# FRANCHISE DISCLOSURE DOCUMENT

**Chem-Dry, Inc.**
**(f/k/a Harris Research, Inc.)**
**A Utah Corporation**
**3310 West End Avenue, Suite 620, Nashville TN 37203**
**800-841-6583**
**info@belfrangroup.com**

The franchise offered is for the establishment and operation of a business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services, utilizing the Chem-Dry® Franchised Business system, which is sometimes referred to below as the "Franchise" or "Franchised Business."

The total investment necessary to begin operation of a Chem-Dry Franchised Business is $119,263 to $265,110 for a Standard Territory, and $101,264 to $247,110 for a Small Territory. This includes $73,500 - $83,250 for a Standard Territory, and $55,50- $65,250 for a Small Territory that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 your sales representative at 3310 West End Ave., Suite 620, Nashville, TN 37203.

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 the contract carefully. Review your contract and this disclosure document to an advisor, such as a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make an informed decision. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also

visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance date: March 28, 2025**

## How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibits F and G. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit B includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only Chem-Dry 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 Chem-Dry franchisee?** | Exhibits F and G lists current and former franchisees. You can contact them to ask about their experiences. |

| | |
|---|---|
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

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

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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***ADDITIONAL DISCLOSURES FOR THE STATE OF MICHIGAN.***

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or s.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

If the franchisor's most recent financial statements are unaudited, and show a net worth of less than $100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
(517) 373-7117
miag@michigan.gov

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A – Form of Agreements
- A-1 - Franchise Agreement and Addenda
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- A-3 - General Release(s) – Upon Renewal or Assignment

B – Financial Statements
C – State Administrators and Agents for Service of Process
D – Manual Table of Contents
E – State Addenda to the Disclosure Document
F – List of Franchisees
G – List of Former Franchisees
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K - Receipts




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

### *1.1 Our Business and the Franchises Offered*

We grant franchises for the establishment and operation of a business that provides carpet cleaning, upholstery cleaning, hard surface cleaning, spot removal, and other services to residential and commercial customers (the "Services"). The Chem-Dry Business can be operated in your Territory from your home for the first 24 months of the Term, and a commercial location thereafter. You will operate your Chem-Dry Business under the trademarks, service marks, trade names, emblems, signs, slogans, insignia and copyrights we have designated for use in connection with a Chem-Dry Business, and that are licensed to you in the Franchise Agreement ("Marks").

Each Chem-Dry Business will be awarded a geographic territory (the "Territory") where you may advertise, and solicit business, and where you may also perform services under certain conditions as described in Section 1 of the Franchise Agreement. We grant franchises only in accordance with our Franchise Agreement (the "Franchise Agreement"). A copy of it is attached as Exhibit A-1.

The Chem-Dry Business includes a unique method of process and systems for providing the Services, all of which we (or our affiliates) may improve, further develop or otherwise modify from time to time (collectively, the "System"). We intend to develop, promote, and award Chem-Dry Businesses to maintain a franchised network of local owners which together will conduct the Services under the Marks using methods and operating systems as defined in our operations manual and other manuals or similar written materials. You must operate your Chem-Dry Business according to the System. We have no other business activities although we reserve the right to do so in the future.

### *1.2 The Franchisor, its Parents, and Predecessor.*

The franchisor is Chem-Dry, Inc., formerly known as Harris Research, Inc. Our principal place of business is 3310 West End Ave., Suite 620, Nashville, TN 37203. To simplify the language in this Disclosure Document, "we," "us," "our," "CDI", and "Chem-Dry" means Chem-Dry, Inc. "You" or "your" means the person or persons to whom a Chem-Dry Business is awarded. If the Chem-Dry Business is awarded to a legal or business entity, "you" or "your" means the legal or business entity and the owners of the legal or business entity.

CDI is a Utah corporation incorporated in March 1994 with its principal business address at 3310 West End Avenue, Suite 620, Nashville, TN 37203. We have an additional location at 1530 North 1000 West, Logan, UT 84321, which was CDI's principal address from 1993 to May 2012. CDI was originally incorporated in California in November 1977.

We do business under our business name and the name "Chem-Dry." We do not do business under any other name. We do not conduct and have not conducted business in any other line of business. We do not and have not offered franchises in any other line of business. We began offering franchises under the name and trademarks "Chem-Dry" beginning in 1994, after our predecessors began offering franchises in 1978.

Our agents authorized to receive service of process are listed in Exhibit C of this Disclosure Document.

Our parent, BFG Holdco, Inc. ("BFG Holdco") is a Delaware corporation formed on August 10, 2011, and has a principal business address of 731 Fairfield Ct, Ann Arbor, MI 48108. BFG Holdco is a wholly owned subsidiary of BELFOR (USA) Group, Inc. ("BELFOR"), a



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Colorado corporation formed on June 9, 1995, and located at 185 Oakland Ave, Suite 150, Birmingham, MI 48009. BELFOR is a wholly owned subsidiary of BELFOR Holdings, Inc., a Delaware corporation incorporated on May 24, 2006, and located at 185 Oakland Ave, Suite 150, Birmingham, MI 48009. BELFOR offers property and electronic restoration, machinery refurbishment, data and document restoration, mold remediation, emergency and rapid response. As of December 31, 2024, BELFOR owns and operates approximately 154 company-owned locations in the United States and Canada.

BELFOR Holdings, Inc. is fully owned by ASP BF Intermediate Sub, LLC, a Delaware limited liability company formed on December 21, 2018. Its principal business address is 299 Park Avenue, 34th Floor, New York NY 10171. ASP BF Intermediate Sub, LLC purchased BELFOR Holdings, Inc. on April 4, 2019.

*1.3 Affiliates*

BELFOR also owns the companies that offer franchises in the chart below. The franchising companies have offered franchises since their year of formation, only offer franchises in the line of business in the chart and have never offered franchises in any other line of business. All of the franchising companies in the chart below have the following principal business address: 5405 Data Court, Ann Arbor, MI, except: 1) the Canadian companies have the following principal business address: 3300 Bridgeway Street, Vancouver, British Columbia V5K 1H9; and 2) the principal business address for Winmar is 175 Stonach Crescent, London, ON N5V 3G5. None of our affiliates have offered or currently offer franchises in the type of business being offered under this Disclosure Document.

| Company | State/Type of Entity | Date of Formation | Number of Outlets | Franchise Offering |
|---|---|---|---|---|
| HOODZ International, LLC ("HOODZ") | Delaware LLC | Oct. 3, 2008 | 131 | Performing commercial kitchen exhaust system cleaning, inspection, maintenance and restoration services. |
| DUCTZ International, LLC ("DUCTZ") | Michigan LLC | Mar. 30, 2004 | 62 | HVAC system restoration, coil cleaning, and dryer vent services. |
| 1 800 WATER DAMAGE International, LLC ("1 800 WD") | Delaware LLC | Apr. 16, 2015 | 175 | Water damage restoration services, mold remediation, odor removal, fire and smoke and related cleaning services. |
| PLUMBERZ International, LLC ("Z PLUMBERZ") | Delaware LLC | Mar. 25, 2019 | 31 | Plumbing, sewer, and drain service to residential, commercial, and industrial buildings. |
| PACKOUTZ International, LLC ("BLUE KANGAROO PACKOUTZ") | Delaware LLC | August 29, 2019 | 130 | Contents restoration, packing, cleaning, and permanent climate-controlled storage. |
| Patch Boys | Delaware LLC | May 6, 2020 | 284 | Performing light restoration and |



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| Company | State/Type of Entity | Date of Formation | Number of Outlets | Franchise Offering |
|---|---|---|---|---|
| International, LLC ("THE PATCH BOYS") | | | | reconstruction services in residential homes and commercial businesses. |
| RedBox+ International, LLC ("REDBOX+") | Michigan LLC | May 28, 2021 | 253 | Dumpster and portable restroom rental services. |
| 1-800 BOARDUP International, LLC* ("1-800 BOARD UP") | Delaware LLC | July 8, 2022 | 53 LSPs, 51 company owned | Emergency structural stabilization services. |
| Cool Binz International, LLC ("COOL BINZ") | Michigan LLC | September 29, 2022 | 3 | Temperature-controlled portable storage solutions. |
| JunkCo+ International, LLC ("JUNKCO+") | Delaware LLC | January 25, 2024 | 0 | Junk removal and demolition services. |
| Safer Home Services International, LLC ("CLEAR PEST PROS") | Michigan LLC | September 29, 2022 | 0 | Residential and commercial pest control. |
| HOODZ Canada, Inc. | Federal company (Canada) | Oct. 4, 2011 | 1 | Performing commercial kitchen exhaust system cleaning, inspection, maintenance and restoration services. |
| DUCTZ Canada, Inc. (offers services as "DUCTBUSTERS") | Federal company (Canada) | Jan. 12, 2018 | 2 | HVAC system restoration, coil cleaning, and dryer vent services. |
| Patch Boys Canada, Inc. (offers services as "THE PATCH AUTHORITY") | Federal company (Canada) | Jan. 12, 2018 | 0 | Performing light restoration and reconstruction services in residential homes and commercial businesses. |
| Winmar (Canada) International Ltd. ("Winmar") | Federal company (Canada) | Dec. 7, 2018 | 91 | Restoration services for residential and commercial properties across Canada that specialize in water damage, fire and smoke restoration services, mold inspection and removal as well as damage restoration and recovery. |

