.

Emphasis of Matter

The accompanying financial statements were prepared to present the assets, liabilities, member equity, results of operations and cash flows of Tile Liquidators – Franchisor which have been specifically allocated to its performance of offering franchises for sale, as described in Note 2, and are not intended to be a complete presentation of Tile Liquidators, LLC's assets, liabilities, member equity, results of operations and cash flows. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tile Liquidators – Franchisor's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Propp Christenson Caniglia LLP

February 18, 2022
Roseville, California

TILE LIQUIDATORS – FRANCHISOR
(A Division of Tile Liquidators, LLC)

BALANCE SHEETS
December 31, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	$ 8,817	$ 17,703
Receivables	79,100	1,300
Total current assets	87,917	19,003
Property and equipment, net	7,473	9,773
Total assets	$ 95,390	$ 28,776

LIABILITIES AND MEMBER EQUITY

Current liabilities:		
Accounts payable	$ 3,713	$ 1,646
Accrued expenses	3,493	-
Commissions payable	3,000	-
Total current liabilities	10,206	1,646
Member equity	85,184	27,130
Total liabilities and member equity	$ 95,390	$ 28,776

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

TILE LIQUIDATORS – FRANCHISOR
(A Division of Tile Liquidators, LLC)

STATEMENTS OF OPERATIONS AND MEMBER EQUITY
For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenue:		
Franchise revenue	$ 256,500	$ 56,000
Royalty revenue	58,500	16,201
Total sales	315,000	72,201
Expenses:		
Advertising and marketing	58,349	22,787
Depreciation	2,300	1,727
Franchise fees	1,950	-
Insurance fees	9,194	-
Legal and professional	15,401	8,432
Office and administrative	20,723	1,979
Personnel costs	110,587	23,801
Repairs and maintenance	1,500	-
Travel	26,119	5,084
Utility fees	60	-
Total expenses	246,183	63,810
Operating income	68,817	8,391
Other income (expense):		
Other expense	(997)	-
Other income	234	-
Total other income (expense)	(763)	-
Net income	68,054	8,391
Member's equity, beginning of period	27,130	21,410
Distributions	(10,000)	(5,000)
Contributions	-	2,329
Member's equity, end of period	$ 85,184	$ 27,130

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

TILE LIQUIDATORS – FRANCHISOR
(A Division of Tile Liquidators, LLC)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	$ 68,054	$ 8,391
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,300	1,727
Changes in operating assets and liabilities:		
Receivables	(77,800)	(1,300)
Inventory	-	6
Accounts payable	2,067	(860)
Commissions payable	3,000	-
Accrued expenses	3,493	-
Net cash provided by operating activities	1,114	7,964
Cash flows from investing activities:		
Purchases of property and equipment	-	(11,500)
Cash flows from financing activities:		
Contributions	-	2,329
Distributions	(10,000)	(5,000)
Net cash used in financing activities	(10,000)	(2,671)
Net decrease in cash	(8,886)	(6,207)
Cash and cash equivalents, beginning of period	17,703	23,910
Cash and cash equivalents, end of period	$ 8,817	$ 17,703

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

TILE LIQUIDATORS – FRANCHISOR
(A Division of Tile Liquidators, LLC)

NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1: NATURE OF BUSINESS

Tile Liquidators – Franchisor (the "Division"), a division of Tile Liquidators, LLC (the "Company") was formed in the State of California on October 30, 2019 for the purpose of offering franchises for sale. The franchises are sold primarily to domestic franchisees that are in the business of selling residential and commercial ceramic, porcelain, natural stone, and granite counter-tops and flooring; hardwood, laminate, and vinyl flooring; and tools, setting materials, and related products.

The Division has sold a total of fourteen and four franchises as of December 31, 2021 and 2020, respectively.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements are prepared on a going concern basis using the accrual method of accounting.

Basis of Presentation
The Division has prepared the accompanying financial statements to present the assets, liabilities and member equity, results of operations and cash flows which have been specifically allocated to its performance of offering franchises for sale. The accompanying financial statements do not provide a complete presentation of all of Tile Liquidators, LLC's assets, liabilities, member equity, results of operations, and cash flows.

Cash and Cash Equivalents
The Division considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable
Accounts receivable are stated at the amount the Company expects to collect from balances outstanding at year end. There was no allowance for doubtful accounts for the years ended December 31, 2021 and 2020.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation. The Company provides for depreciation over the estimated useful lives of the assets using accelerated and straight-line methods. The estimated lives of these assets range from 5 to 7 years for vehicles, equipment and furniture and fixtures. Maintenance and repairs are charged to expenses as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Revenue Recognition for Franchise, Royalty, and Other Fees
The Division recognizes revenue from contracts in accordance with the provisions and practical expedients of Financial Accounting Standards Board Accounting Standards Codification Topic 952-606, *Franchisors - Revenue from Contracts with Customers* (FASB ASC 952-606), as updated by Accounting Standards Update No. 2021-02. The guidelines for recognizing and measuring revenue consist of identifying the contracted services, identifying and separating performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations, and recognizing revenue when (or as) each distinct performance obligation is satisfied. The completion of a franchise contract includes the following performance obligations: pre-opening assistance, which includes providing operations manuals and training necessary to open the franchise; and post-opening assistance, which includes licensing and marketing.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition for Franchise, Royalty, and Other Fees (Continued)
The initial franchise fee is considered compensation for the distinct performance obligations within pre-opening assistance and is recognized, with an appropriate provision for any estimated uncollectible amounts, when all material services or conditions relating to the obligations have been substantially performed or satisfied by the Division. Royalty and other fees are considered compensation for the post-opening assistance obligation and are recognized periodically, as the fees become earned and are receivable from the franchisee with an appropriate provision for any estimated uncollectible amounts. Recognizing revenue as performance obligations are satisfied utilizes the output method of accounting. The Division does not have obligations for returns, refunds, or warranties. Judgements that could significantly affect the determination of the amount and timing of revenue from contracts are stipulated in the individual contracts. No revenue will be recognized in situations where it is probable that a significant reversal will occur.

Franchising Costs
Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred.

Advertising
The Division expenses advertising costs as they are incurred.

Income Taxes
The Company has been organized as a limited liability company in the State of California. For federal and state income tax purposes, the Company is treated as partnership and all items of income and expense flow through to the individual members. The Company is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

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

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through February 18, 2022, the date that the financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Division maintains its cash account in a single commercial bank which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents did not exceed federally insured limits at December 31, 2021 and 2020. The Division has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Division operates in California. Virtually all of its revenue will be from franchise fees and royalties from franchisees in the business of selling residential and commercial ceramic, porcelain, natural stone, and granite counter-tops and flooring; hardwood, laminate, and vinyl flooring; and tools, setting materials, and related products.

NOTE 4: RISKS AND UNCERTANTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The disruption is currently expected to be temporary, but there is considerable uncertainty around the duration. The Division expects this matter may have a continuing impact on its operating environment. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE 5: RELATED PARTY TRANSACTIONS

The member of the Company and its Division is a seventy five percent (75%) shareholder in Palm Tile & Stone Gallery, which is a retail tile and tile supplier business that also provides design assistance. The remaining twenty five percent (25%) is owned by a related party of the member. There have not been any transactions between the Division and Palm Tile & Stone Gallery.

The franchisees are not obligated to purchase inventory from the related entities and may purchase inventory anywhere.

Attachment B – Franchise Agreement

FRANCHISE AGREEMENT

April 2022

TILE LIQUIDATORS

TILE LIQUIDATORS

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TILE LIQUIDATORS

Chapter 1 - Franchise Agreement

Franchise Agreement No.: _____

DATED: _____ ("Effective Date")

BETWEEN: **Tile Liquidators LLC** ("Franchisor")

AND: _____("Franchisee")

_____

_____

TERRITORY:

RECITALS

WHEREAS Franchisor has developed a unique system for buying, selling and marketing residential and commercial ceramic & porcelain tile, natural stone, countertops, laminate, LVT, hardwood flooring & related products operating under the Marks and using the System (hereinafter the "System");

WHEREAS Franchisor owns the trade name "**Tile Liquidators**" and related logos and marks and trade dress as more fully described in this Agreement (hereinafter the "Marks");

WHEREAS, as between Franchisor and Franchisee, Franchisor is the sole and exclusive owner of all goodwill associated with and to become associated with the Marks, the value of which Franchisee acknowledges;

WHEREAS Franchisee recognizes the advantages and value of the System and Marks and desires to obtain a license for a "**Tile Liquidators**" business (hereinafter the "Licensed Business");

WHEREAS Franchisee recognizes the necessity and value of maintaining high standards and uniformity of appearance, image, products, services and customer relations in conformity with the System as Franchisor may reasonably modify it from time to time;

WHEREAS Franchisee is aware of the risks, business and otherwise, associated with owning a **Tile Liquidators** Licensed Business and has independently evaluated those risks without relying upon any representations from Franchisor or Franchisor's agents regarding revenues, profits or probability of success, excepting only those representations and accompanying cautions contained in Franchisor's Franchise Disclosure Document—revenues, profits or probability of success being affected primarily by factors beyond Franchisor's control, including Franchisee's skill, personality, diligence and dedication and general regional or local economic or demographic conditions; and

WHEREAS, Franchisor, in reliance upon Franchisee's representations, is willing to provide certain training and other services and to grant a license, but only on the terms of this Agreement, which terms Franchisee understands and accepts and both parties acknowledge to be reasonable and material;

NOW THEREFORE, for and in consideration of the mutual covenants herein set forth, and other good and valuable consideration, the receipt and sufficiency of which each party hereby acknowledges, and each party fully intending to be legally bound hereby, Franchisor and Franchisee mutually agree as follows:

Article 1 - License And System

1.01 Grant Of License.

1.01.01 Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive license to operate a retail store front at one (1) location using the System and Marks for a period of fifteen (15) years from and after the Effective Date of this Agreement, said retail storefront to be located only at the location specified in Exhibit A hereto, or at such other location within the Territory as Franchisor may approve in writing. Franchisee, based upon Franchisee's own research and knowledge, shall select a location within 180 days after signing this Agreement and that location shall be accurately stated in Exhibit A. This Agreement shall terminate upon expiration or termination of Franchisee's lease (a) upon Franchisee's written election; or (b) upon Franchisor's election if Franchisee does not obtain an acceptable lease at an approved location at least (90) days before expiration of Franchisee's lease. Franchisee shall not move Franchisee's retail storefront without Franchisor's prior written approval.

1.02 Location And Territory.

1.02.01 Except as specifically permitted by this Agreement, Franchisee's **Tile Liquidators** retail storefront shall be the only **Tile Liquidators** retail storefront to operate within a five (5) mile radius of Franchisee's approved location (the "Territory"). Franchisor will not locate or open a competitive **Tile Liquidators** office in the Territory, either company-owned or franchised, during the term of this Agreement, so long as Franchisee is not in breach of this Agreement. However, there shall be no geographic restrictions upon where customers may come from for any **Tile Liquidators** office, company-owned or franchised.

1.02.02 Exclusions from Territory. Online sales are excluded from Franchisee's **Tile Liquidators** Territory. Franchisor shall have the right, directly or indirectly, to sell and distribute goods and services, including those normally offered by Franchisee and using the Marks, without compensation to Franchisee or any other franchisee(s). Franchisor may, directly, indirectly, offer products and services online under the same or a different trade name or trademark, including within Franchisee's Territory. Franchisor shall have no obligation to share any revenues from alternative distribution activities with Franchisee. Without limiting the foregoing, Franchisee shall not, without Franchisor's prior written approval, which approval may be withheld for any reason whatsoever, use the Marks or any part of the Marks or anything similar to the Marks as part of a domain name or in any other manner in connection with any commerce on the Internet or similar media. Franchisee shall not use the Marks in or market through alternative distribution methods without Franchisor's prior written approval, which approval may be withheld for any reason whatsoever.

1.02.03 Modifications of Territory. The parties agree that the Territory shall not be modified except upon the written agreement of the parties.

1.03 Licensed Business.

1.03.01 The term "Licensed Business" means a business in which the Franchisee engages in the business of selling ceramic & porcelain tile, natural stone, countertops, laminate, LVT, hardwood flooring and related products . Franchisee will provide these services to both residential and commercial customers, operating under the Marks and using the System (hereinafter the "System"). Franchisor shall have the right to add or delete or change product and service offerings at any time and Franchisee agrees to comply with such changes.

1.04 System And Marks.

1.04.01 Franchisee agrees to operate the Licensed Business only according to the System and only under the Marks pursuant to the Manual. Franchisee acknowledges that Franchisor owns all rights to the System and the Marks and Franchisee has only such rights as this Agreement grants. For purposes of this Agreement, the "System" includes the rights and obligations set forth in this Agreement, the Operating Manual furnished to the Franchisee as amended from time to time, Franchisor's name, training, formulas, methods of operation, reputation, advertising, system and similar benefits pursuant to which the Franchisee operates the Licensed Business. Franchisor's unique trade dress is part of the Marks.

1.04.02 Unless otherwise first approved by Franchisor in writing or unless otherwise required by applicable law, Franchisee agrees to do business only under the name "**Tile Liquidators** ". Franchisee shall not use the Marks in any manner not specifically approved by Franchisor, including, without limitation, as part of any domain

name or other address on any portion of the Internet or any new medium, including as part of any meta tag(s) or similar use.

1.04.03 Franchisee shall immediately notify Franchisor, in writing, if Franchisee learns of any attempt by any person to infringe the Marks or to wrongfully appropriate the System or any part of it. Franchisor may, in its sole discretion, take whatever action it deems appropriate to protect or defend the Marks or System but is not obligated to take any action whatsoever. Franchisee agrees to fully cooperate with Franchisor in any action anticipated by or taken by or on behalf of Franchisor. Franchisee understands that it may become necessary, in Franchisor's sole discretion, to change, totally or in part, the Marks, as a result of litigation or otherwise. In that event, Franchisee agrees to immediately adopt the new or revised Marks, and Franchisor's maximum liability, including for any purported goodwill, shall be to reimburse Franchisee the actual out-of-pocket costs of changing the principal signs identifying the Premises.

1.04.04 Franchisor may change the System or any part of the System at any time, and as changed it shall remain the System pursuant to this Agreement. Franchisor shall own any improvements or changes in the System whether developed by Franchisor, by Franchisee or by other franchisee(s) and shall have the right to adopt and perfect such improvements or changes without compensation to Franchisee or other franchisees. If Franchisor modifies the System, Franchisee shall, at Franchisee's own expense except to the extent specifically provided in this Agreement, adopt and use such modification(s) as if it were part of the System at the time of execution of this Agreement.