Our affiliate Belfor Franchise Group, LLC ("BFG"), is parent company to the following companies/affiliates that do not currently have or offer franchises, but reserve the right to do so in the future, and may offer products or services to franchisees:



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| Company | State/Type of Entity | Date of Formation | Principal Address | Number of Outlets | Industry |
|---|---|---|---|---|---|
| DUCTZ North America, LLC ("DZNA") | Delaware LLC | July 24, 2007 | 5405 Data Court, Ann Arbor, MI 48108 | 5 (company-owned DUCTZ Businesses) | HVAC system restoration, coil cleaning, and dryer vent cleaning services. |
| HOODZ North America, LLC ("HZNA") | Delaware LLC | Nov. 12, 2009 | 5405 Data Court, Ann Arbor, MI 48108 | 6 (company-owned HOODZ Businesses) | Commercial exhaust hood system and oven cleaning, inspection, maintenance and restoration services. |
| PACKOUTZ North America, LLC ("BLUE KANGAROO NA") | Michigan LLC | March 25, 2019 | 5405 Data Court, Ann Arbor, MI 48108 | 1 | Contents restoration, packing, cleaning, and permanent climate-controlled storage. |
| PLUMBERZ North America, LLC ("Z PLUMBERZ NA9) | Michigan LLC | March 25, 2019 | 5405 Data Court, Ann Arbor, MI 48108 | 6 | Plumbing, sewer, and drain service to residential, commercial, and industrial buildings. |
| Cool Binz North America, LLC ("CBNA") | Michigan LLC | September 29, 2022 | 5405 Data Court, Ann Arbor, MI 48108 | 3 | Portable storage containers, devices and equipment, including climate-controlled and non-climate-controlled storage containers, mobile offices, mobile refrigeration units and freezers. |
| Safer Home Services North America, LLC ("SHSNA") | Michigan LLC | September 29, 2022 | 5405 Data Court, Ann Arbor, MI 48108 | 8 | Pest protection, termite control, rodent control, and other related services to residential and commercial customers. |
| JunkCo North America, LLC | Michigan LLC | December 18, 2023 | 5405 Data Court, Ann Arbor, MI 48108 | 1 | Junk removal and demolition services. |
| Hidrent, LLC (offering services as "HELPFUL HEROES") | Delaware | Jan. 22, 2024 | 5405 Data Court, Ann Arbor, MI 48108 | 1 | A pioneering technology platform that connects off-duty firefighters with residential or commercial customers in need of safe, trustworthy, and reliable |



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| Company | State/Type of Entity | Date of Formation | Principal Address | Number of Outlets | Industry |
|---|---|---|---|---|---|
| | | | | | handyman-type services. |
| BHI Distribution, LLC ("BHI") | Delaware LLC | Feb. 19, 2008 | 5405 Data Court, Ann Arbor, MI 48108 | 1 | Procurement and distribution of vehicles, equipment and supplies for BELFOR USA and its affiliates and subsidiaries. |
| DRIPLOC, LLC | Delaware LLC | May 12, 2010 | 5405 Data Court, Ann Arbor, MI 48108 | 1 | Grease containment, may provide equipment and related services to franchisees. |

*1-800 BOARDUP International, LLC is a "fractional franchise" as it is defined in 16 CFR §436,2(d) (2007). In some states, 1-800 BOARDUP, International, LLC is not considered a franchise.

BFG Holdco, our parent, also owns the following franchise companies/our affiliates that offer the franchise offerings in the chart below and that may also offer products or services to franchisees:

| Company | State/Type of Entity | Date of Formation | Principal Address | Number of Outlets | Industry |
|---|---|---|---|---|---|
| NHance, Inc. ("NHI") | Delaware Corp. | Dec. 31, 2012 | 1530 North 1000 West, Logan, UT 84321 | 255<br><br>(plus 1 Master franchisee in Canada) | Wood cleaning, coating, protection and other wood care and renewal products and services for wood flooring, cabinetry, trim, and other wood furnishings. |
| Devere International, Inc. ("DII") | California Corp. | Sept. 1987 | 3310 West End Ave., Suite 620, Nashville, TN 37203 | 17 | Offers Chem-Dry master franchises outside of the United States and Canada. |

### *1.4 Market and Competition*

Following the System, you will market your Chem-Dry Business services directly to residences and commercial businesses that require the Services. We encourage you to study potential markets and the competition that may already exist. You will experience competition from other independent businesses and national franchisors that provide similar services and products.

The market for carpet cleaning and other services is developed in most geographic areas and competition will depend upon the number of businesses in your area capable of performing similar services, and the number of people in the area aware of the availability and benefits of such services.

There may be Chem-Dry franchises near your Territory that operate under a different business format and operating procedures.



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*1.5 Laws and Industry Regulations*

Your Chem-Dry Business will be subject to various federal, state and local laws and regulations concerning the proper handling and disposal of cleaning products used in, and wastewater generated by the Chem-Dry Business and to offer the Services. You should investigate the application of these laws further and make inquiries about other laws that may be applicable to your Chem-Dry Business.

The Chem-Dry Business will also be subject to various federal, state and local laws, and regulations affecting the business, including, among others, federal, state and local laws, rules and regulations governing franchises, licensing, permits, zoning, the EPA, and other federal and state environmental protection statutes, OSHA, and other federal, state and local laws regarding hazardous substances and waste, land use, construction regulations and various health, sanitation, safety and fire standards. You are also subject to employment laws such as the EEOC, Fair Labor Standards Act, Americans with Disabilities Act and various state laws governing such matters as minimum wages, overtime and working conditions. There may be federal, state and local laws which affect your Chem-Dry Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

## ITEM 2: BUSINESS EXPERIENCE

President: Edward Quinlan

Mr. Quinlan became President of Chem-Dry, in Logan, Utah, in October 2019. Previously, he served as Senior Vice President of Operations of Chem-Dry from July 1, 2018 and was Director of Marketing in Logan, Utah from July 2006 until July, 2018.

Director of Operations: Kati Buckland

Ms. Buckland became our Director of Operations in Ann Arbor, MI on October 14, 2024. She joined Chem-Dry on August 15 2022 as Director of New Franchise Owner Success and was located in our Logan, UT office. Prior to that Ms. Buckland was a Chem-Dry franchisee located in Albuquerque, NM from Sept 2000 through August 2022.

President of BELFOR Franchise Group, LLC: Rusty Amarante

Mr. Amarante has served as President of BELFOR Franchise Group, LLC located in Ann Arbor, MI from March 2012 to the present. Mr. Amarante has served as Director of Operations for BELFOR USA Group, Inc., located in Birmingham, MI, from November 1999 to the present. Mr. Amarante also serves as Executive Chairman of BFG Holdco, located in Nashville, TN from July 2019 to the present and was President of our affiliate, Redbox+ International, LLC, in Ann Arbor, MI from September 2022 to January 2024.

Chief Executive Officer of BELFOR Franchise Group, LLC: Sheldon Yellen

Mr. Yellen has been Chief Executive Officer of HOODZ International, LLC, BELFOR Franchise Group, LLC and HOODZ North America, LLC, located in Ann Arbor, MI from October 2008 to the present. Mr. Yellen also served as Chief Executive Officer for DUCTZ International LLC and DUCTZ North America, LLC, located in Ann Arbor, MI from July 2007 to the present. Mr. Yellen also serves as Chief Executive Officer of 1 800 WATER DAMAGE International, LLC and 1 800 WATER DAMAGE North America, LLC, located in Ann Arbor, MI, from April 2015 to the



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present. Mr. Yellen has served as Chief Executive Officer for BELFOR USA Group, Inc., located in Birmingham, MI, from April 2004 to the present. Mr. Yellen also has served as Director and CEO of BELFOR Holdings, Inc., in Birmingham, MI, since its inception in September 2006 to the present. Mr. Yellen also serves as Director of BFG Holdco, located in Nashville, TN from July 2019 to the present.

Chief Financial Officer of BELFOR Franchise Group, LLC: David Robertson

Mr. Robertson became Chief Financial Officer for BELFOR Franchise Group LLC, in Ann Arbor, MI, in October 2023. Prior to joining us, he was President of Lake's Lawn & Landscape, in Waterford, MI, from April 2023 through October 2023. From April 2018 through April 2022, Mr. Robertson was Senior Vice President and CFO of Altarum Institute in Ann Arbor, MI.

Senior Vice President of Legal and Franchise Administration: Melanie Parker

Ms. Parker has been the Senior Vice President of Legal and Franchise Administration for all brands owned by BELFOR Franchise Group, LLC since September 2019. Ms. Parker became the Vice President of Legal and Franchise Administration for CDI in October 2015, and serves in the same capacity for NHI, since October 2015.

Senior Vice President of Franchise Sales and Development: Doug Smith

Mr. Smith has been the Senior Vice President of Franchise Sales and Development for all brands owned by BELFOR Franchise Group, LLC since September 2019. Mr. Smith joined the management team at CDI in August 2015 as Senior Vice President of Franchise Sales and Development.

Senior Vice President of Marketing: Abigail Baker

Ms. Baker became the Sr. Vice President of Marketing in May 2023 after serving as Vice President of Marketing for NHI and CDI in Nashville, TN beginning February 2021. Previously, she joined CDI and NHI in July 2016 as the Director of Marketing in Nashville, TN.