1.04.05 Franchisee agrees to operate no other business whatsoever, including coin-operated devices, in or about the Premises of the Licensed Business or otherwise in connection with the System or Marks without first obtaining Franchisor's written approval; provided that, Franchisee may provide any service(s) or product(s) permitted according to the Manual. Franchisee acknowledges that Franchisor owns, in connection with the Marks, all goodwill associated with or to become associated with the telephone numbers and telephone listings and agrees to execute an Assignment of Telephone Numbers in the form of Exhibit F, attached.

1.05 Manual.

Franchisor agrees to loan to Franchisee during the term of this Agreement one or more operations manuals (the "Manual"), together with such updates and modifications as Franchisor may from time to time provide to Franchisee. Franchisor may make any changes or modifications in the Manual as in Franchisor's sole judgment are desirable. Franchisee agrees that if there should, at any time, be a discrepancy between the terms of Franchisee's copy of the Manual and the master copy maintained in Franchisor's offices, the terms of the master copy shall prevail. Franchisee agrees, at all times, to conform to the Manual in all respects including to obtain any equipment, fixtures, personnel or technology necessary to do so. The Manual is and shall at all times remain the property of Franchisor and shall be returned to Franchisor upon expiration, termination or nonrenewal of this Agreement for any reason. Franchisee agrees not to make it available to or permit another to make any copies of the Manual or any portion thereof without Franchisor's prior written consent. Franchisee acknowledges and agrees that the fair value of the Manual is at least Five Thousand Dollars ($5,000.00).

Article 2 - Franchise Fees And Advertising

2.01 Initial Fee.

The Initial Fee for the **Tile Liquidators** Franchise is **Thirty-Five Thousand Dollars ($35,000.00).** The Initial Fee shall be paid upon execution of this Agreement. The Initial Fee is not refundable for any reason except if through no fault of Franchisee, Franchisor determines that Franchisee has not successfully completed the initial training, in which case Franchisor will refund one half of the Initial Fee. If Franchisee acquires an existing **Tile Liquidators** business from Franchisor in connection with this franchise, Franchisee will pay the fair market going concern value of the assets purchased pursuant to a separate asset purchase and sale agreement to be negotiated, in addition to the Initial Fee. If the parties are unable to reach an agreement on the purchase and sale of assets within ninety days following the date of this Agreement, either party may terminate this Agreement by giving not less than ten business days notice to the other. Termination shall be pursuant to the terms of Articles 17 and 18.

2.02 Royalties.

Franchisee shall pay to Franchisor a monthly royalty in an amount of $1,800.00 on or before the tenth (10th) day of the month. Franchisor may, at its sole option, increase the amount of the monthly royalty on an annual basis at a rate not to exceed five percent (5%) per annum. The royalties may be paid by Electronic Funds Transfer. Franchisor may, upon thirty (30) days prior written notice require Franchisee to pay Royalties by check, pre-

authorized check, electronic funds transfer or other mechanism or to pay on a different periodic basis. If Franchisee owns more than one **Tile Liquidators** franchise, Franchisee shall pay royalties for each franchise independently, unless otherwise directed by Franchisor. Past due amounts on all sums owed to Franchisor shall bear interest at the rate of one and one-half percent (1.5%) per month until paid.

2.03 National Marketing Fee. Not Applicable

2.04 Management Assistance.

In the event Franchisee requests Franchisor to provide extraordinary management or support services at Franchisee's location or in Franchisee's Territory, Franchisee shall pay Franchisor's usual fee for such extraordinary services, which shall be due and payable no later than the second date for payment of royalties following the date of the services. All such extraordinary services shall be arranged as provided in the Manual.

2.05 Gross Revenues.

The term "Gross Revenues" shall mean the full the price of all goods and services sold by Franchisee from or relating to the Licensed Business, whether or not Franchisee has received cash or other consideration. The only thing not included in Gross Revenues is taxes or fees Franchisee is required to collect on behalf of the government and which Franchisee actually remits. Gross Revenues are calculated at the time Franchisee sells the goods or services, without regard to when the Franchisee receives or expects to receive cash or other consideration therefore.

2.06 Local Marketing.

It is suggested that Franchisee spend, on a monthly basis, not less than the greater of: (a) three percent (3%) of Gross Revenues or (b) Five Hundred Dollars ($500.00) on local and cooperative marketing.

2.06.01 Local Marketing. In addition to complying with any specific marketing requirements of Franchisor, Franchisee shall place and pay for such other marketing as Franchisee deems necessary and appropriate. Franchisee shall be responsible to assure that all marketing so placed complies with the Manual and serves to enhance and not detract from or harm the Marks and the goodwill attached and to become attached thereto. Franchisee shall promptly send to Franchisor copies of all marketing copy and media used. In the event Franchisor deems any advertisement or marketing technique to be not in compliance with this paragraph, Franchisee shall, immediately upon receipt of a written notice from Franchisor, cease using the subject advertisement or marketing technique and shall thereafter fully comply with this paragraph. If Franchisee violates this paragraph more than two times in any twelve-month period, Franchisor may, in addition to all other remedies available pursuant to this Agreement, require Franchisee to obtain prior written approval of copy and marketing technique for all or certain categories of marketing.

2.07 Grand Opening.

Franchisee shall, within six months after the date that Franchisee is open for business, publicize and conduct a grand opening consistent with Franchisor's guidelines. The grand opening shall be appropriate for Franchisee's territory, location, community, competitive environment and similar factors.

2.08 Rebates, Discounts and Allowances.

Franchisee authorizes Franchisor to collect all available rebates, discounts and allowances (RDA) from vendors or others with whom Franchisee does business, provided that, in Franchisor's reasonable business judgment, it is appropriate to collect them. Franchisor shall place all collected RDAs in either the National Marketing fund or in a separate account and shall apply all such funds for purposes of subsidizing the cost of franchisee conventions, meetings and incentive programs. Franchisee authorizes Franchisor to commingle Franchisee's RDA funds with those received on account of business conducted by other franchisees. Franchisor is authorized to pay from the collected RDA funds any taxes and assessments payable on account of having received the funds and a reasonable portion of the administrative and marketing costs of securing, managing and disbursing such funds. Franchisor will provide an un-audited annual accounting as to the aggregate amount of RDA funds collected and their use and application by general category, which accounting will be prepared within ninety days following the end of Franchisor's fiscal year and will be provided to Franchisee upon written request. Franchisee acknowledges and agrees that each such accounting is a Trade Secret and shall be treated as such according to this Agreement. Except as herein specifically provided, Franchisee waives all compliance with the Uniform Trust Accounting Act and related or similar laws to the broadest extent permitted by law.

Article 3 - Records and Inspections

3.01 Records.

Franchisee shall at all times maintain true and accurate business records as required by law. Franchisee shall retain all business records for at least five (5) years or such longer period of time as may be required by applicable law.

3.02 Inspections.

Franchisor shall have the right, at any time, to enter the Premises (either physically or electronically) for purposes of verifying compliance with the terms and conditions of this Agreement.

3.03 Contact With Others.

Franchisor shall have the right, in Franchisor's sole discretion and without further notice to Franchisee or to any other person or entity, to contact any of Franchisee's customers, landlord, accountant, vendors, or other persons within Franchisee's Territory or otherwise for the purpose of quality assurance or for any other purpose not inconsistent with this Agreement.

Article 4 - Training

4.01 Initial Training.

4.01.01 As a condition subsequent to this Agreement, Franchisee and Franchisee's designated manager, if applicable, shall successfully complete Franchisor's initial training program. The initial training program will be approximately 20 to 30 hours in length and shall be conducted at such location(s) as Franchisor specifies. The initial training may be conducted, in whole or in part, in an existing **Tile Liquidators** Licensed Business owned by Franchisor, an affiliate of Franchisor or another franchisee. Franchisee shall be responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. After the initial training, Franchisor will be available for such reasonable consultation as Franchisor deems appropriate. Franchisor reserves to itself the exclusive right to determine whether Franchisee and other trainees have satisfactorily completed the training program. If Franchisee and Franchisee's designated manager, if applicable, do not satisfactorily complete the initial training program, Franchisor may terminate this Agreement. Franchisee acknowledges that such failure to satisfactorily complete the initial training program is grounds for termination of this Agreement.

4.02 Manager Training.

At all times, Franchisee or Franchisee's manager in charge of operating the Licensed Business shall be an individual who has successfully completed Franchisor's manager training program and who otherwise meets Franchisor's manager criteria. Any new manager shall successfully complete Franchisor's manager training program within 60 days after assuming the role of manager. Unless otherwise agreed in writing by Franchisor, Franchisee or Franchisee's manager(s) shall bear the reasonable cost of training additional managers after the first manager trained. In all cases, Franchisee shall be solely responsible for any salaries, compensation, benefits and living and travel expenses of trainees.

4.03 Employee Training.

At all times, Franchisee shall employ only persons who have successfully completed Franchisor's training program. Franchisee shall pay Franchisor's or a third party's usual fee(s) for such mandatory training. Franchisee shall, in any event, be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees.

4.04 Subsequent Training.

Franchisor may require Franchisee and Franchisee's manager and employees to complete additional training at a location determined in Franchisor's sole discretion. Franchisee shall pay Franchisor's usual fee(s) for such mandatory training. Franchisee shall, in any event, be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees.

4.05 Training Materials.

Franchisor may, from time to time, provide or make available to Franchisee training materials and equipment for providing training for Franchisee's manager(s) and employees. Franchisor may charge a reasonable fee for such materials and equipment. Franchisee agrees that all such materials are Trade Secrets pursuant to this

Agreement. Franchisee agrees to require all of its managers and employees, as applicable, to successfully complete any such training program(s) if Franchisor designates them as mandatory.

4.05 No Warranty of Success.

Franchisor's determination that Franchisee or Franchisee's employee(s) have successfully completed any training shall not be a warranty or representation that the person can or will successfully operate the Licensed Business or any aspect thereof.

Article 5 - Trade Secrets And Confidentiality

Franchisee will have access during the course of this Agreement to Trade Secrets that are the property of Franchisor. Trade Secrets include, but are not limited to, the System, the Manual, formulas, methods, customer lists and related information, vendor and pricing lists and policies, the Training, and other programs, techniques and policies as they may be developed by Franchisor from time to time. Franchisee acknowledges that the Trade Secrets derive independent economic value from not being generally known to, and not readily ascertainable by proper means by, other persons who could obtain economic value from their disclosure or use. Franchisee agrees to not disclose or in any way make available to any unauthorized person(s) any Trade Secret(s) or any information regarding any Trade Secret(s) or any proprietary information made available to Franchisee by Franchisor. Franchisee shall hold all such information in complete confidence. Franchisee will not disclose any Trade Secrets whatsoever to any person(s) not employed by or under contract with Franchisee. Franchisee will disclose Trade Secrets only to those employees and agents of Franchisee with a legitimate need to know, each of whom Franchisee warrants will be subject to this article. Franchisee shall cause every manager and every employee who has access to Trade Secrets to sign a Confidentiality and Nondisclosure Agreement in the form prescribed by Franchisor, the current form of which is Exhibit G hereto. Franchisee agrees that Franchisor shall have sole discretion in determining what items or information are Trade Secrets and that any items or information designated Trade Secrets by Franchisor in the Manual or otherwise in writing shall be treated as Trade Secrets under this Agreement whether or not such items or information would be trade secrets under any other applicable legal or other definition(s), including any applicable statutes. In addition to all other remedies available to Franchisor, upon proof of violation of this Article by Franchisee, Franchisee agrees that Franchisor shall be entitled to liquidated damages in an amount equal to the greater of: (a) the monthly Royalty Fees paid or payable by Franchisee during the preceding twelve months, multiplied by the number of weeks, or portion thereof, during which Franchisee was in violation of this Article or (b) one hundred percent of the gross revenues received or receivable by Franchisee or any transferee of any Trade Secrets during every day, or portion thereof, during which Franchisee was in violation of this Article. Franchisee acknowledges and agrees that, in the event of Franchisee's violation of this Article, proof of actual damages would be difficult and that the formula for calculating liquidated damages contained herein is a reasonable estimate of what actual damages would be. The foregoing formula does not result in a penalty.

Article 6 - Pre-Opening Obligations

6.01 Premises And Lease.

6.01.01 Franchisee shall be solely responsible for selecting the location for the Licensed Business that complies with the Manual (hereinafter "the Premises"). Franchisee, within 180 days after signing this Agreement, shall select a location, subject to Franchisor's approval. Franchisor will attempt to provide to Franchisee any information in its possession regarding the Premises, proposed Premises and any known alternative Premises within Franchisee's Territory. Such information is provided by Franchisor without warranty as to its accuracy or completeness or otherwise. Franchisor has no special expertise in such matters. Franchisee shall not sign a lease, sub-lease or other obligation until after Franchisee has received Franchisor's approval of the Premises and lease or sub-lease in writing, which approval shall be deemed to have been given if Franchisor has not notified Franchisee within ten (10) business days following Franchisor's receipt from Franchisee of a copy of the proposed lease or sub-lease and such other information about the proposed Premises as Franchisor may require. Approval of the Premises or the lease or sub-lease by Franchisor does not constitute a representation or warranty by Franchisor that the Premises will be good and does not constitute a legal or other opinion as to any term of the lease or sub-lease. Franchisor may, in Franchisor's discretion, condition approval upon execution of the Lease Conditional Assignment Agreement by Franchisee and Franchisee's landlord in the form of Exhibit E, attached. If Franchisee fails to select an approved location within 180 days, Franchisor shall have the option of terminating this Agreement. Franchisee acknowledges and agrees that failure to select an approved location within 180 days is cause for Termination of this Agreement. Notwithstanding Franchisor's right to terminate for failure to select an approved location within 180 days, Franchisor will reasonably extend the selection period if Franchisee has made best efforts to select a location and for valid reasons has been unsuccessful.

6.01.02 If Franchisee requests Franchisor to send a person to Franchisee's Territory to assist in identifying, selecting or negotiating the terms of a lease or purchase of or otherwise in connection with Franchisee's selection of Premises, upon Franchisor's request, Franchisee shall arrange for appropriate transportation, hotels and meals and reasonable expenses not to exceed the current per diem rate for federal employees all at Franchisee's expense. Except for the per diem allowance, Franchisee shall pay such expenses directly to the transportation and other providers.

6.02 Specifications.

Franchisee's Licensed Business shall operate only from Premises meeting Franchisor's specifications, including appropriate office and warehouse space. Franchisee understands and agrees that, although all **Tile Liquidators** offices will follow a consistent theme, the details of their design will differ in many cases, based upon location requirements, landlord requests, and unique features of the community. Franchisor will consider Franchisee's requests for features for Franchisee's office, but is not obligated to follow those requests. Franchisee shall be obligated to update the design of Franchisee's office at Franchisee's expense not more than once every three years. Franchisee may change or update the design of Franchisee's office, subject to Franchisor's prior written approval, at any time, at Franchisee's expense. If Franchisor approves any changes in the plans or designs at Franchisee's request (or to comply with governmental codes, rules or ordinances), Franchisor shall own all rights to such plans as modified without further compensation to Franchisee or any other person. Franchisee shall sign and obtain signatures of necessary third parties on any documents requested by Franchisor to transfer any and all copyrights or other proprietary interests of any person in and to such modified plans or designs.