Chief Financial Officer: Janette Sims

Ms. Sims became Chief Financial Officer for CDI, and NHI, in Nashville, TN, in November 2020. Previously she was Controller of CDI and NHI from August 2014 until November 2020.

## ITEM 3: LITIGATION

Pending Claim:

Chem-Dry, Inc., v. SSCD, Inc., Walter Shipman, and Betsy Shipman, Case No. 1:25-cv-01401 (US Dis. Ct. Filed Feb. 10, 2025). This matter was filed by CDI against former franchisees for breach of their post-termination covenants against competition, breach of contract, violation of trade dress, unjust enrichment, and other related claims. The parties reached a settlement whereby the defendants are enjoined from operating a competitive business, using or disclosing CDI's confidential information, and using CDI's trade dress.

Prior Claim:

Hospitality Future Labs, LLC and Adam Schroder v. Harris Research, Inc., et al., No.: 22-0000081 (Haw. Cir. Ct. Filed March 24, 2022). This matter was filed in the Circuit Court of Hawai'i, Second Circuit by a former Chem-Dry franchisee against HRI and several individual defendants alleging breach of contract, breach of fiduciary duties, tortious interference, defamation, conversion, statutory violations, and infliction of emotional distress. There was a parallel arbitration proceeding as *HRI v. Hospitality Future Labs, LLC and Adam Schroder,* AAA No. 01-



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21-0004-1006, before the American Arbitration Association. The parties settled the matter on May 5, 2023, and HRI paid to Hospitality Future Labs, LLC and Adam Schroder a settlement sum of $225,000.

## ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5: INITIAL FEES

*5.1. Initial Fees for Franchises*

Upon signing the Franchise Agreement, you must pay an initial franchise fee of $36,000 for a Standard Territory and $18,000 for a Small Territory (the "Initial Franchise Fee"). The Initial Franchise Fee is deemed fully earned upon payment and non-refundable under any circumstances. The Initial Franchise Fee purchases a Territory that will encompass between approximately 100,000 to 150,000 households for a Standard Territory and approximately 75,000 households for a Small Territory. You may purchase additional territory for a cost of $0.20 per household up to a maximum total of 180,000 households for a Standard Territory.

If you wish to purchase multiple Franchise Territories at the time you sign your first Franchise with us, then we will discount the Initial Franchise Fee for the additional Franchise Agreement(s) by $5,400 for a Standard Territory and $2,700 for a Small Territory. The discount is only applicable if you purchase additional Franchise Territories at the same time as your initial Franchise purchase, and the discount will be applied to the Initial Franchise Fee for the additional territories only. The discount cannot be combined with any other discount and will not be granted toward any future Territory expansions.

*Initial Package Fee*

You must also obtain an initial package ("Initial Package") that will cost between $37,500 and $41,250 (the "Initial Package Fee"). The Initial Package includes equipment, supplies, and inventory needed to begin operation and logo wear, stationery, digital marketing, consumables, promotional items, safety items, the Technology Fee for the first twelve months, and the Convention Allowance. The "Convention Allowance" covers the registration for one person to attend the first Chem-Dry convention (the "Convention") that is scheduled following your successful completion of our initial training program. The Convention Allowance is fully earned once paid and cannot be used to offset any other expenses or requirements.

The Initial Franchise Fee offsets the expenses we incur in registering, marketing, awarding, training, and opening new franchises. The Initial Franchise Fee and Initial Package Fee are non-refundable and deemed fully earned upon payment.

*Discounts*

We provide a 20% discount on the Initial Franchise Fee for the first Franchise to veterans of the U.S. Armed Forces who have been honorably discharged or otherwise meet the requirements of IFA's VetFran program. We reserve the right to require proof that the applicant qualifies for this discount. We also offer a 10% discount on the Initial Franchise Fee on the first Franchise Territory to first responders, which include sworn police officers, paid and volunteer firefighters, and paid and volunteer emergency medical technicians and paramedics. This discount may not be used in conjunction with the Veteran discount. We reserve the right to require proof that the applicant qualifies for this discount.



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We may provide discounts of the Initial Fees to qualified candidates operating existing carpet cleaning businesses. The amount of any discounts will be negotiated between you and us. In negotiating any discounts, we will consider such factors as your business performance, geographic location, the condition of your equipment and vehicles, and market conditions.

From time to time, we may offer incentives of cash grants, equipment, product, or other items as an inducement to prospective franchisees when business circumstances warrant and in states where such incentives can be offered without restrictions. We reserve the right to change or cancel any offer at any time.

*5.2 Related Franchisee Package*

If you are currently a franchisee in good standing, as determined by us, with one of our franchising affiliates (a "Related Franchisee"), then you may qualify to purchase a Chem-Dry Business with a discounted Initial Franchise Fee. The initial fees for a Related Franchisee will be 25% off of the then-current Initial Franchise Fee, and such discounted fee is limited to up to two (2) Franchises, which must be purchased at the same time. A Related Franchisee cannot use any other discounts.

*5.3 Renewals and Transfers*

Upon the expiration and renewal of your franchise agreement, you will not be required to pay the Initial Franchise Fee, but you must pay our then-current Renewal Fee, and you may be required by us to purchase new or additional equipment, in our discretion, at your sole expense.

If you are acquiring your Chem-Dry Business via transfer, then (a) we currently waive the Initial Franchise Fee, (b) you or the seller must pay our then-current Transfer Fee, and (c) you may be required to purchase some or all of the Initial Package, in our discretion, at your expense.

## ITEM 6: OTHER FEES

| **Name of Fee (Note 1)** | **Amount** | **Due Date** | **Remarks (Note 1)** |
|---|---|---|---|
| Royalty | Between 4% and 7% of Gross Sales, beginning the first month after Initial Training<br><br>Beginning in your 13th month of operation of the Franchise. Royalty payments are subject to a required minimum monthly Royalty payment | This fee is due by automatic debit each month by the 10th (or another day we may designate) for Gross Sales generated during the preceding month (Note 3) | See Notes 2, 4, 5 and 6 |
| Ongoing Purchases | Product Costs, generally between $5,000 and $50,000 annually | Upon receipt of invoice | Includes various cleaning products of which we are the sole supplier, including our core cleaner, The Natural® |



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| Name of Fee (Note 1) | Amount | Due Date | Remarks (Note 1) |
|---|---|---|---|
| Brand Marketing Fee | Up to 3% of Gross Sales, beginning in month 13 of franchise operation<br><br>Brand Marketing Fee payments are subject to a minimum monthly payment of no less than $150 for the Standard Territory and $75 for the Small Territory | This fee is due by automatic debit each month by the 10th (or another day we may designate) for Gross Sales generated during the preceding month | Your contribution to our Brand Marketing Fund for the common benefit of System franchisees. |
| Technology Fee | Actual costs charged by third party vendor, plus up to fifteen percent (15%) of the cost for administration.<br><br>Presently, the Technology Fee is $450 per month, begins in month 13 of franchise operation | This fee is due by automatic debit each month by the 10th (or another day we may designate) | We provide website/landing pages, business number phone, and Customer Service Management Software for use in the Business. We may employ third party vendors to perform such tasks |
| Renewal Term Fee | Currently, $3,600 | Upon the preparation of the Franchise Agreement for a renewal term | You will sign our then-current Franchise Agreement for the renewal term, which may include materially different terms, including the Royalty rate and/or Territory.<br><br>This fee may increase up to ten percent (10%) each year of the term. |
| Transfer Fee | Currently, $3,600 | Due upon the preparation of the new Franchise Agreement or assignment by Franchisor | This fee may increase up to ten percent (10%) each year of the term. |
| Broker Fee – Resale or Other Transfer | If you authorize us to enlist a third-party broker to locate a transferee for your business, there will also be a broker fee, which is approximately $30,000 | Due upon closing of the sale of the Business | Payable only if the third-party broker located the transferee. Payable to and imposed and collected by us if a broker fee was paid by us to the third party. |



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| Name of Fee (Note 1) | Amount | Due Date | Remarks (Note 1) |
|---|---|---|---|
| | | | Payable to and imposed and collected by the broker if we do not pay a broker fee to the third party. |
| Additional Training or Hosting Fee | $75 per person, per day, of any training conducted at our headquarters, or our then-current fee, plus all travel, lodging, and meal expenses. | Due by automatic debit the following Friday (or any other day we may designate) after the completion of training | Initial Training to you or your Designated Manager and one other person is included with the franchise. You may designate, with our approval and on a "space available basis," additional persons to attend initial training for the Hosting Fee. This fee may increase up to ten percent (10%) each year of the term. |
| Convention, Regional Meetings and/or Additional Training | $1,000 maximum per person to attend the Convention, and (b) $0 - $500 per person per event for Regional Meetings and/or Additional Training | Before the start of the event | Contribution for meeting space, meals, audio visual rental, workbooks, speakers, etc. Does not include travel, lodging or all meals. Location varies, these fees are payable to and imposed and collected by third parties.<br><br>The Convention and Regional Meeting Fees may be increased by us up to 25% each year of the Term. |



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| Name of Fee (Note 1) | Amount | Due Date | Remarks (Note 1) |
|---|---|---|---|
| Outstanding Royalties, Support Fees, and other fees of Transferor | Will vary under circumstances | Due 6 weeks prior to transferee's execution of its Franchise Agreement | In a transfer, the transferee promises to pay us at the time of closing the following fees if they are not timely paid by the transferor: Royalties, Referral Fees, amounts owed for purchases from us, Late Payment Fees, Late Report Fees, Interest Fees, NSF Fees and any other fees owed, plus interest, as well as any applicable broker fees. |
| Renovation, Refurbishing, and Remodeling Fees | Actual Costs | When incurred | We may require you to replace, renew, refurbish, or remodel your leased premises, vehicles, vehicle wrap, and equipment to meet our current System Standards and condition requirements at any time during the Term, in our sole discretion, and at your expense. You must maintain all vehicles in good working condition at all times. There are no limits on this requirement, and these fees may be paid to us or to third parties. |
| Late Report Fee | $50 per week | Due by automatic debit the Friday after the report is late | Due for each week a required report is late. This fee may increase up to ten percent (10%) each year of the term. |
| Late Payment Fee | $50 per day | Due by automatic debit on the Friday following the due date for each late payment | Due for any payment that is not paid when due. This fee may increase up to ten percent (10%) each year of the term. |



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| Name of Fee (Note 1) | Amount | Due Date | Remarks (Note 1) |
|---|---|---|---|
| Administrative Fee | Currently, $500 per transaction. | As incurred | Due when you request or we are required to amend the Franchise Agreement, or when you ask us to consent to various transactions or to services for which a specific fee is not imposed elsewhere in this agreement or the System.<br><br>We may increase this fee by up to 10% per year of the Term. |
| Collection Fee | Up to 35% of gross amounts collected on your behalf | As incurred | Due if/when we collect payment on your behalf for customers who are delinquent in their payment of 180 days or more |
| Non-Sufficient Funds (NSF) Fee | Presently $50 per NSF | Due by automatic debit the Friday after the NSF occurs | Due if and when we debit your account for monies owed and there are insufficient funds available.<br><br>We may increase this fee by up to 10% per year of the Term |
| Convention Non-Attendance Fee | Presently $1,000 | Due to us if you fail to attend the Convention and did not receive our prior written permission. | See Note 7<br><br>We may increase this fee by up to 10% per year of the Term |
| Non-Compliance Fee | Presently $5,000 or, for out-of-territory infractions, the greater of $1,000 or 50% of the total invoice for the job, whichever is higher | Due by automatic debit 30 days after written notice | Due if you breach the Franchise Agreement and fail to cure or if you advertise, provide services to customers or establish an office outside of the Territory without our prior written consent. If you do so, then you |



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| Name of Fee (Note 1) | Amount | Due Date | Remarks (Note 1) |
|---|---|---|---|
| | | | must pay us this fee.<br><br>We may increase this fee by up to 10% per year of the Term<br><br>See Note 8 |
| Audit | Due only if an inspection is necessary. Cost of inspection or audit estimated at $2,500-$3,500, plus 100% of understated Royalty and interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is greater, and all late fees, from the date originally due until the date of payment; if an understatement of Royalty is greater than 3%, you also must pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales | Due by automatic debit 15 days after billing | Due if an inspection or audit is made necessary by your failure to (a) furnish reports, supporting records, or other information as required, (b) furnish these items on a timely basis, (c) use the Chem-Dry Required Software for scheduling and invoicing, or if an understatement of Royalty is greater than 3% for any period reviewed. |
| Insurance | Cost of insurance; If you fail to maintain the required insurance, we have the right to procure insurance on your behalf and you must pay us, on demand, for the costs and premiums we incur. | As invoiced | You are required to maintain the types and amounts of insurance specified in Item 8 and, as more detailed, the Franchise Agreement. |
| Interest Fee | 18% per annum or the maximum permitted by law | Due by automatic debit in the same manner as the Royalty | Due on all overdue amounts from the date the amounts were originally due. |
| Indemnification | Actual Costs | As incurred | You must reimburse us if we are held liable for claims directly or indirectly arising out of your Chem-Dry Business's operation. Your obligation to indemnify us will survive the termination or |



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| Name of Fee (Note 1) | Amount | Due Date | Remarks (Note 1) |
|---|---|---|---|
| | | | expiration of your Franchise Agreement. This includes costs we incur in resolving customer complaints |
| Costs and Attorneys' Fees | Actual Costs | As incurred | See Note 9. |
| BFG National Accounts Program Handling & Processing Fee ("NORA Fee") | Then-current fee per account; presently this fee is up to 15% of Gross Sales generated by the NORA Account | As incurred | Optional Program. See Note 10 |

Notes:

The preceding table describes other recurring or isolated fees or payments that you must pay to us or our affiliates, or which we or our affiliates may impose or collect on behalf of a third party, in whole or in part.

1. All fees, unless otherwise specified, are uniformly imposed and collected by and payable to us. All fees are non-refundable and deemed fully earned upon payment.
2. Subject to the Minimum Monthly Royalty Requirement, you shall pay to us a tiered monthly royalty, subject to the stated monthly minimum, as follows (collectively, the "Royalty"):

| Annual Gross Sales for Standard Territory | Royalty Percentage Due |
|---|---|
| "Tier 1": $0 to $500,000 | 7% on Tier 1 Gross Sales |
| "Tier 2": $500,001 to $1,000,000 | 6% on Tier 2 Gross Sales |
| "Tier 3": $1,000,001 to $1,500,000 | 5% on Tier 3 Gross Sales |
| "Tier 4": $1,500,001 and up | 4% on Tier 4 Gross Sales |

| Annual Gross Sales for Small Territory | Royalty Percentage Due |
|---|---|
| "Tier 1": $0 to $250,000 | 7% on Tier 1 Gross Sales |
| "Tier 2": $250,001 to $500,000 | 6% on Tier 2 Gross Sales |
| "Tier 3": $500,001 to $750,000 | 5% on Tier 3 Gross Sales |


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| | |
|---|---|
| "Tier 4": $750,001 and up | 4% on Tier 4 Gross Sales |

For a hypothetical large territory business that has sales for the calendar year of $1,250,000, the Royalty would be calculated as follows:

Tier 1: $500,000 x 7% = $35,000, plus, Tier 2: $500,000 x 6% = $30,000, plus, Tier 3: $250,000 x 5% = $25,000, for a total Royalty the calendar year of $90,000. The franchise would then begin the subsequent year at Tier 3 paying 5% on Gross Sales until achieving Tier 4 status. Should the franchise not achieve Gross Sales in the subsequent calendar year of at least Tier 3, the franchise would revert back to the highest achieved Tier for that year for purposes of calculating Royalties for the year thereafter.

3. Before opening the Chem-Dry Business, you must sign and deliver to us the prescribed form of authorization to debit the Chem-Dry Business's checking account automatically for all fees due us which is attached to the Franchise Agreement as Exhibit E.

4. You will pay the tiered percentage Royalty based on your Gross Sales each month. Notwithstanding the percentage Royalty required, you will be required to pay the Minimum Monthly Royalty Requirement amount in the chart below if that sum is higher than the percentage Royalty, and you must generate Minimum Monthly Gross Sales as stated in the chart below. For the following months, the Minimum Monthly of Gross Sales will be:

| **Months in Operation** | **Minimum Monthly Gross Sales Requirement Per Standard Territory** | **Minimum Monthly Royalty Payment Per Standard Territory** |
|---|---|---|
| 13 to 24 months | $12,500 | $400 |
| 25 to 36 months | $20,800 | $600 |
| 37 to 48 months | $33,300 | $900 |
| 49 to 60 months | $41,700 | $1,000 |
| Greater than 61 months | $50,000 | $1,200 |

| **Months in Operation** | **Minimum Monthly Gross Sales Requirement Per Small Territory** | **Minimum Monthly Royalty Payment Per Small Territory** |
|---|---|---|
| 13 to 24 months | $6,300 | $200 |
| 25 to 36 months | $10,400 | $300 |
| 37 to 48 months | $16,700 | $500 |
| 49 to 60 months | $20,800 | $500 |
| Greater than 61 months | $25,000 | $600 |

5. For purposes of paying the Royalty, we follow the calendar month. The Royalty will be assessed to you upon the date of the original invoice issued to the Customer, regardless of


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whether the invoice is paid in full. If you transfer the Franchise Agreement to a new owner, the Royalty for all jobs completed prior to the transfer must be paid on the day of closing, regardless of whether the invoice(s) is paid in full. On the effective date of termination of the Franchise Agreement, either by you or us, you must pay us the Royalty for all jobs. We will draft the Royalty from your bank account on the tenth ($10^{th}$) day of the calendar month (or another day we may designate) for the preceding month. You must pay the Royalty by electronic funds transfer or by such other means as we may specify. We may periodically specify other dates for payment of the Royalty.