6.03 Appearance Of Premises.

Franchisee acknowledges that not every **Tile Liquidators** office will be required to have identical decor, color schemes and layout. Franchisee agrees to accept Franchisor's subjective evaluation as to what would keep the Premises in compliance with Franchisor's standards. Franchisee agrees, at Franchisee's sole cost and expense, to maintain the Premises, including, but not limited to equipment, displays, fixtures, and interior and exterior decor in accordance Franchisor's standards throughout the term of this Agreement.

6.04 Required Equipment

Franchisee shall acquire, install and use, at Franchisee's sole expense the Required Equipment. The current list of Required Equipment is contained in Exhibit C. Franchisee understands that the specific list of Required Equipment may be different for Franchisee's Licensed Business than for other franchisees or company-owned offices on account of differences in the Premises, lease terms, demographics or otherwise and that Franchisor shall have the right to modify the list of Required Equipment in the Manual or otherwise in writing. All Required Equipment shall meet or exceed Franchisor's specifications. Franchisee shall purchase the Required Equipment only from vendors approved by Franchisor.

Article 7 - Operation Of Licensed Business

7.01 Independent Contractor.

Each party to this Agreement is and shall remain an independent contractor and shall control the manner and means of operation of its respective business and shall exercise complete control over and responsibility for all labor relations and the conduct of its agents and employees. Neither party shall be considered or held out to be agent(s), joint ventures, partners or employee(s) of the other, except as specifically authorized by this Agreement. Neither party shall negotiate or enter into any agreement or incur any liability in the name of or on behalf of the other unless, and to the extent, specifically authorized by this Agreement. Franchisee shall prominently display signs at all times in the manner specified by Franchisor, indicating the name of the Franchisee and stating that the Licensed Business is independently owned and operated. Franchisee's business forms that bear the Marks shall contain Franchisee's name and a statement that the Licensed Business is independently owned and operated in such form as Franchisor may specify.

7.02 Personal Participation.

Throughout the term of this Agreement, Franchisee shall either devote Franchisee's full time and effort to actively managing the Licensed Business or delegate its management to a responsible person. Notwithstanding any delegation of authority hereunder, Franchisee shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the Licensed Business. If Franchisee employs a manager to run the day-to-day operations, the manager shall be required to attend and successfully complete Franchisor's training program prior to taking over full day-to-day responsibilities, at Franchisee's sole cost and expense (except for

Franchisee's first manager whom Franchisor will train at no additional charge to Franchisee -but Franchisee shall be solely responsible for all travel and living costs of trainees). Franchisee shall devote such time and effort to the Licensed Business as Franchisee determines, but shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the Licensed Business.

7.03 Retail Prices.

Franchisor may recommend prices and pricing strategies for products and services. Franchisee is obligated to follow such price recommendations to the extent such obligation is consistent with applicable law and is otherwise solely responsible for establishing franchisee's own retail prices at such levels as franchisee deems appropriate.

7.04 Compliance With Laws.

Franchisee shall be solely responsible, at Franchisee's sole cost and expense, for obtaining and maintaining all necessary or required permits and licenses in order to operate the Licensed Business. Franchisee is solely responsible for strictly complying with each and every law, ordinance and regulation applicable to the Licensed Business, including, but not limited to, licensing, health, safety, environmental, consumer and labor regulations. Franchisee shall timely pay all applicable taxes as they come due, but may challenge the amount or applicability thereof; provided, that Franchisee hereby agrees to indemnify, hold harmless and defend Franchisor from any and all liabilities for taxes based upon Franchisee's operations.

7.05 Franchisee Business Operation.

Franchisee understands and acknowledges that every detail of the System and of the operation of the Licensed Business is important to Franchisee, Franchisor and other **Tile Liquidators** franchisees in order to maintain and further develop high and uniform operating standards, to increase the demand for goods and services sold by Franchisor and all franchisees, to enhance the image of Franchisor and the Marks, and to protect Franchisor's reputation and goodwill. Therefore, Franchisee agrees that:

7.05.01 Compliance with Manual. Franchisee shall operate the Licensed Business in conformity with such uniform methods, standards and specifications as Franchisor may prescribe, in the Manual or otherwise, to insure that the highest degree of quality and service is uniformly maintained. Franchisee shall acquire and maintain, at all times, all equipment and software required by Franchisor for operation of the Licensed Business. Franchisee shall offer all of the goods and services designated by Franchisor and no others without the written consent of Franchisor, which consent Franchisor may withhold for any reason. Franchisee shall assure that all telephone calls are answered live in compliance with the Manual.

7.05.02 Image. Franchisee shall, at all times, work to protect and enhance Franchisor's image and, specifically, shall maintain employees or workers in the Licensed Business whose appearance, attire, attitude, reputation and demeanor are consistent with Franchisor's image. Franchisee acknowledges and agrees that Franchisor shall have sole discretion in determining what constitutes Franchisor's image, and further acknowledges that said image is constantly evolving as markets change and evolve.

7.05.03 Business Dealings. Franchisee shall not, at any time, engage in any business dealings in relation with the Licensed Business or the Franchise which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, the goodwill associated with the Marks, or to any customer or vendor of Franchisee.

7.05.04 Maintenance. Franchisee shall, at Franchisee's sole cost and expense, maintain the Premises, inside and out, in the highest degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including without limitation, such periodic cleaning, repainting, repairs to impaired equipment and replacement of obsolete signs and equipment as Franchisor may reasonably direct. Franchisee shall maintain all landscaping and other outside areas of the premises in an attractive and clean condition.

7.05.05 Refurbishing. At Franchisor's request, which shall not be more often than once every three (3) years, Franchisee shall replace or update the Premises at Franchisee's sole expense, to conform to the design, trade dress, color schemes and presentation of the Marks consistent with Franchisor's then-current image, including, without limitation, such internal changes and redecoration and such modifications to existing equipment as may be necessary in Franchisor's sole judgment.

7.05.06 Advisory Committees. Franchisee shall participate, at Franchisee's sole expense, in local, regional and national franchisee advisory committees or councils if established or sanctioned by Franchisor.

7.06 Restrictions On Sources Of Products And Services.

7.06.01 Specifications. As to all equipment, fixtures, supplies and inventory ("Items") necessary to operate the Licensed Business, except as otherwise specified herein, Franchisee may purchase them from the vendor of Franchisee's choice, but the Item(s) must meet Franchisor's specifications, if any. The current list of Items subject to specifications is included as Exhibit D. Franchisor reserves the right to change the list of Items that Franchisee must purchase in accordance with specifications. Franchisor reserves the right to require Franchisee to purchase only from suppliers that Franchisor has approved.

7.06.02 Items Bearing Marks and Proprietary Items. Franchisee shall purchase only from Franchisor or a supplier approved by Franchisor all Items used to start or operate the Licensed Business that contain or bear the Marks or that are proprietary to Franchisor. In addition, Franchisee shall purchase from a supplier approved by Franchisor, all signs used to identify the Licensed Business.

7.06.03 Other Suppliers. Franchisor will approve other suppliers of non-proprietary items if Franchisee or the supplier request the approval in writing and if the supplier demonstrates to the satisfaction of Franchisor that it is financially capable and can provide Item(s) or service(s) that meet Franchisor's standards and that it is willing and able to protect Franchisor's proprietary information. Franchisor may charge a reasonable fee to cover its costs in evaluating a proposed supplier. Franchisor will normally make its decision within thirty days after it receives all of the requested information and any requested samples. Franchisor reserves the right to withdraw approval of any supplier whose performance falls below Franchisor's standards.

7.06.04 Unspecified Products. Franchisee may obtain any Item used in the Licensed Business that Franchisee is not required to purchase in accordance with specifications or from an approved supplier from any source, so long as the Item is consistent with Franchisor's image. Should Franchisor later publish specifications or require use of an approved supplier, Franchisee shall comply with that requirement.

7.06.05 Inventory. Franchisee shall, at all times, maintain a sufficient inventory of Items so that the Licensed Business can operate at maximum capacity.

7.06.06 Training and Other Services. Certain services may be available to Franchisee only through Franchisor or an affiliate, including mandatory training. Franchisee will be required to pay the usual price for any of these services, unless otherwise provided in this Agreement.

7.06.07 Proprietary Items. Proprietary Items are Items that contain one or more unique characteristics or ingredients which are either not known to the general public or which are subject to protection as intellectual property or Trade Secrets, and can include packaging, trademarks or containers. Patented or patentable Items are Proprietary Items. Franchisor or its Affiliate(s) may develop Proprietary Items. Franchisor or an Affiliate will (i) manufacture, supply and sell Proprietary Items to franchisees of Franchisor, and/or (ii) disclose the formulae for and methods of preparation of the Proprietary Items to one or more supplier(s) who will be authorized by Franchisor to manufacture Proprietary Items to Franchisor's precise specifications and sell Proprietary Items to franchisees of Franchisor and/or (iii) license Franchisee to use them pursuant to this Agreement. If required, Franchisee shall purchase and use Proprietary Items from Franchisor or from supplier(s) so authorized by Franchisor. Franchisor or its Affiliate(s) will derive revenue and profits from Franchisee's purchases of any Proprietary Items. Franchisor or its Affiliate(s) may distribute Proprietary Items through alternative channels of distribution, including near Franchisee's location.

7.06.08 Proprietary Software. Franchisor will license you to use proprietary software. The Software, and any additions or modifications or further developments are and will be Trade Secrets of Franchisor. Franchisee shall comply with Franchisor's requirements and specifications regarding the Software. Franchisor will license the Software to Franchisee at its current rates. Franchisor may require Franchisee to sign a separate license agreement for some software. Franchisor or its Affiliate(s) may distribute Proprietary Software through alternative channels of distribution, including near Franchisee's location and to competitors of Franchisee.

7.07 Minimum Hours.

Franchisee shall keep the Premises open to the public at least 5 days per week. The normal hours of operation shall be from 9:00 a.m. to 5:00 p.m., every day, subject to seasonal adjustments; however, Franchisor, in its sole discretion may, from time to time specify different hours of operation. Franchisee may request different hours for good cause. The dates and hours of operation may not be the same for all Licensed Businesses or all franchisees, even in the same general area, because of local conditions. Franchisee shall have not less than ten business days to adjust to any increase in the minimum hours required by Franchisor for Franchisee's location.

7.08 Signs.

Franchisee agrees to obtain, install and maintain on the Premises and on certain vehicles used in the Licensed Business, appropriate signs bearing the Marks as specified by Franchisor. Any deviation from the required signage shall be subject to Franchisor's prior written approval.

7.09 Computer System.

Franchisee shall purchase specified computer hardware and software ("Computer System") for use in operation of the Licensed Business as required by Franchisor. In addition, Franchisee may be required, from time to time, to purchase replacement hardware or software or software upgrades, all of which Franchisee shall install and use as required by Franchisor, including, without limitation, point of sale and communications software and hardware. If required, Franchisee will install and maintain and use, at Franchisee's expense, a dedicated telephone or other data line or transmission facility as specified by Franchisor. Franchisee may obtain a Computer System and related components and services from any source as long as the equipment, software and service meets or exceeds Franchisor's specifications. Franchisee shall be solely responsible for maintenance, repair and replacement of the Computer System. Without limiting the applicability of this paragraph, Franchisee shall, at all times, use and maintain the software as required by Franchisor. Franchisee shall not block or attempt to block or limit Franchisor's access, including electronically, to any data or programs contained on Franchisee's Computer System and Franchisee shall maintain information relating to the Licensed Business only on the Computer System(s) to which Franchisor has access.

7.10 Communications Equipment and Systems.

Franchisee shall purchase and use in the Licensed Business communications equipment or systems and service as required by Franchisor and shall update or replace such equipment, systems and service as required, but Franchisor will not require replacement more than once per year. Except as otherwise required or permitted by this Agreement or by applicable law, Franchisee shall use only the communications systems designated by Franchisor in communicating with Franchisor and other franchisees relating to the Licensed Business. Franchisor shall have a proprietary interest in all communications made through any communications systems maintained or provided by Franchisor. Franchisee acknowledges that the provisions of this paragraph 7.10 are reasonable and necessary and beneficial to the **Tile Liquidators** franchise system. Franchisee shall monitor and respond to all communications in a timely manner as specified in the Manual.

7.11 Equipment Maintenance.

Franchisee shall be solely responsible, at Franchisee's cost and expense, for maintaining, repairing, and replacing, when appropriate, all equipment required, recommended or permitted pursuant to this Agreement.

7.12 Warranties.

Franchisee shall not represent to any customer or the public that Franchisor provides any warranty as to the quality of any product or service, unless Franchisor has specifically authorized such warranty in writing. If Franchisee offers any warranties, they shall be in writing and shall clearly state, both in the warranty and in any promotional or advertising materials, that the warranty is available and will be honored only by Franchisee. Franchisee hereby indemnifies, holds harmless and agrees to defend Franchisor, its related companies and all other **Tile Liquidators** franchisees from any and all claims of whatever nature arising from any such additional warranties made by Franchisee. Franchisee shall participate in and comply with any warranty program that Franchisor may adopt from time to time.

7.13 No Pirating Of Personnel.

During the term of this Agreement and for a period of two (2) years following Termination or Nonrenewal of this Agreement for any reason whatsoever, Franchisee shall not: (a) induce, or attempt to induce any employee of Franchisor, an Affiliate or of any other franchisee to leave their current employer; (b) without the prior written approval of Franchisor (which may be conditioned upon the prior written approval of another franchisee and other proper conditions) hire or associate or offer to hire or associate any employee of Franchisor, an Affiliate, or of any other franchisee; or (c) without the prior written approval of Franchisor (which may be conditioned upon the prior written approval of another franchisee and other proper conditions) hire or associate or offer to hire or associate any former employee of Franchisor, an Affiliate, or of any other franchisee, who has, voluntarily or otherwise terminated his or her relationship with Franchisor, an Affiliate, or any other franchisee during the prior eighteen (18) calendar months. The terms of this paragraph 7.13 shall survive termination or nonrenewal of this Agreement for any reason. Any waivers of this paragraph 7.13 must be in writing and signed by the Franchisor.

7.14 Marketing.

Franchisee shall, at all times, comply with the Manual in all advertising, including, but not limited to using exclusively Franchisor's toll free number when required. Franchisee shall not use television, radio or Internet advertising unless in full compliance with the Manual.