6. If for any reason you and/or the Chem-Dry Business is found to be out of compliance with the Franchise Agreement, we reserve the right to refuse to reduce your Royalty rate or reset the Royalty rate to 7% for the remainder of the calendar year, at which time you must re-qualify for the discounted Royalty for the following year.
7. "Gross Sales" means all revenue generated from operating the Chem-Dry Business, whether in cash, in services in kind, from barter and/or exchange, or otherwise, less any sales tax or refunds for non-salvageable items. Commissions paid to lead sources may not be deducted from Gross Sales for purposes of calculating Royalties.
8. If you fail to attend the Convention, without our prior written permission, you must pay the Convention Non-Attendance Fee of $1,000. If you miss your first Convention offered following your franchise acquisition, the Convention Allowance included in the Initial Package will be applied toward the Convention Non-Attendance Fee.
9. We have the right to assess then-current fine amount for conduct that violates the terms of this Agreement, including, but not limited, operating, advertising, or establishing an office outside of your territory ("Out-of-Territory Conduct"), use of unapproved equipment in operating the Franchised Business, selling or using unapproved Products or Services through the Franchises Business, misuse of the Marks, use of unapproved marketing materials, and other violations of franchisee's duties under the Franchise Agreement. This fee is in addition to, and not in lieu of, any other rights and remedies for breach that we have under the Agreement.
10. If you are in breach or default of any monetary or non-monetary material obligation under the Franchise Agreement or any related agreement between you and us or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement, and your claim in such action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.
11. We may provide services to national and/or regional accounts that require centralized overview and support, and for purposes of responding to requests and referrals for Services through our franchise system, managing those relationships, answering calls placed to our toll-free number or a national account on-line access system. In that case, we may charge you a National or Regional Accounts Fee ("NORA Fee") of fifteen percent (15%) of Gross Sales generated by the account. The purpose of this fee is to defray the cost of providing national/regional account management services to the franchise system. We do not plan to charge a fee for simple referrals where we do not directly manage the relationship with the customer, but we reserve the right to do so.


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## ITEM 7: ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

### A. Standard Territory Franchise

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment Is to Be Made |
|---|---|---|---|---|---|
| Initial Franchise Fee [(1)] | $36,000 | $42,000 | Lump sum | On signing the Franchise Agreement | Us |
| Initial Package Fee [(2)] | $37,500 | $41,250 | Lump sum | On signing the Franchise Agreement | Us or Third Parties |
| Truck Mount Carpet Cleaning System[(2)] | $32,963 | $45,060 | As arranged | Before opening | Third Parties |
| Small Tools & Equipment [(2)] | $650 | $850 | As incurred | Before Opening | Third Parties |
| Vehicles [(3)] | $0 | $81,450 | As arranged | Before opening | Third Parties |
| Installation Costs [(3)] | $600 | $6,000 | Lum Sum | As Agreed | Third Parties |
| Insurance [(4)] | $600 | $7,000 | As agreed | Annually, before opening, as incurred | Insurance Companies |
| Full time Service Technician [(5)] | $6,000 | $8,000 | Payroll | Per your payroll policy | Employee |
| Technology System / Computer, Software, Telephone, and Electronic Mail [(6)] | $800 | $4,000 | Lump sum | As incurred | Third Parties |
| Rent [(7)] | $0 | $5,000 | As agreed | As specified in lease | Lessor |
| Leasehold Improvements [(8)] | $0 | $5,000 | As agreed | Before opening as incurred | Contractors and Vendors |



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| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment Is to Be Made |
|---|---|---|---|---|---|
| Security Deposits / Utility Deposits | $0 | $3,500 | Lump sum | As incurred | Third Parties |
| Costs Incurred While Attending Training (9) | $1,250 | $3,000 | As incurred | Before opening as incurred | Airlines, Hotels, Restaurants, Employees |
| Miscellaneous Pre-opening Expenses (11) | $400 | $4,000 | As incurred | Before opening as incurred | Third Parties |
| Additional Funds – 3 months (12) | $2,500 | $9,000 | As incurred | As incurred | Vendors, Employees and Third Parties |
| **TOTALS** | **$119,263 to $265,110** | | | | |

**B. Small Territory Franchise**

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment Is to Be Made |
|---|---|---|---|---|---|
| Initial Franchise Fee (1) | $18,000 | $24,000 | Lump sum | On signing the Franchise Agreement | Us |
| Initial Package Fee (2) | $37,500 | $41,250 | Lump sum | On signing the Franchise Agreement | Us or Third Parties |
| Truck Mount Carpet Cleaning System(2) | $32,963 | $45,060 | Lump sum | Before Opening | Third Parties |
| Small Tools & Equipment (2) | $650 | $850 | As incurred | Before Opening | Third Parties |
| Vehicles (3) | $0 | $81,450 | As arranged | Before opening | Third Parties |
| Installation Costs (3) | $600 | $6,000 | Lum Sum | As Agreed | Third Parties |



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| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment Is to Be Made |
|---|---|---|---|---|---|
| Insurance [4] | $600 | $7,000 | As agreed | Annually, before opening, as incurred | Insurance Companies |
| Full time Service Technician [5] | $6,000 | $8,000 | Payroll | Per your payroll policy | Employee |
| Technology System / Computer, Software, Telephone, and Electronic Mail [6] | $800 | $4,000 | Lump sum | As incurred | Third Parties |
| Rent [7] | $0 | $5,000 | As agreed | As specified in lease | Lessor |
| Leasehold Improvements [8] | $0 | $5,000 | As agreed | Before opening as incurred | Contractors and Vendors |
| Security Deposits / Utility Deposits | $0 | $3,500 | Lump sum | As incurred | Third Parties |
| Costs Incurred While Attending Training [9] | $1,250 | $3,000 | As incurred | Before opening as incurred | Airlines, Hotels, Restaurants, Employees |
| Miscellaneous Pre-opening Expenses [11] | $400 | $4,000 | As incurred | Before opening as incurred | Third Parties |
| Additional Funds – 3 months [12] | $2,500 | $9,000 | As incurred | As incurred | Vendors, Employees and Third Parties |
| **TOTALS** | **$101,263 to $247,110** | | | | |

**Notes**

Our estimate of your initial investment to develop one Chem-Dry Business is described in the table above. The estimate covers the period before the opening of your franchise and includes a category for additional expenses you may incur during the initial three-month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. The estimate also does not include cash requirements to cover operating losses or owner's draw after the initial



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three-month phase of the franchise. You may need additional funds available to cover your personal living expenses and any operating losses after the initial phase of your franchise. The estimates below also do not reflect an amount for investment in real estate, since it is assumed that you will lease your premises. We urge you to retain the services of an experienced accountant or financial adviser in order to develop a business plan and financial projections for your franchise.

Your actual investment may vary depending on local conditions particular to your geographic area or market, such as real estate demand, availability and occupancy rates. Additional variables that may impact your initial investment may be: the size of your facility; age of the structure; length of your lease or other instrument granting you the right to occupy the premises; if your space is to be built out by the developer with no initial out-of-pocket costs to you; lease arrangements; location in the market; costs of demolishing existing leasehold improvements; construction costs; other variable expenses and whether you currently hold a lease for an acceptable location.

In general, none of the expenses listed in the above charts are refundable, except security or utility deposits may be refundable.

1. See Item 5 for an explanation of the amount and refundability of the Initial Franchise Fee. We may offer you financing for a portion of the Initial Franchise Fee if you meet our qualifications. We may finance up to 50% of the Initial Franchise Fee for a Franchise with a minimum down payment of 50% of the Initial Franchise Fee for a term of three (3) years with a 9% annual interest rate. The monthly payment will vary depending on the amount you choose to finance, any discounts you may receive, and the term of the loan. See Item 10 for further details.

2. See Items 5 and 11. You must purchase from our Approved Supplier an Initial Package consisting of product, equipment, logo wear, stationery, digital marketing, promotional items, the Technology Fee for the first twelve months, and the Convention Allowance. You must purchase a truck mount carpet cleaning system that meets our specifications for use in providing Services. We will provide recommendations regarding other small tools and supplies that you may choose to purchase.

3. You must purchase or lease at least one van for use in connection with each Territory that complies with our specifications. The vehicle must be in good operating condition regardless of age of vehicle. All vehicles must be rust and dent free. We reserve the right to inspect and approve all vehicles used in your Chem-Dry Business, and we may require you to upgrade, refurbish or remodel your vehicles such that they comply with our System at any time. The low range in the above chart assumes that you have an existing white vehicle that complies with our specifications that does not have wrapping that needs to be removed. The high range in the above chart assumes that you are purchasing a brand-new vehicle. You are required to only use vehicle signs and wrapping we permit. All vehicle wraps may only be performed by our authorized vendors.

4. You must procure, maintain and provide from our approved vendors, liability and other insurance policies for your vans and your Chem-Dry Business as described in the Franchise Agreement. These costs will increase if you operate more than one Territory or if you choose to accept and perform NORA work. See Item 8 of this Disclosure Document for more information regarding our insurance requirements. Each specified policy of insurance must meet the following requirements: (a) the policy must name us, BELFOR USA Group, Inc., and BELFOR Franchise Group, LLC (and any of our affiliates that we reasonably specify) as an additional insured; (b) the policy must not be subject to cancellation, modification or amendment except after 30 days written notice to us; (c) the insurance must be placed with an insurance carrier with an AM Best's Rating



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of not less than A; and (d) the policy must provide that failure by you to comply with any term, condition or provision of the insurance contract, or other conduct by you, will not void or otherwise affect the coverage afforded us.

5. You must dedicate a full-time service technician to perform the actual services for the Business. The low range estimate is based on a Managing Owner working with the technician and the high range estimate is based on employing a technician with prior carpet cleaning experience.

6. We will provide you with the business phone number to be used by the Chem-Dry Business. The number will be forwarded to any device that you choose. The low estimate is based on having this business number forwarded to your existing device(s). The high range estimate is based on the Chem-Dry Business acquiring a second landline with a separate phone service provider. You must have a computer located at your Office that meets the requirements of System and for handling our then-current franchise management software, QuickBooks, and any other software we may require. This estimate also includes both necessary and optional equipment, necessary to operate your Chem-Dry Business in one territory over the first three months of operation, including an IOS phone or tablet, or approved equivalent for use in connection with your Chem-Dry Business.