7.15 Leads and Service Area.

Except as specifically permitted by the Manual, Franchisee shall not engage in marketing outside of Franchisee's Territory. There are no restrictions on where Franchisee may provide services, provided Franchisee is in full compliance with all applicable laws, ordinances and regulations, for customers who may contact Franchisee directly. Franchisor shall make a reasonable effort to channel calls received on its toll free number(s) to the franchisee in the territory where the customer needs services. Franchisor may adopt and follow non-discriminatory policies for distributing calls and leads if Franchisee does not respond or perform in compliance with the Manual which may result in another franchisee being permitted to perform work in Franchisee's Territory.

7.16 New Developments.

Franchisor shall be the sole and exclusive owner of all new developments, including inventions, methods, products, ideas, formulas, research results, equipment, and otherwise, that Franchisee develops or has any role in developing that relate to the Licensed Business. Franchisee shall immediately disclose any and all such new developments to Franchisor and shall execute any documents necessary, in Franchisor's opinion, to consummate the transfer of all ownership rights therein. The mutual covenants of this Agreement are sufficient consideration for such transfers. Franchisor shall not, otherwise, be required to compensate Franchisee for such new developments.

7.17 Staffing Requirements.

Franchisee shall, at all times, comply with the minimum staffing requirements specified in the Manual, which shall be not less than one business manager or sales person.

Article 8 - Indemnity And Insurance

8.01 Indemnity.

Franchisee shall defend, hold harmless and indemnify Franchisor, its officers, directors, shareholders, agents, employees, landlords and related companies from any and all losses, claims, damages, liabilities, or expenses of any kind or nature, including fines, penalties, interest, attorneys' fees, and all other types of costs or expenses, arising directly or indirectly from the acts or omissions (whether or not negligent or wrongful) of Franchisee or of any of Franchisee's manager(s), employees or agents in connection with the performance or breach of any obligation under this Agreement. Franchisor shall indemnify and hold harmless Franchisee, its officers, directors and shareholders from any losses, claims, damages, liabilities or expenses of any kind or nature, arising from the wrongful acts or omissions of Franchisor in connection with the performance or breach of any obligation under this Agreement.

8.02 Insurance.

Franchisee shall purchase and maintain, at Franchisee's expense, throughout the term of this Agreement, commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability assumed under this Agreement. Such insurance shall be on an occurrence basis and shall consist of combined single limit coverage of at least one million dollars per occurrence/two million dollars annual aggregate. Franchise shall purchase and maintain professional liability (errors and omissions) insurance with coverage of at least $1,000,000 per occurrence/annual aggregate. Franchisee shall purchase and maintain worker's compensation and employer's liability insurance with a reputable insurer acceptable to Franchisor or with a state agency. Franchisee shall provide Franchisor with one or more certificates of insurance evidencing such coverage's and naming Franchisor as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverages under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to Franchisor. Upon request by Franchisor, Franchisee shall provide Franchisor with a true copy of any insurance policy, including all endorsements. Every insurance policy of Franchisee required by this Agreement shall provide that coverage is primary/non-contributory. Every insurance policy shall be with an insurance company that meets Franchisor's criteria as set forth in the Manual.

Article 9 - Renewal

9.01 Conditions Of Renewal.

After expiration of the term of this Agreement, if Franchisor has made a business decision, in Franchisor's sole discretion, to continue the **Tile Liquidators** Franchise System in Franchisee's area, Franchisee will be permitted to renew Franchisee's Franchise Agreement, but only upon the following terms and conditions:

9.01.01 Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies and must not have made more than two late payments within the last three years for which Franchisor gave written notice(s) of breach, which notice(s) were not withdrawn by Franchisor;

9.01.02 Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Franchisee and must have substantially complied with the operating standards and other criteria contained in the Manual or otherwise communicated in writing by Franchisor;

9.01.03 Franchisee shall pay a renewal fee as established at the time by Franchisor, but which shall be not more than 50% of the then-current Initial Fee, payable in full at the time of execution of the Franchise Agreement referred to in sub-paragraph 9.01.04;

9.01.04 Franchisee shall execute the then current form of Franchise Agreement, which may differ in material ways that are not reasonably foreseeable at this time, but may include material differences in territorial boundaries and economic terms, including the amount of royalties or entirely new categories of fees or mandatory expense;

9.01.05 Franchisee must maintain possession of the Premises identified in Exhibit A for the renewal term or obtain substitute premises approved by Franchisor;

9.01.06 Franchisee, at Franchisee's sole cost and expense, shall remodel or refurbish the Premises and otherwise modernize and renovate the Premises, signs and equipment to be consistent with the then current image of the System and to meet Franchisor's then current specifications;

9.01.07 Franchisee shall give written Notice to Franchisor at least thirteen months, but not more than eighteen months, prior to the end of the term of this Agreement of Franchisee's desire to renew; and

9.01.08 Franchisee must not, during the preceding term, have engaged in any business dealings in relation with the Licensed Business or the Franchisee which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, any other franchisee, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee, Franchisor or of another franchisee.

Article 10 - Continuation

If, following the termination or expiration of this Agreement for any reason, whether voluntary or involuntary, Franchisee continues to operate the Licensed Business or occupy the Premises with the express or implied consent of Franchisor, but without a renewal franchise agreement, such continuation shall constitute a month-to-month extension of this Agreement and shall be terminable by either party upon the lesser of (a) thirty (30) days written notice or (b) such shorter notice by Franchisor as would otherwise be applicable in a termination for cause. Franchisee acknowledges and agrees that such continuation shall be good cause for termination of this Agreement. Both parties shall continue to be subject to all terms of this Agreement during any such continuation period.

Article 11 - Entity Franchisee

11.01 Entity Definition.

An "Entity" is any form of business organization except for a sole proprietorship and includes all kinds of corporations, limited liability companies, limited partnerships and general partnerships and any other form of business organization involving either multiple equity owners or which attempts to provide limited liability.

11.02 Founding Document Restriction.

If Franchisee is an Entity or becomes an Entity or if Franchisee transfers Franchisee's interest under this Agreement or any interest in the Licensed Business to an Entity, the founding document(s) of the Entity must provide as follows:

> This [insert type of Entity] shall not enter into any agreement or undertaking which would, directly or indirectly, limit any of the rights or obligations of the [insert type of Entity] or of any

owner of the [insert type of entity] under the **Tile Liquidators** Franchise Agreement dated _____, _____. Any such agreement or undertaking is void.

11.03 Change In Owner(s).

Any change in or addition of equity or other owner(s) shall be subject to the Assignment and Death and Incapacity provisions of this Agreement.

11.04 Restriction On Certificates Of Ownership.

Each and every document, if any, issued by any Entity franchisee evidencing ownership of an equity or other interest in the Entity must provide as follows:

> Ownership of this [insert type of Entity] is restricted and cannot be transferred, assigned, sold or encumbered except in strict compliance with the **Tile Liquidators** Franchise Agreement dated _____, ____. Any other transfer or attempted transfer is void.

11.05 Additional Requirements Of Entity Franchisee.

Franchisee shall, upon Franchisor's request, provide Franchisor or its designee with true copies of such of Franchisee's Entity records and documents as Franchisor shall designate. An Entity Franchisee shall, at all times, have one individual person who shall be the designated principal who shall have authority to act on behalf of the Entity in all respects under this Agreement. The designated principal shall be the individual who is responsible for assuring compliance by the Entity with all of the terms of this Agreement. Notwithstanding the requirement of a designated principal, Franchisor shall be entitled to rely upon the acts or words of any principal, employee or agent of an Entity Franchisee whom Franchisor understands to be acting or speaking on behalf of the Entity.

Article 12 - Assignment Or Transfer

12.01 Prior Consent.

Franchisee shall not assign, transfer, sell, sublease, sublicense or encumber (hereinafter collectively referred to as "Assign" or "Assignment"), in whole or in part this Agreement, the Franchisee, the Licensed Business, any option or first right of refusal relating to this Agreement, the Franchisee or the Licensed Business, the assets of the Licensed Business or the leasehold of the Licensed Business or represent to any person that such an Assignment has been made without Franchisor's prior written approval. For purposes of this Paragraph 12.01, the terms "Assign" or "Assignment" shall include any assignment, transfer, sale or encumbrance of any shares of stock of a Franchisee that is a corporation, any partnership interest of a Franchisee that is a partnership, any membership interest of a Franchisee that is a limited liability company, and any equity or ownership interest or rights in any other form of entity. Any attempted Assignment without Franchisor's prior written consent shall be void and a breach of this Agreement.

12.02 Conditions Of Assignment.

As preconditions for obtaining Franchisor's consent to an Assignment, at least the following terms and conditions must be met:

12.02.01 Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies;

12.02.02 Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Franchisee;

12.02.03 Franchisee must have paid in full all debts in connection with the Licensed Business;

12.02.04 The assignee must have agreed to assume all of the obligations of the Licensed Business;

12.02.05 The assignee must execute a disclosure form containing a waiver and release of any claim against Franchisor for any amount(s) paid to, or representation(s) made by Franchisee or any omission by Franchisee to disclose facts, material or otherwise;

12.02.06 Franchisee must execute, at Franchisor's option, a mutual termination of this Agreement and a general release, or an assignment of this Agreement and a general release, and an agreement to defend, hold harmless and indemnify Franchisor from any claim by the assignee in form specified by Franchisor;

12.02.07 The assignee must pay to Franchisor a Transfer Fee in the amount of Two Thousand, Five Hundred Dollars ($2,500) and execute, at Franchisor's option, the then current form of Franchise Agreement or an

assumption of this Agreement (in any event providing for the same royalty as contained herein, for the balance of the term hereof);

12.02.08 The assignee must, in the sole opinion of Franchisor, successfully complete the then current initial training program at the assignee's sole cost and expense;

12.02.09 The assignee must have met the then current standards of Franchisor for experience, financial strength, reputation and character required of new or renewal Franchisees;

12.02.10 The assignee must obtain such approvals as may be required to assume occupancy and possession and the continuing obligations relating to the lease or possession of the Premises, unless a new location has been approved in writing by Franchisor; and

12.02.11 Franchisor must have been given at least thirty (30) business days written first right of refusal by Franchisee, upon the same terms as those agreed upon by Franchisee with any proposed assignee; provided, however, Franchisor may substitute cash of equivalent value for any non-cash term. In the event Franchisor waives or fails to exercise its right of first refusal, if Franchisee thereafter agrees to accept a revised offer, regardless of the nature of the revision, Franchisor shall have a new right of first refusal hereunder on the new terms.

12.03 Assignment To An Entity.

Notwithstanding the foregoing, if Franchisee is an individual, Franchisee may assign this Agreement to an Entity, as defined in Article 11, formed under the laws of the state where the Licensed Business is located, which is wholly owned by Franchisee; provided that the individual Franchisee shall first provide written notice of the assignment to Franchisor and shall personally guarantee the performance of this Agreement. If Franchisee is an Entity, Franchisee may assign this Agreement to another Entity, formed under the laws of the state where the Licensed Business is located, of the same or different form, which has exactly the same ownership, including percentages of ownership as Franchisee. No assignment under this paragraph shall change or limit the liability of any person or entity under this Agreement. Franchisee shall pay to Franchisor a processing fee of five hundred dollars ($500.00) for an assignment pursuant to this paragraph 12.03.

12.04 Approval Process.

Franchisor may use its own discretion in approving or rejecting prospective transferees in the same manner as if it was approving or rejecting any other new prospective franchisee, taking into consideration such factors as their financial ability, character, business reputation, experience and capability to conduct the type of business involved. The approval of one Assignment does not obligate Franchisor to approve any other or subsequent Assignment. If Franchisee is an Entity, notwithstanding any statute or agreement to the contrary, the addition, withdrawal or expulsion of any equity or other owner or the transfer, encumbrance or assignment of any equity or ownership or control interest of any equity or other owner or the dissolution or reorganization of the Entity for any reason is subject to the same considerations as any other Assignment.

12.05 Transfer By Franchisor.

There shall be no restriction upon Franchisor's right to encumber, transfer or assign this Agreement or the System. Following such a transfer or assignment, Franchisor shall have no further obligation or liability to Franchisee hereunder or otherwise so long as the assignee or transferee agrees to assume all of Franchisor's liabilities and obligations to Franchisee. Upon Franchisor's request, Franchisee shall execute and deliver a certificate to Franchisor, as described in Paragraph 21.05, in connection with an anticipated transfer or financing procedure by Franchisor. Franchisee agrees to accept any transferee of Franchisor, including any sub franchisor and perform for such transferee the same as for Franchisor.

12.06 No Sublicensing.

Franchisee shall not, directly or indirectly, sublicense or attempt to sublicense the Marks or the System or any part thereof to any person or entity for any purpose. Any attempted or purported sublicense shall be void.

Article 13 - Death Or Incapacity

13.01 Alternatives Upon Death Or Incapacity.

In the event of the death or incapacity of an individual franchisee, or of any individual equity or other owner of an Entity franchisee, the heirs, beneficiaries, devisees or legal representatives of said individual shall, within ninety (90) days of such event:

13.01.01 Apply to Franchisor for the right to continue to operate the franchise and the Licensed Business for the duration of the term of this Agreement and any renewals hereof, which right to continue to operate will be granted upon the fulfillment of all of the conditions set forth in Article 12 of this Agreement (except that no transfer fee shall be required); or

13.01.02 Sell, transfer or convey Franchisee's interest to a third party in compliance with the provisions of Article 12 of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the ninety (90) days to sell, transfer or convey shall be computed from the date of said rejection. For purposes of this paragraph, Franchisor's silence on an application to continue to operate through the ninety (90) days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

13.02 Effect Of Failure To Comply.

In the event of the death or incapacity of an individual franchisee, or any owner of an equity or other interest in an Entity franchisee where the provisions of this Article have not been fulfilled within the time provided, all rights granted to Franchisee under this Agreement shall, at the option of Franchisor, terminate and the parties shall proceed according to and have the rights provided for in Articles 17 and 18.

13.03 Incapacity Defined.

For purposes of this Agreement, "incapacity" is the inability of Franchisee to operate or oversee the operation of the Licensed Business on a regular basis and in the usual manner by reason of any continuing physical, mental or emotional disability, chemical dependency or other similar limitation which has continued or will more likely than not continue for a period of 60 consecutive days or more. Franchisee shall advise Franchisor in writing, immediately, upon receipt of advice from any physician or other professional that Franchisee or a principal of an Entity franchisee has an incapacity. However, Franchisee's failure or inability to advise Franchisor of Franchisee's incapacity shall not limit Franchisor's rights under this sub-paragraph. Any dispute as to the existence of an incapacity as defined herein shall be resolved by majority decision of three (3) licensed medical physicians practicing in the state in which the Licensed Business is located, with each party selecting one (1) physician, and the two (2) physicians so designated selecting the third physician. The determination of the majority of the three (3) physicians shall be binding upon the parties and all costs of making said determination shall be borne by the party against whom it is made. Notwithstanding the foregoing, if any insurance company pays to the Franchisee or Franchisee's Entity any disability benefits for 60 consecutive days, or more, of disability, the Franchisor may regard that as conclusive evidence of incapacity.