7. You may operate your Chem-Dry Business from your home for the first 24 months of operations if your home is located within your Territory. Otherwise, you are required to operate from an industrial park or commercial space within your Territory. Landlords typically require a lease deposit of one or two-months' rent. We will not evaluate the location of your commercial space. Your rent may be subject to escalation clauses based on inflation or other factors as provided in your lease. The annual rent amount may vary significantly depending on the area of the country, condition, location and size of the location and the demand for the location among prospective tenants. The rent could exceed the estimated amounts in major metropolitan markets. Your initial investment will be much greater if you purchase real estate and construct your premises and we do not have any estimate of those costs.

8. If you purchase or lease commercial space, you must do so in accordance with our specifications. This range includes exterior signage, construction of a designated area rug cleaning pit area, build-out for office space, and professional fees. Your actual costs will vary depending on the size and location of the space, the condition of the space, and material and labor costs in your area.

9. Although we do not charge any additional fees for the Initial Training program for up to two people, you must pay any wages due to your employees as well as travel, food and lodging expenses incurred by you and your employees during Initial Training. The cost will depend on the distance you and your employees must travel and the type of accommodation you choose.

10. Your miscellaneous pre-opening expenses may include, installation of telephones, legal or accounting services, office supplies, internet access and other start-up business expenses.

11. These estimates represent the additional funds necessary for the first three (3) months of your Chem-Dry Business operations if you are developing one Territory. You will need more funds if you are developing more than one Territory. This item includes a variety of expenses and working capital requirements you may experience in the initial months after opening, such as the cost of additional supplies, optional purchases, and other miscellaneous costs.



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12. These estimates are amounts needed for each Territory in which you operate your Chem-Dry Business. We relied on the experience of our existing franchise locations to compile these estimates. You should review these figures carefully with a franchised business advisor before making any decision to purchase the franchise. The availability and terms of financing from third parties will depend on such factors as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

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

*8.1 Required Purchase of Initial Package and Equipment*

You must purchase the Initial Package from us, our affiliate(s), or a designated supplier. The items included in the Initial Package may change to reflect the changing needs of the Chem-Dry Business in accordance with System procedures, and changes in suppliers and/or product specifications.

We or are designee are the exclusive supplier of the core Chem-Dry cleaning products, including The Natural, and P.U.R.T.® (our Pet Urine Removal Treatment), that you are required to use in the operation of your Chem-Dry Business. You will be required to purchase your inventory of cleaning solution and any and all other cleaning products you will use to perform the Services from us or our designated supplier.

Some of our officers have an ownership interest in our affiliates BELFOR and BHI, which may become approved suppliers in the future. There are no other suppliers in which any of our officers own an interest at this time, although they reserve the right to do so in the future.

The marketing materials and trademarked office supplies that are included in the Initial Package are shipped, F.O.B. from our approved supplier(s).

While most franchisees choose to order items using our Marks from our approved suppliers, you are only required to do so when you order your Initial Package and vehicle decals. The remaining items using our Marks for the operation of your Chem-Dry Business may be ordered from third party suppliers provided that they meet our standards and specifications for representation of the Marks and are pre-approved by us.

*8.2 Standards and Specifications and Services*

You must operate your Chem-Dry Business according to our standards, specifications, and operating procedures and the System. We will formulate and modify standards and specifications based on our and our franchisees' experiences in operating the Chem-Dry Business. Our standards and specifications may impose requirements for performance, reputation, quality, and appearance. Our Manuals or other communications identify our standards and specifications and/or names of designated or approved suppliers. We may require you to remodel or refurbish your leased premises, vehicles, and other branded items to meet our then-current System Standards at any time during the Term, in our sole discretion.

You must offer all of and may only offer the products and services approved by us ("Services"), as set forth in the System Standards, through your Chem-Dry Business.

*8.3 Vehicles and Specifications*

Currently, you are not required to purchase or lease the initial vehicle from our then-current approved supplier(s), but we reserve the right to require you to do so in the future. We also reserve the right to require that you purchase all additional vehicles through our approved supplier(s). Chem-Dry Businesses must use vehicles that meet our design and operating specifications for



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model type, color, trademark representation, and appearance. These specifications are included in our Manuals. All vehicles purchased or leased for the Business are to be, and maintained, in a "good" condition as defined by KELLEY BLUE BOOK, which currently means that the vehicle is free of any major defects. The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the Chem-Dry Business are to be decaled as required by us and the decals are to be free of defects. We may require that you purchase/lease a new vehicle or remodel/refurbish your existing vehicles to meet our then-current System Standards at any time during the Term, at your expense.

*8.4 Cooperatives/Purchase Arrangements*

As of the date of this offering, we do not have any purchasing or distribution cooperatives, but we reserve the right to establish them in the future. Aside from certain intangible benefits associated with group buying, you receive no material benefits, discounts, rebates, renewal rights, the right to purchase additional franchises, etc. for using approved suppliers.

*8.5 Email and Web Site, Computer Systems, Phones*

You must have a computer system, located at your Office that meets the requirements of System and for handling our then-current franchise management software, QuickBooks, and any other software we may require. The computer system required is set forth in Item 11. The computer system and required software serve as a point-of-sale system, amongst other things.

You must also maintain, on your business computer, an electronic mail account that must enable you to receive and send electronic mail and transfer computer files with us. You must also maintain a high-speed internet connection. You must use an email name that we have approved that will have "@chemdry.com" as its suffix for all business-related correspondence.

You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our website and managed by our website provider. You may not attempt to redirect any traffic on the customized website. You may not implement a website or URL for the Chem-Dry Business either yourself or through a third-party provider. We have sole discretion and control over the website (including timing, design, contents and continuation).

We may, but are not obligated to, create interior pages on the website(s) that contain information about your Chem-Dry Business and other Chem-Dry Businesses. If we do create such pages, we may require you to prepare all or a portion of the page for the Chem-Dry Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting.

Chem-Dry Businesses may be required to use the phone models and type from the supplier(s) that we designate. We may provide you with the business phone number to be used by the Chem-Dry Business. This number will be forwarded to any device(s) that you choose.

*8.6 Insurance*

You are not required to use an insurance broker approved by us; however, before attending the Initial Training Program, you promise to purchase and maintain in full force and effect throughout the term of the Franchise Agreement and at your expense, insurance protecting you, your employees, and us, our officers, and our employees, against loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the operation and promotion of the Chem-Dry Business as specified in detail in the Franchise Agreement or otherwise in writing from us, including, but not limited to:



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- The minimum amount of business (general) liability coverage required is $1,000,000 per occurrence.
- The minimum amount of $100,000/$400,000/$75,000 (or $500,000 Combined Single Limit) is required for the vehicle liability coverage. All non-owned or hired vehicles must be insured with the same limits.
- The business liability insurance policy must state that the work product is covered at a minimum of $50,000 per occurrence, or that there is no "workmanship" or "care, custody, and control" exclusion.
- You must also have Workers Compensation insurance based on statutory requirements.

We may modify the types and amounts of insurance you are required to purchase as we deem appropriate in our reasonable discretion. You acknowledge and agree that (a) the insurance you will maintain reflects the minimum amounts of coverage we require, (b) these minimums are not meant to reflect the actual needs you may have, and (c) it is your responsibility to carefully evaluate if these minimums will adequately meet your needs.

All policies will be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of "A" or better. Currently, you are not obligated by the terms of the Franchise Agreement to purchase your insurance from any specific provider, although we reserve the right to specify the specific provider that you must use in the future.

We may periodically determine and modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance s, normal business practices, higher court awards and other relevant circumstances. To gain adequate protection, you should discuss with your insurance agent and financial advisor to determine if your personal situation requires you to maintain coverage in excess of the minimums that we require. If any lease or Customer contract requires an insurance policy amount to be higher than the amounts we have listed above, you must obtain the highest amount for such policy.

All general liability insurance policies will name us, BELFOR Franchise Group, LLC, BELFOR USA Group Inc., and our designated affiliates, employees, officers, and directors (the "Indemnified Parties") as additional insureds, and will contain no provision which in any way limits or reduces coverage for you if a claim is made by any one or more of the Indemnified Parties, and will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 30 days' notice of any intent to cancel or materially alter any policy.

At least ten (10) days before attending Training, commencing the operation of the Chem-Dry Business, whenever a change is made to your policy, and before expiration of any insurance coverage, you promise to have your insurance provider send us a copy or certificate or other acceptable proof of such insurance. If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage and premium payments, we may obtain, at our sole option and in addition to our other rights and remedies under the Franchise Agreement, any required insurance coverage on your behalf. We are under no obligation whatsoever to obtain such insurance, but if we do so, you must fully cooperate with us in our efforts and must promptly sign all forms required to obtain or maintain the insurance. You must



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also allow any inspections of your Chem-Dry Business required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf will reduce or absolve you of any obligations of indemnification described in the Franchise Agreement. You must promptly report all material claims, or potential claims, against you, any Indemnified Party or us, to the insurer and to us.

You may not commence your Chem-Dry Business until you have provided the certificates of insurance or other acceptable proof of all insurances. You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

You must provide us with copies of any insurance claims or insurance cancellations within 24 hours. You have a 24-hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days prior written notice from the insurance carrier to us. We have the right to increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to you, and you shall comply with any such modification within the time specified in said notice.