Article 14 - Successors And Assigns

This Agreement shall bind and inure to the benefit of the successors, permitted transferees and assigns, personal representatives, heirs and legatees of the parties hereto.

Article 15 - Termination

Franchisor may terminate this Agreement as follows:

15.01 Franchisor may terminate this Agreement upon at least thirty days notice and opportunity to cure (or longer if required by law) if Franchisee is in breach of any term of this Agreement or of any other agreement between Franchisee and Franchisor or any affiliate of Franchisor.

15.02 Franchisor may terminate this Agreement upon at least 72 hours notice and opportunity to cure (or longer if required by law) for occurrence of any one or more of the following events (each of which Franchisee acknowledges is good cause for termination and a material breach of this Agreement), notwithstanding that Franchisor may have the option to give a longer notice and cure period pursuant to other provisions of this Agreement:

i. Franchisee fails to pay or deposit when due, and in the manner prescribed by Franchisor, any moneys owed to Franchisor or any of its related companies or to another **Tile Liquidators** franchisee;

ii. Franchisee files a voluntary petition in bankruptcy or has an involuntary petition filed against Franchisee, Franchisee makes an assignment for the benefit of creditors, or a receiver or trustee is appointed;

iii. Franchisee violates or attempts to violate any of the Assignment provisions of this Agreement;

iv. Franchisee vacates, deserts, or otherwise abandons all or any substantial portion of the Premises or equipment, or abandons the Licensed Business for more than 24 hours (whether or not Franchisee intends to abandon);

v. Franchisee sublicenses or attempts to sublicense the Marks or the System in violation of this Agreement;

vi. Franchisee is an Entity and an impasse exists between equity or other owners or there is any change in the ownership of any interest in the Entity without having first complied with the provisions of this Agreement;

vii. Franchisee fails to timely permit any inspection by or on behalf of Franchisor;

viii. Franchisee violates or fails to comply with any law, rule, regulation, ordinance or order relating to the operation of the Licensed Business (including any health codes, rules or regulations) or fails to obtain and continue any license, permit or bond necessary, in Franchisor's opinion, for Franchisee's operation of the Licensed Business;

ix. Franchisee is convicted of or pleads guilty or "Nolo Contendere" to any felony;

x. Franchisee fails to operate the Licensed Business under the Marks or fails to properly display the Marks at all times in full compliance with this Agreement and the Manual;

xi. Franchisee engages in any business dealings in relation with the Franchise, the Licensed Business or the Franchisee which are unethical, dishonest or otherwise could cause harm to the Marks, the System, Franchisor, other franchisees, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee or any other franchisee or the Franchisor;

xii. Franchisee fails or refuses to timely execute and deliver a truthful certificate pursuant to paragraph 21.05;

xiii. Franchisee fails to maintain insurance or workers compensation coverage; or

xiv. Any other agreement, including any other Franchise Agreement to which Franchisee is a party, between Franchisee and Franchisor or between Franchisee and any of Franchisor's related companies is terminated for cause.

15.03 Franchisor may terminate this Agreement without giving notice or opportunity to cure upon occurrence of any one or more of the following events (each of which Franchisee acknowledges is good cause for termination and a material breach of this Agreement), notwithstanding that Franchisor may have the option to give a longer notice and a cure period pursuant to other provisions of this Agreement:

i. Upon three willful and material breaches of the same term of this Agreement occurring within a twelve-month period;

ii. Franchisee is adjudicated a bankrupt or insolvent;

iii. Franchisee makes an assignment for the benefit of creditors or similar disposition of the assets of the Licensed Business;

iv. Franchisee voluntarily abandons the Licensed Business; or

v. Franchisee is convicted of or pleads guilty or no contest to a charge of violating any law relating to the Licensed Business.

15.04 Notwithstanding any right of Franchisor to terminate this Agreement, pursuant to this Agreement or otherwise, Franchisor may, in Franchisor's sole discretion, elect to not terminate this Agreement and to, in lieu thereof, impose limitations on Franchisee, including, but not limited to, revocation of Franchisee's Territorial rights, and revocation of Franchisee's rights to acquire or offer and sell certain products and services. Franchisor's election to not terminate this Agreement pursuant to this paragraph shall not constitute an election of remedies and Franchisor may, thereafter, terminate this Agreement on account of the same or any other event(s) of default as set forth herein.

Article 16 - Competition With Franchisor

16.01 Competing Business Activities During Term.

During the term of this Agreement, Franchisee shall not engage, directly or indirectly, either personally or as an employee, partner, member, manager, franchisor, franchisee, agent, consultant, shareholder, director, officer, advisor or otherwise, in any other business the same as or similar to that defined under "Licensed Business" herein or which is or would directly or indirectly compete with the Licensed Business or otherwise with the business of Franchisor or with any other franchisee of Franchisor. This prohibition includes, but is not limited to, any business offering and selling tile, stone, flooring, countertops and related products. Franchisee shall not operate any other business from the Premises. Franchisee shall not use nor permit to be used any Trade Secret(s) of Franchisor or the Marks or anything resembling the Marks in connection with any other business, whether or not such other business is owned, controlled by or associated with Franchisee.

16.02 Competing Business Activities After Term.

16.02.01 Franchisee covenants and agrees that, for a period of twenty-four (24) months following the effective date of any termination, expiration or non-renewal ("the Termination Date"), Franchisee will not, individually or together with another, directly or indirectly, on its own behalf or on behalf of or through any other person, sole proprietorship, or Entity, do any of the following:

a. Compete with Franchisor or any franchisee of Franchisor within a twenty mile radius of the boundary of Franchisee's designated Territory, as it existed immediately before the Termination Date, in the operation of any business offering and selling tile, stone, flooring, countertops and related products , any aspect of such Licensed Business as it exists on the Termination Date, or any business substantially similar thereto or tending to compete for the same customers as Franchisor or its Franchisees ("Prohibited Activities);

b. Solicit, take away, or divert, and/or influence or attempt to influence any customers, franchisees, vendors, clients, and/or patrons of Franchisor or of any franchisee of Franchisor, which customers, franchisees, vendors, clients, and/or patrons were served by Franchisor or a franchisee of Franchisor at any time during the four (4) years preceding the Termination Date, to transfer or divert their business or patronage from Franchisor or Franchisor's franchisee(s) to any other person or Entity engaged in the Prohibited Activities or anything similar to the Licensed Business;

c. Solicit or attempt to hire any person who was an employee of Franchisor or of any other franchisee of Franchisor during the one (1) year period ending on the Termination Date, or attempt to influence any such person to terminate his employment with Franchisor or Franchisor's franchisee(s).

16.02.02 Franchisee covenants and agrees that, at no time will Franchisee, directly or indirectly, disclose or cause or permit to be disclosed, sell, or otherwise transfer to any party other than Franchisor, including, but not limited to, a person or Entity, for or not for consideration, the Trade Secrets, or any part thereof;

16.02.03 Franchisee covenants and agrees that, for a period of twenty-four (24) months from the Termination Date, Franchisee will not, individually or together with another, directly or indirectly, through others or on its own behalf, hold any ownership or have a financial or other interest in, be employed by, or otherwise have any ownership or management relationship with, any person or Entity, either as principal, broker, member, agent, stockholder of any class, or as a partner, officer, director, trustee, franchisee, franchisor, employee, consultant, lender, guarantor, member of a board of directors or board of trustees, or in any other capacity, which does any of the following:

a. Competes with Franchisor or any franchisee of Franchisor;

b. Solicits, takes away, or diverts, and/or influences or attempts to influence any customers, clients, franchisees, vendors, and/or patrons of Franchisor or of any other franchisee of Franchisor, which customers, clients, franchisees, vendors, and/or patrons were served by Franchisor or any franchisee of Franchisor at any time during the four (4) years preceding the Termination Date, to transfer or divert their business or patronage from Franchisor or any other franchisee to any other person or Entity engaged in the Prohibited Activities or anything similar to the Licensed Business;

c. Solicits or attempts to hire any person who was an employee of Franchisor or of any other franchisee of Franchisor during the two (2) year period ending on the Termination Date, or attempts to influence any such person to terminate his employment with Franchisor or any franchisee of Franchisor.

16.02.04 Franchisee covenants and agrees that, at no time will Franchisee, directly or indirectly, through others or on its own behalf, hold any ownership or have a financial or other interest in, be employed by, or

otherwise have any ownership or management relationship with, any person or Entity, either as principal, broker, agent, stockholder of any class, or as a member, partner, officer, director, trustee, franchisee, Franchisor, employee, consultant, lender, guarantor, member of a board of directors or board of trustees, or in any other capacity, which, discloses or causes to be disclosed, sells, or otherwise transfers to any party other than Franchisor, including, but not limited to, a person, sole proprietorship, partnership, joint venture, firm, limited liability company, corporation, trust, or other Entity, for or not for consideration, the Trade Secrets, or any part thereof;

16.02.05 Franchisee acknowledges and agrees that the periods of time of this covenant and the geographical areas of restriction imposed by this covenant are fair and reasonable and are reasonably required for the protection of Franchisor and its franchisees. Franchisee would desire at least this same protection against competitive activities by another former franchisee whose franchise agreement was either expired, terminated or non-renewed. Franchisee agrees that, in the event a court or arbitrator should determine any part of this covenant to be excessively broad, unenforceable, and/or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof. Franchisee further agrees that, in the event that any of the provisions of this Agreement relating to the geographic area of restriction or the periods of time of the covenants shall be deemed to exceed the maximum area or periods of time which a court of competent jurisdiction would deem enforceable, the geographic area or periods of time shall, without further action on the part of any person, be deemed to be modified, amended and/or limited, to the maximum geographic area or time periods which a court of competent jurisdiction would deem valid and enforceable in any jurisdiction in which such court shall be convened. Any such modification shall apply only in the jurisdiction of the deciding court or in the state where the arbitrator made the decision.

16.02.06 It shall not be a violation of this Article for Franchisee to have or maintain a passive investment in stock of any publicly traded corporation, provided said stock holdings shall not exceed five percent (5%) of the issued and outstanding stock of such corporation.

16.02.07 For purposes of this Agreement, all references to Franchisor shall be deemed to include: (a) any corporation or entity which acquires all, or substantially all, of the assets of Franchisor, whether by statutory merger or otherwise, (b) any corporation, partnership, or other entity directly or indirectly controlled by or under common control with Franchisor or its successor, and (c) any sub franchisor or other assignee of Franchisor.

16.02.08 Franchisee agrees that it would be extremely difficult to prove with certainty the exact amount of damages caused to Franchisor by a violation of this Article 16 by Franchisee and therefore, Franchisee agrees that, upon proof that Franchisee violated this Article 16, Franchisor shall be entitled to liquidated damages in an amount calculated by multiplying the amount of gross revenues generated by Franchisee or a third party that benefited from the violation during the period of breach and multiplying it by 1.5. Franchisee acknowledges that this results in a reasonable estimate of what Franchisor's actual damages would be and is not a penalty.

16.02.09 Franchisee agrees that any violation of the covenants contained in this Article will cause irreparable harm to Franchisor and its other franchisees and may, as a matter of course, be restrained by process issued out of a court of competent jurisdiction, in addition to any other remedies provided by law. In the event of any action for a temporary or permanent injunction to enforce this Covenant, Franchisee hereby waives any requirement of a bond to the extent that any bond would exceed one hundred dollars. The substantially prevailing party in any such enforcement action shall be entitled to recover their attorneys fees and costs incurred therein in addition to any and all other remedies.

16.02.10 Nothing in this Article 16 shall obligate Franchisor to take action to enforce this or any other covenant against competition against any other franchisee or former franchisee. Nothing in this Article 16 shall entitle Franchisee to take any action to enforce this or any other covenant against competition against any other franchisee or former franchisee.

16.02.11 The terms of this Article 16 shall survive the termination or expiration of this Agreement for any reason.

Article 17 - Effect Of Termination

17.01 Loss Of Rights.

After the Termination Date, Franchisee shall have no further rights to use, in any manner, the System, the Marks, anything similar to the Marks, the telephone numbers, the telephone listings, any proprietary computer software, any trade secrets or the Manual. Franchisee shall immediately notify such persons as Franchisor shall reasonably require of Franchisee's loss of rights thereto. All sums of money due from Franchisee to Franchisor or to any other **Tile Liquidators** franchisee as of the Termination Date shall become immediately due and payable.

As between the parties hereto, whether or not a Lease Conditional Assignment Agreement has been signed, Franchisor or Franchisor's designee shall have the option, exercisable within sixty (60) days, to assume the lease for the Premises. If Franchisor elects to assume the lease for the Premises, pursuant to the Lease Conditional Assignment Agreement or otherwise, Franchisee agrees to cooperate in the transfer, to execute any documents which may be required for Franchisor or Franchisor's designee to assume the lease, and to otherwise take no actions which would interfere with the ability of Franchisor or it's designee to assume the said lease. Franchisee specifically agrees to execute such document(s) as may be necessary to transfer the telephone number(s) to Franchisor or Franchisor's designee. In the event Franchisee or any owner or affiliate of Franchisee owns the Premises, Franchisee agrees that Franchisor shall have the option to lease the Premises at fair market value for a term of up to ten (10) years, at Franchisor's election, such option exercisable by Franchisor within sixty (60) days following the Termination Date.

17.02 Change Of Identity.

After the Termination Date, Franchisee shall immediately refrain from holding itself out to the public in any way as a Franchisee or affiliate of Franchisor or as a former Franchisee or affiliate of Franchisor. If directed by Franchisor, Franchisee shall, at Franchisee's sole cost and expense, make or cause to be made such changes in signs, telephone numbers, buildings or structures as Franchisor may direct to distinguish the Premises from its former appearance and from other **Tile Liquidators** franchisees. If Franchisee fails to make such changes within ten (10) calendar days, then Franchisor shall have the right to enter upon the Premises, without liability for trespass or otherwise, and to make or cause to be made such changes at the expense of Franchisee, which expenses shall be paid by Franchisee upon demand. Franchisee shall immediately file the appropriate forms to abandon or withdraw any assumed name certificate or to change the name of its corporation or partnership to eliminate any reference to the System or the Marks. If Franchisee fails or refuses to cooperate with Franchisor, Franchisee hereby appoints Franchisor as its Attorney in Fact to complete the changeover. Franchisee shall immediately return to Franchisor the Manual, Trade Secrets, bulletins, instruction sheets, software, forms, Marks, designs, signs, printed matter and other material containing any part of the System or the Marks together with all copies thereof (including electronic or digital copies) that are or have been within Franchisee's custody or control.