*8.7 Approval of Alternative Suppliers*

Our Operations Manual includes a list of all items required to be purchased from us, our affiliates, and our approved suppliers and vendors. All products used in the operation of the Franchised Business must meet our System Standards and must be pre-approved by us, regardless of the supplier. In the event you wish to purchase an unapproved item, including inventory, equipment, supplies, etc., and/or acquire approved items from an unapproved supplier, you must provide us with proof of the materials you wish to order and a written request for approval. We will notify you in writing of our approval or disapproval within ten days of receipt of the materials and your written request. We have no obligation to approve any particular products, service, or supplier. If you do not receive approval within ten days, you should consider the materials disapproved. All materials must meet the quality of our current suppliers, and correctly bear the Marks. Standards and specifications are periodically modified to meet changing market conditions and are published in our Manuals and on our website. Approval of a supplier may be conditioned on requirements relating to product quality, production and delivery capabilities, ability to meet our supply commitments and financial stability. Our standards and specifications are updated periodically at our sole determination and are made available to you in our Manuals, other publications, and on our website. There is no fee to secure approval to purchase from alternative suppliers, but you must reimburse us for our reasonable costs, regardless of if we subsequently approve your request. At our discretion, we may, with notice to you, revoke our approval of any previously approved products due to changes in standards and specifications or if such products subsequently fail to meet the quality of our current suppliers.

Use of products and materials that have not received our prior written approval and/or do not meet our standards and specifications can result in the termination of the Franchise Agreement.

We estimate that the cost of the items purchased according to our required specifications will be approximately 80% of the overall purchases in establishing the business and approximately 15% to 30% of the total purchases during the operation of the business.

*8.8 Revenues from Franchisee Purchases*



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In the fiscal year ending December 31, 2024, we derived $9,565,975 from the sale or lease of products or services to Chem-Dry franchisees, which represents 32.4% of our total 2024 revenue. In addition, we collected $69,437.09 in revenue from rebates and other payments from approved suppliers based on sales made to franchisees, which represents 0.24% of our total 2024 revenue. We used supplier payments to offset the costs of our franchisee convention and support supplier marketing programs directed to franchisees. We derived these figures from our internally prepared financial statements. We reserve the right to earn a profit from the products purchased from us, our affiliates, or our suppliers.

*8.9 Advertising*

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use. . We reserve the right to designate one or more approved supplier(s) for all advertising and marketing materials.

## ITEM 9: FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section in Franchise Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Section 1.D | Item 6 and 12 |
| b. Pre-opening purchases/leases | Sections 2.A and 2.B | Items 6, 7 and 8 |
| c. Site development and other pre-opening requirements | Sections 1.D, 2.F, 2.G and 3.A | Items 7 and 11 |
| d. Initial and ongoing training | Section 3 | Items 6, 7 and 11 |
| e. Opening | Sections 2 and 3 | Item 11 |
| f. Fees | Sections 2, 10.B, 11.D, 13.A, 15.C and 16 | Items 5 and 6 |
| g. Compliance with s and Policy | Sections 1.C, 2, 3, 4 and 7 | Items 8, 9, 13, and 16 |
| h. Warranty and customer service requirements | Section 7.A | None |
| i. Trademarks and proprietary information | Sections 4, 5, 6, 13.B and 13.C | Items 8, 13 and 14 |
| j. Restrictions on products/services offered | Sections 1.C, 1.E, 1.F and **7** | Items 8, 12 and 16 |
| k. Territorial development and sales quotas | Sections 1.D and 2.F | Item 6 and 12 |
| l. Ongoing product/service purchases | Sections 2 and 7 | Item 8 |
| m. Maintenance, appearance and remodeling requirements | Sections 7, 11.B and 11.C | None |
| n. Insurance | Section 7.C | Items 6, 7, and 8 |



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| Obligation | Section in Franchise Agreement | Disclosure Document Item |
|---|---|---|
| o. Advertising | Sections 1.D, 1.E, 2.G, 3.B and 7.A | Items 6, 8 and 11 |
| p. Indemnification | Section 14.C | Items 6, 8 and 12 |
| q. Owner's participation/ management/ staffing | Sections 1.C and 7.A | Items 11 and 15 |
| r. Records/reports | Sections 2.D, 7.D and 8 | Item 6 and 11 |
| s. Inspections and audits | Section 8 | Item 6, 11 and 17 |
| t. Transfer | Section 10 | Items 6 and 17 |
| u. Renewal | Section 11 | Item 6 and 17 |
| v. Post-termination obligations | Sections 6 and 13 | Item 17 |
| w. Non-competition covenants | Sections 6 and 13.D | Item 17 |
| x. Dispute resolution | Section 15.F | Item 17 |
| y. Personal Guaranty | Exhibit D | None |

## ITEM 10: FINANCING

*10.1 Initial Franchise Fee*

If we grant you the right to open and operate a Chem-Dry Business for a Franchise, we may offer you financing for a portion of the Initial Franchise Fee if you meet our qualifications. The following table summarizes the financing we may offer you for Initial Franchise Fee.

| | |
|---|---|
| **Source of Financing** | Us |
| **Amount Financed** | Up to 50% of the Initial Franchise Fee |
| **Down Payment** | Minimum of 50% of the Initial Franchise Fee |
| **Term (number of years)** | Up to 36 months |
| **Rate of Interest plus Finance Charge** | 9% |
| **Monthly Payment** | Varies depending on amount financed and term. |
| **Prepayment Penalty** | None |
| **Payment Start Date** | Principal payments start the month after training, but no longer than three months after signing the Franchise Agreement |
| **Security Required** | Personal Guaranty |



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| | |
|---|---|
| **Guaranty** | Personal Guaranty |
| **Liability upon Default** | Termination or other loss of Franchise; you must also pay entire amount due and our attorneys' fees and court costs in collecting debt |
| **Loss of Legal Rights Upon Default** | You must waive presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise) |

If you would like to finance a portion of the Initial Franchise Fee, and you meet our credit standards, you may do so through a promissory note (the "Note"), which is currently attached as Exhibit A-2 to the Franchise Agreement. You must make a down payment of at least 50% of the Initial Franchise Fee. We are currently offering an interest rate of 9%. We will not adjust APR of the Note once your Franchise Agreement has been signed. If you fail to make timely payments or your payments are returned to us with non-sufficient funds, then we have the option to either (a) require that the balance of the Note be paid in full upon notice to you or (b) charge a late fee of 5% or $50, per week, whichever is greater. The only security we require is a personal guarantee of the Note by you and by all the owners, as well as all respective spouses, of the company, although we reserve the right to request additional security in our sole discretion.

The term of the Note will be up to 36 months, as agreed between you and Chem-Dry. You may prepay the Note without penalty at any time during its term. If you fail to make any payment, we can call the Note and demand immediate payment of the full outstanding balance. We can also terminate your Franchise Agreement if you fail to make payments as agreed; however, before your Franchise Agreement can be terminated, you will receive a notice of default and have a ten-day period to cure the default. The Note shall survive termination of the Franchise Agreement.

*10.2 Additional Information*

Other than described above, we will not guarantee any notes, leases or obligations. We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party, although we reserve the right to do so in the future. We and our affiliates do not receive any direct or indirect payments or any other consideration from any person for the placement of financing with the lender; however, we reserve the right to do so in the future.

## ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

*11.1 Our Pre-Opening Obligations*

Before you open your Chem-Dry Business, we will:

1. Designate the protected Territory for a Chem-Dry Business (Section 1.D and the Summary Page of the Franchise Agreement). We do not provide any assistance with (a) locating or selecting a business site or negotiation of any lease or purchase of any site, (b) conforming the site to local ordinances and codes and obtaining any required permits, (c) constructing the premises, (d) hiring and training employees (other than the required training discussed in Section 3.A of the Franchise Agreement), or (e) providing necessary equipment, signage, etc. You may



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operate your Chem-Dry Business from your home for the first 24 months of operations if your home is located within your Territory. Thereafter, you must operate your Chem-Dry Business from a commercial space located within the Territory. Any space must be approved by us, in our sole discretion, which we will not unreasonably withhold provided that the site meets our minimum specifications. (Section 1.D of the Franchise Agreement). We will use commercially reasonable efforts to approve a suggested site in 30 days. Failure to find a site and commence operation of the Chem-Dry Business within four months of signing the Franchise Agreement may result in termination of the Franchise Agreement (Section 12.B of the Franchise Agreement). We do not generally (a) own the premises from which franchisees operate the Chem-Dry Business or (b) lease any premises to franchisees to operate the Chem-Dry Business. We will provide you with our required specifications for the design, decoration, and signage of the premises if you choose to operate the business from a commercial location.

2. Provide your Initial Package that includes cleaning products, equipment, logowear, stationery, digital marketing, promotional items, the Technology Fee for the first twelve months, and the Convention Allowance as described in Item 5 and in the Franchise Agreement (Section 2.B of the Franchise Agreement). The items in the Initial Package are provided by us and by designated suppliers named by us. Other than providing the Initial Package we do not provide, install or supply any signs, fixtures, equipment, opening inventory, signs, or other inventory or supplies.

3. Loan to you a copy of our copyrighted Operations Manual and System Standards, and other proprietary materials or manuals as we may publish and distribute to you periodically (Section 3.C of the Franchise Agreement).