17.03 Changeover Procedure.

Upon termination of this Agreement, either by expiration, non-renewal, or otherwise, if Franchisor or Franchisor's designee has indicated its intention to assume Franchisee's lease for the Premises and to operate a **Tile Liquidators** business from that location, the parties agree to cooperate in the changeover of the Licensed Business to Franchisor, including by taking the steps set forth herein. If Franchisee fails or refuses to cooperate with Franchisor, Franchisee hereby appoints Franchisor as its Attorney in Fact to complete the changeover. In such case, the parties shall: notify the landlord of the change of tenancy pursuant to the Lease Conditional Assignment Agreement or otherwise and Franchisor shall be entitled to take control of the Premises, including by changing the locks; terminate vendor accounts at Franchisor's option; conduct an inventory of all equipment, fixtures, tenant improvements, supplies and inventory (if Franchisee elects to not participate in the inventory, Franchisor's inventory shall be presumed accurate and complete); Franchisor shall have the right to use Franchisee's equipment, furniture, fixtures and related items for up to sixty (60) days and shall pay or credit Franchisee with the fair market rental value of that use; Franchisor shall be entitled to communicate directly with Franchisee's agents, employees, customers and vendors in order to facilitate a smooth transition to ownership by Franchisor or Franchisor's designee; Franchisor or it's designee shall be entitled to all Gross Revenues received after the date of termination. No action taken pursuant to this paragraph shall constitute a waiver by Franchisor of any claims against Franchisee for any reason. The parties agree that there are no circumstances justifying a stay or delay in implementation of the terms of this paragraph and the parties specifically agree that any claims, including, but not limited to, allegations of wrongful termination, can be separately resolved and that an award of damages would be an adequate remedy.

17.04 Continuing Royalties.

Franchisor shall be entitled to receive royalties up to the Termination Date. All such royalties shall be due and payable on the Termination Date.

17.05 Option To Purchase Certain Assets.

Franchisor shall have and is hereby granted an exclusive option for a period of sixty (60) days from and after the Termination Date, to purchase from Franchisee all of Franchisee's right, title and interest in all or any part of the franchise, Franchisee's Licensed Business and business assets and/or the Premises, if applicable, at the fair market value, except as otherwise specifically provided herein, of all assets purchased, but excluding any value for

purported "goodwill" or "blue sky". Franchisee acknowledges that Franchisor already owns the "goodwill" or "blue sky", which is attached to the Marks and the Licensed Business. Franchisor's notice exercising the option granted herein shall contain a list, at least by major category, of the assets Franchisor is purchasing. Franchisor shall not be obligated to assume any liabilities of Franchisee.

17.06 Payment And Terms.

Franchisor shall pay to Franchisee all sums due pursuant to this Article, and any other sums required by this Agreement or by law, over a period of sixty months, or such shorter period as Franchisor, in its sole discretion, shall elect, with interest thereon at the prime interest rate as published by Bank of America or its successor, if applicable, determined as of the end of the calendar quarter immediately preceding the Termination Date.

17.07 Survival Of Terms.

The terms of this Article 17 shall survive the termination, non-renewal or expiration of this Agreement for any reason.

Article 18 – Intentionally Left Blank.

Article 19 - Arbitration of Disputes.

19.01 Agreement to Arbitrate.

Except as provided in paragraph 19.04, any controversy or claim or dispute between the parties hereto or between any party hereto and any other person arising out of or relating to this Agreement, the negotiation thereof, the offer or acceptance thereof, or the performance or breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. This Article shall be governed by the Federal Arbitration Act. Any arbitration shall be before a panel of three arbitrators and shall take place in **Sacramento, CA, U.S.A**. No party shall join or attempt to join their claims in a single proceeding with the claims of any other party, person or entity even if similarly situated. The parties shall bear their own expenses, including their own attorney's fees and costs and shall share equally all expenses of the arbitrator.

19.02 Conduct of Arbitration.

Unless otherwise specifically required by applicable law, demand for arbitration or proceedings in arbitration, or court proceedings shall not operate to stay, postpone, prohibit or rescind any expiration, termination or non-renewal of this Agreement as provided in this Agreement, and the parties will be limited to their remedy in damages, as determined by the court or arbitrator, for non-renewal or termination found by the arbitrator to be wrongful. Damages would be an adequate remedy for any such wrongs. The court or arbitrator shall not extend, modify or suspend any of the terms of this Agreement or the reasonable standards of business performance set by Franchisor. The arbitrators shall permit discovery between the parties pursuant to the Federal Rules of Civil Procedure.

19.03 Conditions Precedent to Arbitration..

As conditions precedent to commencing an arbitration proceeding pursuant to this Agreement, the parties shall first comply with the terms of this paragraph 19.03. Failure to comply with this paragraph shall be a material breach of this Agreement and shall entitle the non-defaulting party to an award of all of their attorney's fees and costs reasonably expended in enforcing the terms of this paragraph. Such award of attorney's fees shall be made by the court enforcing this paragraph and shall be paid by the breaching party before and as a condition precedent to further proceeding in accordance with this Article. For the limited purpose of enforcing this paragraph 19.03, each party hereby waives arbitration and the matter shall be heard in the **County Superior Court in Sacramento, CA 95827, USA.** Within not more than sixty days following the date on which the aggrieved party first discovered or reasonably should have discovered the facts of a dispute between the parties, but not more than one year after the date of the events or facts which gave rise to the dispute, the aggrieved party shall give a Notice to the other party (and any involved other persons) of the existence of the dispute, and shall set forth, in writing, a detailed description of the relevant facts together with a reasonably detailed description of the legal basis of the claim. The Notice shall include a detailed description by the aggrieved party of the remedy or outcome desired. The non-aggrieved party shall respond to the Notice within thirty days following its receipt. If the Notice and response does not resolve the dispute, the parties shall meet, in person, within sixty days following the date of the non-aggrieved

party's response, in the corporate offices of the Franchisor, and attempt to informally resolve the matter. If the informal meeting does not resolve the matter, the parties shall, within sixty days following the date of the informal meeting, submit to non-binding mediation in Sacramento, CA with a mediator selected according to the rules of the American Arbitration Association. If the dispute is not resolved through mediation, then either party may commence an arbitration proceeding, but must do so within ninety days following the date that either party or the mediator has declared the mediation terminated. The demand for arbitration shall contain a certificate by the party commencing arbitration that the party has fully complied with every provision of this paragraph 19.03. Copies of the Notice and the response thereto exchanged pursuant to this paragraph shall be attached to the demand for arbitration and the issues in the arbitration shall be limited to matters contained therein.

19.04 Limited Exceptions to Arbitration and Mediation.

The requirements of paragraphs 19.01, 19.02, and 19.03 shall not apply to actions for the sole purpose of collecting unpaid money, including franchise fees, or royalties pursuant to this Agreement or to actions for the sole purpose of enforcing Franchisor's rights in the Marks (both for injunctive relief and damages), the Trade Secrets or the covenant against competition. Such actions and claims are not submitted to arbitration. Any such actions and claims shall be brought in the **Your County Superior Court in Your City, Your State, USA**. Any counterclaims to such actions and claims are submitted to arbitration and shall be subject to paragraphs 19.01, 19.02 and 19.03.

Article 20 - Representations Of Franchisee

20.01 Representations

Franchisee represents and warrants as follows:

20.01.01 Franchisee is not currently a party to or subject to any contract or agreement, including any other franchise agreement, employment agreement or any covenant not to compete which would directly or indirectly be breached by entering into this Agreement or which would directly or indirectly prohibit or restrict Franchisee's signing of this Agreement or performance thereunder;

20.01.02 Franchisee is executing this Agreement and purchasing the license herein for Franchisee's own account and not as an agent or representative of another (unless for an Entity otherwise named herein and in compliance herewith);

20.01.03 Franchisee intends to be actively involved in the Licensed Business for the entire term of this Agreement and knows of no reason that he/she might become a passive owner;

20.01.04 Franchisee has not terminated and will not terminate Franchisee's existing employment or cease any other income-producing activity until after franchisee has an approved location, has successfully completed the Initial Training, and is open for business. If Franchisee elects, notwithstanding this sub-paragraph to terminate employment or income-producing activity, Franchisee knowingly assumes the risk of loss of income and does so contrary to Franchisor's advice.

Article 21 - Miscellaneous Provisions

21.01 Nonwaiver.

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

21.02 Attorneys Fees.

In the event that legal action is properly commenced in court by either party to enforce this Agreement or to determine the rights of any party, as permitted by paragraph 19, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable actual attorneys fees and costs, including expert fees and fees on appeal.

21.03 Severability.

In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction or by an arbitration panel, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

21.04 Warranty Of Authority.

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that he/she has full authority to sign and to legally bind the party.

21.05 Estoppel Certificate

In the event that Franchisor is considering transferring, assigning or encumbrancing this Agreement, the System, or any other of Franchisor's rights or assets, or upon request by Franchisor at any time, Franchisee shall, within ten (10) calendar days after Franchisor shall request the same, execute, acknowledge and deliver to Franchisor, a written certificate that (a) this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement as so modified is in full force and effect); (b) the date to which royalties or other charges have been paid in advance, if any; (c) there are not, to Franchisee's knowledge, any uncured defaults on the part of Franchisor or Franchisee hereunder, or specifying such defaults if any are claimed; (d) setting forth the dates of commencement and expiration of the Term of this Agreement; (e) Franchisee has and knows of no basis for any claims of any kind against Franchisor (or, if Franchisee has or knows of any such claims, a detailed statement of all such claims and a statement that Franchisee has and knows of no other claims); and (f) any other matter upon which certification is requested by Franchisor or a prospective assignee or encumbrancer. Franchisor may rely upon any certificate given pursuant to this sub-paragraph as may any prospective purchaser or encumbrancer of all or any portion of Franchisor's rights hereunder. Any failure or refusal to timely execute a truthful certificate pursuant to this sub-paragraph shall be a material breach of this Agreement.

21.06 Paragraph Headings.

The various paragraph headings are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any portion thereof.

21.07 Recitals.

The recitals preceding the first numbered paragraph of this Agreement are hereby made part of this Agreement as if set forth within the numbered paragraphs. All references to "Franchisee" shall include all owners, parents and subsidiaries of Franchisee if Franchisee is an entity.

21.08 No Third Party Beneficiary.

Nothing in this Agreement shall be construed to give Franchisee any rights as a third party beneficiary or otherwise arising out of any similar or other agreement(s) between Franchisor and any other franchisee(s). Nothing in this Agreement shall be construed to give to any other franchisee or any other person any rights arising out of this Agreement. Any action or inaction by Franchisor with regard to any other franchisee's performance or non-performance as to any term of this or any similar agreement shall not give rise to any claims or rights in favor of Franchisee under this Agreement.

21.09 Choice Of Law.

Except as otherwise specified herein, this Agreement shall be governed by and construed under the laws of the state or province in which the Licensed Business is located.

21.10 Notices.

All notices required or permitted by this Agreement ("Notice" or "Notices") shall be sent to the respective parties at the addresses set forth herein. The place of Notice may be modified by appropriate Notice to the other party. All Notices shall be sent by certified mail, return receipt requested, postage prepaid, personally delivered, or by facsimile, overnight delivery, or telegraph. Notices shall be deemed given at the earlier of (a) receipt by the addressee, including by facsimile or electronic mail, (b) two (2) days following deposit with the United States Postal Service or its successor, with postage prepaid, or (c) immediately upon refusal of delivery by the addressee.

21.11 Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Agreement. Any prior or contemporaneous representations, promises, contracts or agreements not contained in this Agreement or the Franchise Disclosure Document presented herewith are hereby fully superseded. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

21.12 Modification.

This Agreement shall not be modified or changed except by a written agreement executed by an officer of Franchisor. No approval of a deviation from the terms of this Agreement shall be valid unless signed by an officer of Franchisor.

21.13 Effective Date.

This Agreement shall have no force or effect unless and until signed by an officer of Franchisor. The effective date shall be the date of such corporate signature. Notwithstanding the order of signatures, this Agreement shall be deemed made and entered into in the state where the Licensed Business is located.

21.14 Time Of Essence.

Time is of the essence of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year indicated below.

Dated: _____ [effective date]

Date signed: _____

FRANCHISOR:
Tile Liquidators LLC

By _____
Doug Disney, CEO

9778 Business Park Drive, Suite A
Sacramento, CA 95827

916-801-8453

FRANCHISEE:

_____
Franchisee

Address: _____

_____

Phone: _____

EXHIBIT A

Location of Licensed Business

The location of Franchisee's "Tile Liquidators" Licensed Business Premises shall be:

Street Address: _____

City: _____

State: _____

EXHIBIT B

Territory

Franchisee's designated Territory shall be defined as follows:

The geographic boundaries (all geographic boundaries shall be as they exist on the date of this Agreement): _____

_____

_____

_____

_____

_____

The estimated population of the Territory is: _____

Map(s): Please see attached map(s).

EXHIBIT C

Required Equipment

The required equipment for the "Tile Liquidators" Licensed Business is as set forth in the Manual, but includes the following. All equipment must comply with the specifications published in the Manual.

Tile Inventory

Stone Inventory

Laminate, wood or LVT

Tile displays

Tools

Sealers

Grout

Thin-set

Computer

Printer

Quick books

Hand truck

Forklift

EXHIBIT D

Items Subject To Specifications

You must purchase the following items or categories of items in compliance with Franchisor's specifications.

- All Items you will offer or sell from the Licensed Business
- Signs, banners, business cards, marketing materials and promotional items
- All Items bearing the Marks
- All items of required equipment

EXHIBIT E

Lease Conditional Assignment Agreement

This Rider is attached to and is part of that certain Lease, by and between: _____ _____Lessor) and _____ (Lessee) dated _____ for the premises located at: _____, legally described in Annex A hereto.

A. CONDITIONAL ASSIGNMENT: Lessee hereby conditionally assigns all of the Lessee's right, title and interest in this lease to **Tile Liquidators** (hereinafter, "Franchisor"). This assignment shall become effective only upon occurrence of both of the following conditions:

1. Termination of the **Tile Liquidators** Franchise Agreement between Franchisor and Lessee as Franchisee for the operation of a **Tile Liquidators** franchise within the leased premises, and

2. Exercise by Franchisor of its option to assume the obligations of and to replace Lessee as the lessee under this lease as provided in the said Franchise Agreement within fifteen (15) days after termination of said Franchise Agreement.

B. Lessor hereby consents to the said conditional assignment and hereby agrees that if said conditional assignment becomes effective, Franchisor shall thereafter be substituted for Lessee as the Lessee in this lease, Lessee shall be relieved of all liability accruing under this lease after the effective date of the assignment and Franchisor shall have the right to reassign this lease to a new Franchisee of Franchisor without the prior consent of Lessor. In the event of such reassignment, Franchisor shall be relieved of all liability accruing under this lease after the date of said reassignment.

C. Lessee agrees that at such time as Franchisor exercises its option to become the Lessee under this lease, Lessee will immediately vacate the demised premises without removing any fixtures, parts, or accessories except as authorized in the Franchise Agreement and Lessor will permit Franchisor to enter upon and take possession of the demised premises. Lessor will cooperate in all legal action necessary to remove lessee if lessee refuses to vacate premises.

D. Lessor is hereby authorized and directed to rely solely upon written notice by Franchisor of the termination of the said **Tile Liquidators** Franchise Agreement and exercise by Franchisor of its option to become the Lessee under this lease and is hereby relieved of any and all liability to Lessee for any action it takes in so relying.

E. DEFAULT BY LESSEE: Lessor agrees to give Franchisor thirty (30) days prior written notice of its intention to reenter and repossess the premises and to cancel the lease on account of Lessee's default of any of the terms, conditions or provisions thereof. During the thirty (30) day period Franchisor may cure such default or otherwise exercise its rights under the conditional assignment.

F. OPTION TO RENEW: In the event that Lessee fails to exercise any option which he might have under the lease to renew same prior to the expiration thereof, Lessor agrees to notify Franchisor in writing of lessee's failure to renew the lease and Franchisor shall then have fifteen (15) days from the receipt of such notice to exercise any option to renew and replace Lessee as the lessee under the lease.

Dated: _____[effective date] Date signed: _____

Tile Liquidators
(Franchisor/Assignee)

By _____
Doug Disney, CEO
9778 Business Park Drive Ste A
Sacramento, CA 95827

FRANCHISEE

_____
Franchisee
Address: _____
_____
_____
Phone: _____

LESSOR:

_____

By: _____
Its _____

ACKNOWLEDGMENTS

STATE OF _____)

COUNTY OF _____) ss

On this day personally appeared before me _____, to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that _____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this _____ day of _____ 20_____.

_____
Notary Public in and for the State of _____
residing at _____

My appointment expires: _____

* * *

STATE OF _____)

COUNTY OF _____) ss

On this day personally appeared before me _____, to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that _____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this _____ day of _____ 20_____.

_____
Notary Public in and for the State of _____
residing at _____

My appointment expires: _____

* * *

STATE OF _____)

COUNTY OF _____) ss.

On this day personally appeared before me _____, to me known to be the _____ [Title], of _____, a _____ _____ [Type of Entity and State of Organization], the Entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and on oath stated that __he__ is/are authorized to execute the said instrument on behalf of said Entity.

WITNESS my hand and official seal this ____ day of _____, 20____.

_____
Notary Public in and for the State of _____
residing at _____

My appointment expires: _____

EXHIBIT F

Assignment of Telephone Numbers

_____ Franchisee/Assignor, in consideration of Franchisor/Assignee granting a **Tile Liquidators** franchise contemporaneously herewith, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby assigns to **Tile Liquidators** all telephone numbers and listings utilized or to be utilized by Franchisee/Assignor in the operation of his/hers **Tile Liquidators** Licensed Business. The Assignee hereby assumes the performance of all of the Terms, Covenants, and Conditions of the agreement(s) with the telephone company with respect to such telephones, telephone numbers and telephone listings with the same force and effect as if Assignee had been originally issued such telephone, telephone numbers, telephone listings and the usage thereof. This Assignment is valid on the effective date and is irrevocable. It applies equally to any numbers first used after the effective date. The telephone company is authorized to rely upon this Assignment at any time that it is delivered to the telephone company by Franchisor/Assignee. Assignee and Assignor each agree to hold harmless and indemnify the telephone company from any claims based upon the telephone company's reliance upon this Assignment. Assignee and Assignor each agree to sign any other documents necessary in the opinion of the telephone company to give effect to this Assignment.

Dated: _____[effective date]

Tile Liquidators Franchsior LLC
(Franchisor/Assignee)

By ____ _____
Doug Disney, CEO
9778 Business Park Drive, Suite A
Sacramento, CA 95827

916-801-8453

Subject telephone number(s):
(as of date of this document)

Date signed: _____

FRANCHISEE
(Assignor)

_____
Franchisee
Address: _____
_____
_____
Phone: _____
_____
_____
_____

EXHIBIT G

Trade Secrets & Confidentiality Agreement

This Agreement is made and entered into by and between _____, **Tile Liquidators** (hereinafter, "the Employer") and _____, (hereinafter, "Employee").

WHEREAS, Employer is engaged in the business of offering and selling tile, stone, flooring, countertops and related products under the Marks and using the System, pursuant to a franchise agreement with **Tile Liquidators** (herein, "the Licensed Business") according to a unique formula and under the trade name and mark, "Tile Liquidators".

WHEREAS, Employer has a need for a manager or key employee for the Licensed Business;

WHEREAS, Employee is willing and able to become a manager or key employee for the Licensed Business;

WHEREAS, Employer is willing to hire Employee or to promote Employee to the position of manager or key employee of the Licensed Business, but only upon the terms and conditions set forth herein,

NOW THEREFORE, for and in consideration of the mutual covenants herein contained and other good and faithful consideration, the receipt and sufficiency of which is hereby acknowledged by each party, the parties hereby agree as follows:

1. Employment.

Employer agrees to employ Employee as _____, and to pay compensation as follows: _____
_____
_____
_____
_____
_____
_____.

1. Trade Secrets

Employee agrees that all of the information provided to Employee by Employer in the course of employment relating to the Licensed Business, its operation, management, policies, relationship with its Franchisor, identity of is customers, members and vendors, pricing structures and formulas, product mix, and similar information, constitutes trade secrets. Employee acknowledges that such information has been received only from Employer and that it is not generally available to the public and that it derives independent economic value from not being widely known. Employee acknowledges and agrees that certain items or information to be made available may not, if analyzed in isolation, be trade secrets; however, unless Employer specifically agrees otherwise in writing, all such items and information, when placed in the context of those things which are trade secrets if analyzed in isolation, become and are part of the trade secrets and are subject to this Agreement. Employee further acknowledges that should the information be misappropriated or transferred to any third party, the Employer and Employer's Franchisor would suffer irreparable harm. Trade secrets does not include information on public record or readily available from a third party without consent by Employer.

2. Employer Owns All Incidents

Employer shall be entitled to all of the benefits, profits and other issues arising from or incident to all work, services, and advice of Employee relating to the Trade Secrets or arising out of discussions with Employer regarding same, and in any way communicated to Employer or becoming known to Employer during or after the term of employment.

3. Nondisclosure

Employee shall not at any time or in any manner, either directly or indirectly, divulge, disclose or communicate to any unauthorized person(s) any information regarding any trade secret(s) or any proprietary information of Employer. All such information shall be held by Employee in complete confidence. Such

information is important, material, and confidential and gravely affects the effective and successful conduct of Employer's Licensed Business and goodwill. Should Employee, at any time, cease to be an employee of Employer, Employee shall immediately return to the Employer the originals and all copies of all documents or other media containing or representing trade secrets. Breach of any of the terms of this paragraph shall be a material breach of this Agreement. The terms of this paragraph shall survive termination of this Agreement for any reason. Employee shall be in breach of this Agreement during any month in which Employee or any third party has possession or use of any trade secrets in violation of this Agreement.

4. Remedies

Employee agrees that, in the event of alleged breach, Employer shall be entitled, in addition to all other remedies available at law or in equity, to a temporary restraining order, a preliminary injunction and other interim relief and that the maximum bond to be required of Employer for such relief shall be ten dollars ($10.00). Employee waives any right to a higher bond. Employee agrees that any action taken by Employer pursuant to this Agreement shall not constitute an election of remedies. In addition to, and not in lieu of, an injunction, Employer shall be entitled to a judgment against Employee for the greater of (a) Employer's actual damages (if provable under the circumstances) or (b) liquidated damages calculated as Employee's average monthly gross compensation for the last six months (or portion thereof) for which Employee was employed by Employer, multiplied by the number of months during which Employee was in breach of this Agreement. The parties mutually agree that the liquidated damages agreed herein are not a penalty, but are a best good faith effort to estimate what Employer's actual damages would be in the event of a breach under circumstances where actual damages may, because of facts known at that time, not be readily susceptible of accurate calculation.

5. Enforcement By Franchisor

Both Employer and Employee acknowledge and agree that this Agreement is for the benefit not only of the Employer, but also of the Employer's Franchisor, **Tile Liquidators.** Employer and Employee each agree that **Tile Liquidators** shall have the same right to enforce this Agreement as Employer has; provided only that as between Employer and **Tile Liquidators**, they shall be entitled to only one recovery of damages or liquidated damages.

6. Effectiveness

This Agreement shall become effective when signed and shall be enforceable at any time thereafter.

6.1. Nonwaiver.

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

6.2. Attorneys Fees.

In the event that legal action or arbitration is commenced by either party to enforce this Agreement or to determine the rights of any party, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable attorney's fees and costs.

6.3. Severability.

In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

6.4. Warranty Of Authority.

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that he/she has full authority to sign and to legally bind the party.

6.5. Paragraph Headings.

The various paragraph headings are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any portion thereof.

6.6. Recitals.

The recitals preceding the first numbered paragraph of this Agreement are hereby made part of this Agreement as if set forth within the numbered paragraphs.

6.7. Choice Of Law.

This Agreement shall be governed by and construed under the laws of the state in which the Licensed Business is located.

6.8. Notices.

All notices required or permitted by this Agreement shall be sent to the respective parties at the addresses set forth herein. The place of notice may be modified by appropriate registered or certified mailing to the other party. All notices shall be sent by certified mail, return receipt requested, postage prepaid, or personally delivered. Notices shall be deemed given at the earlier of (a) receipt by the addressee or (b) two (2) days following deposit with the United States Postal Service or its successor.

6.9. Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Agreement. Any prior representations, promises, contracts or agreements are hereby fully superseded.

6.10. Modification.

This Agreement shall not be modified or changed except by a written agreement executed by an officer of Employer. No approval of a deviation from the terms of this Agreement shall be valid unless signed by an officer of Employer.

Date: _____

THE EMPLOYER

By _____

_____, its _____

Address: _____

_____

_____

EMPLOYEE

_____

Signature

Address: _____

_____

Phone: _____

ATTACHMENT C

LIST OF CURRENT AND FORMER FRANCHISEES

Current Franchisees

David & Kimberly Patterson
113 North, 1200 West
Orem, UT 84057
(801) 224-0126

Jeff & Heather Kreiser
9500 Greenback Lane, #4
Folsom, CA 95630
(916) 413-8610

Jared Calendaria
643 Lincoln Blvd.
Lincoln, CA
(775) 225-4957

Mike Hall
152 FM 1960, Suite F
Houston, TX 77073
(832) 746-3554

Jared Candelaria
9941 Horn Road
Sacramento, CA 95827
(916) 706-1469

Dennis & Kristy Valane
66 E. Escalon, #115
Fresno, CA 93710
(559)705-6861

Cameron Cloutier
9475 Double R Blvd.
Reno, NV 89521
(775) 2254957

Former Franchisees

David Webb
15502 Hwy 3, unit 103
Webster, Texas 77598
(512) 565-6067

Mike Adame
3110 n. 35th Ave.
Phoenix, AZ 85017
(602) 584-8728

Attachment D – Operations Manual Table of Contents

TILE LIQUIDATORS

OPERATIONS MANUAL

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Attachment E – Registered Agents

Registered Agents

Franchisor's agents for service of process are as follows:

California:
Commissioner of Financial Protection and Innovation
320 W. 4th Street, Suite 750
Los Angeles, CA 90013

Connecticut:
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, CT 06103

Delaware:
Mr. Richard H. (Rick) Bell, President
Harvard Business Services, Inc.
25 Greystone Manor
Lewes, Delaware, 19958-9776

Florida:
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, FL 32314-6700

Hawaii:
Business Registration Division
Department of Commerce and Consumer Affairs
1010 Richards Street
Honolulu, HI 96813

Illinois:
Illinois Attorney General
Office of Attorney General
500 S Second
Springfield, IL 92796

Indiana:
Indiana Secretary of State
201 State House
Indianapolis, IN 46204

Iowa:
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, IA 50319-0066

Maryland:
Maryland Securities Commissioner
200 St. Paul Place, 20th Floor
Baltimore, MD 21202-2020

Michigan:
Franchise Administrator
Michigan Department of Attorney General
670 Law Building
Lansing, MI 48913

Minnesota:
Minnesota Commissioner of Commerce
133 East Seventh Street
St. Paul, MN 55101

Nebraska:
Department of Banking & Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509

New York:
New York Secretary of State
41 State Street
Albany, NY

North Dakota:
Franchise Examiner
Office of Securities Commissioner
600 East Boulevard, Fifth Floor
Bismarck, ND 58505

Oregon:
Director
Department of Consumer and Business Services
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310

Rhode Island:
Chief Securities Examiner
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903

South Dakota:
Franchise Administrator
Division of Securities
118 West Capitol
Pierre, SD 57501

Attachment E – Registered Agents

Texas:
Secretary of State
P.O. Box 12887
Austin, TX 78711

Virginia:
Clerk
State Corporation Commission
1300 E Main Street, 1st Floor
Richmond, VA 23219

Washington:
Director
Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507-9033

Wisconsin:
Franchise Administrator
Division of Securities
Department of Financial Institutions
PO Box 1768
Madison, WI 53701

Attachment F – State Agencies

State Agencies

The State agencies involved with franchising are as follows:

California:

State of California Dept. Of Financial Protection and Innovation
320 W 4th Street, Suite 750
Los Angeles, CA 90013
(866-275-2677)

Connecticut:

Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, CT 06103-1800

Florida:

Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, FL 32314-6700

Hawaii:

Business Registration Division
Department of Commerce and Consumer Affairs
P.O. Box 40
Honolulu, HI 96810

Illinois:

Illinois Attorney General
Office of Attorney General
500 S Second
Springfield, IL 92796

Indiana:

Franchise Section
Secretary of State
302 West Washington Street
Indianapolis, IN 46204

Iowa:

Director of Regulated Industries Unit
Iowa Securities Bureau
340 East Maple
Des Moines, IA 50319-0066

Maryland:

Office of the Attorney General
Securities Division
200 St. Paul Place, 20th Floor
Baltimore, MD 21202-2020

Attachment F – State Agencies

Michigan:

Franchise Administrator
Michigan Department of Attorney General
670 Law Building
Lansing, MI 48913

Minnesota:

Franchise Examiner
Minnesota Department of Commerce
133 East Seventh Street
St. Paul, MN 55101

Nebraska:

Department of Banking and Finance
1200 N Street, Suite 311
PO Box 95006
Lincoln, NE 68509

New York:

Bureau of Investor Protection and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, NY 10271

North Dakota:

Franchise Examiner
Office of Securities Commissioner
600 East Boulevard, Fifth Floor
Bismarck, ND 58505

Oregon:

Director
Department of Consumer and Business Services
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310

Rhode Island:

Chief Securities Examiner
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903

South Dakota:

Franchise Administrator
Division of Securities
118 West Capitol
Pierre, SD 57501

Attachment F – State Agencies

Texas:

Statutory Document Section
PO Box 12887
Austin, TX 78711

Utah:

Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
PO Box 45804
Salt Lake City UT 84145-0804

Virginia:

State Corporations Commission
Division of Securities and Retail Franchising
1300 E Main Street, 9th Floor
Richmond, VA 23219

Washington:

Director
Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507-9033

Wisconsin:

Franchise Administrator
Division of Securities
Department of Financial Institutions
PO Box 1768
Madison, WI 53701

The Address of the United States Federal Trade Commission is:

Federal Trade Commission
Washington, D.C. 20580

Attachment G – State Law

Addendum for State-Specific Requirements

General

These states have statutes which may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, Tit. 6, Chap. 25, Section 2551 et seq.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1 – 523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise.

Some states have statutes that limit Our ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting Our ability to restrict your activity after the franchise agreement has ended.

A provision in the franchise agreement that terminates the franchise upon your bankruptcy may not be enforceable under Title 11, United States Code.

California Addendum

(Applies only to California franchisees)

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

Section 31125 of the California Corporations Code requires us to give you a disclosure document approved by the Commissioner, before we ask you to consider a material modification of your franchise agreement.

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.

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 the persons from membership in that association or exchange.

You must sign a general release of claims if you transfer your franchise. California Corporations Code section 31512 voids a waiver by the person acquiring a franchise of certain rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code section 20010 voids a waiver of certain rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

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

Attachment G – State Law

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

The franchise contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must resolve disputes through binding arbitration. The arbitration will occur in Sacramento, California, with the costs of arbitration being borne equally by the parties. Each party will bear its own expenses, including attorney's 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 provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, We will not interpret the Franchise Agreement as permitting or requiring maximum price limits.

Hawaii Addendum

(Applies only to Hawaii franchisees)

If your Licensed Business will be in Hawaii, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

Illinois Addendum

(Applies only to Illinois franchisees)

The receipt and the Franchise Agreement are both amended to provide that We must provide the Franchise Disclosure Document to You at least fourteen calendar days before You sign any binding contract or give us any money.

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

Attachment G – State Law

Indiana Addendum

(Applies only to Indiana franchisees)

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the parties agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

Maryland Addendum

(Applies only to Maryland franchisees)

The Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, provides that, as a condition of the sale of a franchise, We may not require you to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended by adding: any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

If you are a resident of Maryland or your Licensed Business will be in Maryland, You will not pay your Initial Fee or any other money to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

Item 17 of the Franchise Disclosure Document and Article 19 of the Franchise Agreement are amended by adding: any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Article 19 of the Franchise Agreement is amended to provide as follows: Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland. Item 17 is hereby amended by adding the identical language in the "summary" column of line v.

Attachment G – State Law

Minnesota Addendum

(Applies only to Minnesota franchisees)

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

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. §80C.214, Subds. 3, 4, and 5 which require, except in certain specified cases, that We give you 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the franchise agreement.

We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name, to the extent required by Minn. Stat. §80C.12, Subd. 1(g).

To the extent governed by Minn. Rule 2860.4400J, you shall not be deemed to have waived any rights under Minnesota law. You shall not be deemed to have consented to Us obtaining injunctive relief, although We may seek injunctive relief. A Court or the arbitrators shall determine whether to require a bond as a condition of injunctive relief.

If your Licensed Business will be in Minnesota, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

New York Addendum

(Applies only to New York franchisees)

Item 3 is amended to read as follows:

Neither We nor any person identified in Item 2 above have any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against us alleging a violation of any franchise law, antitrust or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above have been convicted of a felony or pleaded *nolo contendere* to any felony charge or during the 10 year period immediately preceding the date of this Franchise Disclosure Document, been convicted of or pleaded nolo contendere to a misdemeanor charge been held liable in any other civil action by final judgment or been the subject of any other material complaint or other legal proceeding where such felony, misdemeanor civil action, complaint or other legal proceeding involved violation of any franchise law, antifraud or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of 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 by 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.

Item 4 is amended to read as follows:

During the 10 year period immediately preceding the date of the Franchise Disclosure Document neither We nor any predecessor, affiliate, current officer or general partner of Us has been the subject of a bankruptcy proceeding, been adjudged bankrupt or reorganized due to insolvency or been a principal officer of a company or a general partner of a partnership at or within one year of the time that such company or partnership became the subject of a bankruptcy proceeding or was adjudged bankrupt or reorganized due to insolvency or is subject to any such pending bankruptcy or reorganization proceeding.

Item 5 is amended by adding the following: We will use the Initial Fee for the purposes of covering the costs of selling the franchise and other franchises, for your initial training, for general overhead and for profit.

Item 12 is amended by adding the following: Although We will consider many factors in determining the boundaries of your Marketing Area, it will contain a population of not less than 25,000 people.

Item 17 is amended by changing the caption and preliminary statement to read as follows:

> Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
>
> THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 17 D is amended by adding the following: You may terminate the agreement on any grounds available by law.

Item 17 J is amended by adding the following: We will only assign to an assignee who in Our good faith judgment is willing and able to assume Our obligations.

North Dakota Addendum

(Applies only to North Dakota franchisees)

Under North Dakota law, no modification or change We make to the Manual or method of operation may materially affect your status, rights or obligations under the Franchise Agreement.

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

Under North Dakota law, a requirement that you consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered unenforceable.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that the laws of North Dakota, which laws will prevail, will govern the Franchise Agreement. Further, North Dakota law requires that all issues or disagreements relating to the Franchise Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Under the North Dakota Franchise Investment Law (Section 51-19-09), a North Dakota franchisee may not be required to execute a general release upon renewal of the Franchise Agreement.

Attachment G – State Law

Rhode Island Addendum

(Applies only to Rhode Island franchisees)

Item 17 is amended by adding the following: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

If your Licensed Business will be in Rhode Island, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

South Dakota Addendum

(Applies only to South Dakota franchisees)

Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the state where the franchise is located.

Any provision of the franchise agreement which requires you to agree to jurisdiction and venue outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Notwithstanding any term of the franchise agreement, We will not terminate the franchise agreement upon default without first affording you thirty (30) days notice with an opportunity to cure the default within that time.

To the extent required by South Dakota law, all provisions giving any party a right to liquidated damages are hereby deleted from the franchise agreement and the parties shall be entitled to their actual damages instead.

Virginia Addendum

(Applies only to Virginia franchisees)

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

Attachment G – State Law

Washington Addendum

(Applies only to Washington franchisees)

If any of the provisions in the Franchise Disclosure Document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and franchise agreement with regard to any franchise sold in Washington.
In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
Initial Fees of new Washington franchisees are held in an escrow account until the franchisee's business is open.
The state law addendum, above, if applicable, is a part of the Franchise Agreement and supersedes any inconsistent term(s) of the Franchise Agreement

Attachment G – State Law Addendum

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year indicated below.

Dated: _____ [effective date]

Date signed: _____

FRANCHISOR:
Tile Liquidators, LLC

By _____
CEO

9778 Business Park Drive
Sacramento, CA 95827
(916) 801-8453

FRANCHISEE:

_____
Franchisee
Address: _____
_____
_____
Phone: _____

Attachment H – Application

Date: _____

APPLICATION FOR A TILE LIQUIDATORS FRANCHISE (US)

I/We _____

of _____
hereby submit an application to **Tile Liquidators LLC,** 9778 Business Park Drive, Suite A, **Sacramento, Ca 95827** franchisee

Our **Tile Liquidators** Franchise is to be located in: _____ _____, in the state of _____ (the "State"). This application once submitted is subject to the following terms and conditions:

1. Initial Franchise Fee for this franchise is **$28,000.00** payable in cash/check as follows:

a. In CALIFORNIA $5,000 due with the signing of the franchise agreement and the balance of $23,000 is only paid after all preopening obligations are met.

2. I/we acknowledge that I/we have, at least fourteen calendar days, prior to the signing of this Application Agreement, received **Tile Liquidators**'s current form of Franchise Disclosure Document applicable to the State. I/we understand that a completed form of the Franchise Agreement will be provided at least five business days prior to signing the Franchise Agreement, and that all other terms are to be in accordance with it.

3. I/we have submitted a completed Confidential Qualification Report, including a completed Individual Financial Statement on **Tile Liquidators**'s form and I/we hereby authorize **Tile Liquidators** to conduct an investigation of my/our background(s) to verify the information submitted.

4. I/we acknowledge and understand that submission of this application does not bind or obligate **Tile Liquidators**, Inc. to issue an **Tile Liquidators** Franchise to me/us.

_____	_____
(Signature)	(Signature)
_____	_____
Applicant (Print Name)	Applicant (Print Name)

Attachment I – General Release

GENERAL RELEASE

This General Release ("General Release") is entered into effective as of _____, 20__, ("Effective Date") between Tile Liquidators, LLC ("Franchisor") and _____[Insert Name of Franchisee] ("Franchisee"), with its principal place of business at _____ and _____ [Insert Name (or Names) of Owner] ("Franchisee's Owner"). Defined terms not otherwise defined herein will have the meaning in the Franchise Agreements in effect between Franchisor and Franchisee and their respective affiliates at any time up to and including the date of this General Release (collectively, the "Agreements").

1. Recitals: Franchisee and Owner wish to exercise the rights granted to them by Franchisor to transfer their ownership of a Tile Liquidator franchise store under a Franchise Agreement to a third party, namely _____; and a pre-condition to the exercise of such right is the execution of this General Release.

2. Release of Franchisor and Related Parties. Franchisee and Franchisee's Owners, for themselves and on behalf of their current and former officers, directors, shareholders, partners, members, managers, affiliates, agents, attorneys, representatives, predecessors, successors and assigns (collectively, the "Franchisee Releasing Parties") absolutely and unconditionally waive, release and forever discharge Franchisor and Franchisor's current and former officers, directors, shareholders, partners, members, managers, affiliates, parent company, agents, attorneys, representatives, predecessors, successors, and assigns (collectively, the "Franchisor Released Parties"), from all claims, demands, obligations, liabilities, actions, and causes of actions whatsoever, in law or equity, that any Franchisee Releasing Party has, ever had or may in the future have arising under or related to the Franchise, the Agreements, the Tile Store or any other related or unrelated agreements, matters, dealings or relationships between the Franchisor Released Parties and the Franchisee Releasing Parties, whether known or unknown, that occurred on or before the Effective Date. Franchisee and Franchisee's Owner agree and stipulate that is their intent for this General Release to be construed by any court or arbitrator as broad as the law will allow.

3. Covenant Not to Sue. The Franchisee Releasing Parties agree not to commence any proceeding of any nature against the Franchisor Released Parties based on any claim, demand, agreement, obligation, liability or cause of action whatsoever, in law or equity, that has been released pursuant to Section 2 above. The Franchisee Releasing Parties represent and warrant that they have not assigned to anyone any claim related to the claims described in Section 2 that may now or subsequently be asserted against the Franchisor Released Parties.

4. Independent Counsel/Voluntary Action. Franchisee and Franchisee's Owners represent and warrant to Franchisor that each of them has consulted with independent legal counsel and other professional advisors of their choice with respect to this Release and has concluded on its or his/her own behalf that the provision of this General Release serves its or his/her own best interests. Franchisee and Franchisee's Owners confirm that it or he or she voluntarily entered into this Release of its or his or her own free will and without undue pressure from any source or reliance on any representation or statement of any kind that is not set forth or expressly referred to in this Release.

Attachment I – General Release

5. Counterparts. This General Release may be executed in multiple counterparts, all of which will together be deemed to constitute one final agreement, and each such counterpart will be deemed to be an original, binding the party who subscribed it. A signature transmitted by fax will be deemed an original signature that is effective and binding for all purposes.

6. Severability. The provisions of this General Release are severable, and, if any of them is held void an unenforceable as a matter of law, the remainder will continue in full force and effect.

7. Governing Law; Jurisdiction and Venue. This General Release will be governed by and interpreted and enforced in accordance with the laws of the State of California, disregarding its conflicts of law principles. The parties mutually agree that jurisdiction and venue to adjudicate any dispute includes matters relating to the Agreements, the dispute will be subject to arbitration in accordance with the terms and conditions of the Agreements and the exclusive venue for any such arbitration will be in Sacramento County, California to the exclusion of all other locations.

EXECUTED AND DELIVERED as of the Effective Date

FRANCHISEE

_____[Insert Name of Franchisee],
a _____
By: _____
Title: _____
Print Name: _____
Date: _____

FRANCISEE'S PRINCIPAL OWNERS

_____

_____

ACKNOWLEDGED AND ACCEPTED BY FRANCHISOR:
Tile Liquidators, LLC,
A California limited liability company

By: _____
Title: _____
Print Name: _____
Date: _____

State Effective Dates

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

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

State	Effective Date
California	

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 Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information, in plain language. Read this disclosure document and all agreements carefully.

If Tile Liquidators offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

The franchisor is Tile Liquidators LLC, 9912 Business Park Drive, Suite 140, Sacramento, CA 95827.

Tile Liquidators LLC authorizes the State Agencies identified in Exhibit E to receive service of process for Tile Liquidators, LLC.

Franchise sellers are: Doug Disney, 9912 Business Park Drive, Suite 140, Sacramento, CA 95827, (916) 801-8453; Matt Murphy, 12499 Folsom Blvd. #199, Rancho Cordova, CA 95742, (916) 728-8472; Douglas Walpott, 9912 Business Park Drive, Suite 140, Sacramento, CA 95827, (707)249-4935, Nina Wade, 9912 Business Park Drive, Suite 140, Sacramento, CA 95827, (859)779-0686.

Issuance Date of Issuance: April 20, 2022

I received a disclosure document, dated _____, Numbered #_____ that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement
C. List of Current and Former Franchisees
D. Manual Table of Contents
E. Agents For Service of Process
F. State Agencies
G. State Law Addendum
H. Application for Franchise

Date: _____ _____
(Do not leave blank) Signature of Prospective Franchisee

_____
Print Name

Date: _____ _____
(Do not leave blank) Signature of Prospective Franchisee

_____
Print Name

You may return the signed receipt either by signing, dating and mailing it to Tile Liquidators LLC, 9778 Business Park Drive, Suite A, Sacramento, CA 95827.

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information, in plain language. Read this disclosure document and all agreements carefully.

If Tile Liquidators offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

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Date: _____ _____
(Do not leave blank) Signature of Prospective Franchisee

_____
Print Name

Date: _____ _____
(Do not leave blank) Signature of Prospective Franchisee

_____
Print Name

You may return the signed receipt either by signing, dating and mailing it to Tile Liquidators LLC, 9778 Business Park Drive, Suite A, Sacramento, CA 95827.