4. Give prior approval for use of business forms, business stationery, business cards, advertising materials, permanent materials, and forms that you intend to use (Section 7.A of the Franchise Agreement). We will continue to do this after you open the Chem-Dry Business.

5. Give prior approval to all marketing, advertising, and promotional materials prepared by you within ten days of our receipt of the proposed materials for Franchises (Section 2.G of the Franchise Agreement). We will continue to do this after you open the Chem-Dry Business.

6. Specify minimum policy limits for certain types of insurance coverage (Section 7.C of the Franchise Agreement). We will continue to do this after you open the Chem-Dry Business.

7. Provide you with a training program (described in more detail below) and to the Designated Manager, if applicable, at no additional fee or other charge (Section 3.A of the Franchise Agreement).

8. Provide you with the business phone number to be used by the Business. (Section 2.I. of the Franchise Agreement).

*11.2 Franchisor's Obligations After the Opening of the Chem-Dry Business*

Once you have opened your Chem-Dry Business, you will have access to information helpful to the operation of your Chem-Dry Business based on reports you submit to us and/or inspections that we make (Sections 7 and 8 of the Franchise Agreement). In addition, we or our designee will furnish guidance to you, to the extent we determine necessary in our sole discretion, regarding the following:

1. New products, services, and methods that we may have discovered or have developed for the System (Sections 3 and 7 of the Franchise Agreement);



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2. The purchase and use of supplies and products (Sections 3 and 7 of the Franchise Agreement);

3. The formulation and implementation of marketing, advertising, and promotional programs using the merchandising, advertising, and research data and advice as we may, periodically, develop for use in your local market (Sections 3 and 7 of the Franchise Agreement);

4. The financial and daily operation of the Chem-Dry Business including its accounting and record keeping functions (Sections 3 and 7 of the Franchise Agreement);

5. Other business and marketing advice (Sections 3 and 7 of the Franchise Agreement);

6. Support for our required franchise software management system, as defined in the Licensing Agreement (Exhibit B of Franchise Agreement);

7. Periodic modifications to the Operations Manuals and periodic modifications to the System Standards, including guidelines regarding the prices at which you sell the approved products and services, so you may establish your own pricing (Section 3.E of the Franchise Agreement); and

8. Periodic refresher training courses and conferences, not to exceed one per year. (Section 3.A of the Franchise Agreement).

*11.3 Estimated Typical Length of Time to Open the Chem-Dry Business.*

The estimated typical length of time between the signing of the Franchise Agreement and payment of any consideration for the Chem-Dry Business, and the opening of the Chem-Dry Business, is approximately 60 to 120 days. Factors affecting this length of time usually include normal business startup considerations, completion of training, the vehicle delivery date, whether or not you have an existing Approved Location in the Territory, and whether or not you obtain outside financing. However, you must commence operation of the Chem-Dry Business within four (4) months of signing the Franchise Agreement and if you do not, then we may terminate the Franchise Agreement. (Section 12.B.2 of the Franchise Agreement).

*11.4 Local Marketing and Advertising*

Except for any marketing included in the Initial Package, we are not required to conduct advertising for you or the System. We may provide you with advertising, promotional or marketing materials for you to use in local advertising, but we are not obligated to do this. We will provide you the business phone number to be used by the Chem-Dry Business. This number will be forwarded to any device(s) that you choose.

You will be required to spend at least five percent (5%) of your Gross Sales per year on local advertising. You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials before their first use. In order to obtain approval of advertising and marketing materials, you must submit such proposed advertising material to us for review at least ten business days before the proposed first use. If we take no action within such ten-business day period, the materials shall be deemed disapproved, and you may not use such materials. The approval or disapproval is in our sole discretion. We also may, in our sole discretion, require you to immediately discontinue use of any advertising or marketing materials at any time, even if previously approved or provided by us. All advertising and marketing materials must meet our then-current standards and specifications. We may, in our sole discretion, offer and sell advertising, marketing, and promotional materials at any time. We



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reserve the right to require certain items, such as your van, yard signs and furnace stickers reference the Chem-Dry national toll-free number. You may not alter or remove reference to the national toll-free number. You have no obligation to purchase any of these materials or forms from us, but you may be required to purchase such materials from approved or designated suppliers, or participate in our local marketing programs, like our call center and/or direct mail solicitations at your expense. (Section 2.G of the Franchise Agreement).

Following the System, primarily through affinity marketing programs, direct mail, networking, and sales calls, you will market your Chem-Dry Business's services directly to residences, commercial entities, and governments/municipalities located within the Territory that require carpet cleaning, upholstery cleaning, hard surface cleaning, spot and removal, and other services. Included in your Initial Package is an opening inventory of promotional materials to initiate your marketing program. The primary marketing media we have found to be effective are affinity marketing programs, direct mail and face to face meetings, networking and partner development. We may vary the source of advertising by using one or a combination of in-house, national agencies and/or regional agencies.

We do not currently require you to participate in an advertising cooperative, however we reserve the right to implement cooperatives in the future and require you to participate. The area of the cooperative will be determined on a regional basis depending on where our future franchisees operate. We, along with franchisees that are members of the cooperative will determine the amount contributed and each will contribute equally or on a pro-rata basis, as determined by the cooperative. We will administer the cooperatives and the cooperatives will operate from written governing documents that will be available for review to franchisees. If two or more Chem-Dry Businesses are serviced by the same telephone directory, we will require you to list all businesses under one Chem-Dry heading. Should this instance arise, you promise to pay your pro-rata share of the total expense of the joint listing. Any other forms of advertising that would also advertise zip-codes both inside and outside of the Territory must be pre-approved by Chem-Dry in writing. We will notify you within ten days of our receipt of your written request. If we do not respond within ten days, the material is unapproved. Additionally, if we implement local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense.

You are also required to be a member of at least one local or community-based business organization, such as your local Chamber of Commerce, BNI, Caerusnet, or similar organization. We reserve the right to change this requirement from time to time. (Section 2.G of the Franchise Agreement).

We have the right to formulate and design the content of the materials, and to discontinue the materials if, in our sole business judgment, we determine a more effective alternative method of advertising. Any other forms of advertising must be approved by us in writing. (Section 2.G of the Franchise Agreement).

Other than the advertising requirements described above, there are no additional advertising fees required by us and we are not required to spend any particular amount in your Territory. It is at our discretion to determine how much to spend, and where to market, advertise and promote the System.

*11.5 Brand Marketing Fund*

We have established a Brand Marketing Fund (the "Brand Marketing Fund") for the common benefit of System franchisees. Beginning in month 13 of operation of your Chem-Dry



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Business, you will be required to contribute up to three percent (3%) of your Gross Sales monthly to the Brand Marketing Fund (the "Brand Marketing Fee") subject to a minimum monthly contribution of $150 for the Standard Territory and $75 for the Small Territory, per territory, in the manner we prescribe. You must pay the Brand Marketing Fee on a monthly basis. (Section 2.G of the Franchise Agreement). Existing Chem-Dry franchisees that operate under a different economic model may contribute to the Brand Marketing Fund at a different rate than you.

We will use the Brand Marketing Fees, in our sole discretion, to develop, produce and distribute national, regional and/or local advertising and to create advertising materials and public relations programs which promote, in our sole judgment, the services offered by Chem-Dry franchisees. We have the sole right to determine contributions and expenditures from the Brand Marketing Fund, or any other advertising program, and the sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend Brand Marketing Fees in the general best interests of the System on a national or regional basis. We may use the Brand Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, producing, and implementing advertising, including the cost of: (i) preparing, producing, and implementing television, radio, magazine and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; (ii) public relations activities and advertising agencies; (iii) developing and maintaining an Internet website; and personnel and other departmental costs for advertising that we internally administer or prepare. Nevertheless, we acknowledge that not all System franchisees will benefit directly or on a pro rata basis from such expenditures, and we do not have any obligation to spend any amount on advertising in your Territory. While we do not anticipate that the Brand Marketing Fund will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Brand Marketing Fund for public relations or recognition of the "Chem-Dry" brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available."

We may periodically assist Chem-Dry franchisees to maintain high quality through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the Brand Marketing Fund. The cost of these programs may be charged directly to you if the results from a Survey fall below System established minimums for such Surveys.

We have the right to reimburse ourselves from the Brand Marketing Fund for such reasonable costs and overhead, if any, that we may incur in activities reasonably related to the direction and implementation of the Brand Marketing Fund.

We are not required to contribute to the Brand Marketing Fund. We may, but are not obligated to, advance money to the Brand Marketing Fund to fund Brand Marketing Fund programs. In the event that we advance monies to the Brand Marketing Fund, we will determine, in our sole discretion, the manner and timing for the repayment, to us, of some, or all, of the funds we advance.

We will prepare on an annual basis, within 120 days of the end of the fiscal year, and make available to you upon written request, a statement of contributions and expenditures for the Brand Marketing Fund. The Brand Marketing Fund does not have to be independently audited. In the year 2024, the Brand Marketing Fees were spent in the following manner: 89% on media, 5% on production, 2% on public relations, 1% on administrative costs, and 3% on other uses.



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There are currently no requirements for participation in an advertising council or any local or regional advertising cooperatives and, accordingly, you are not required to participate in one. However, we reserve the right to establish an advertising council or advertising cooperatives in the future and require your participation.

*11.6 Computer Software, Internet, and Systems*

We may develop "Chem-Dry Software", which will consist of software program(s) which you must use to maintain customer records, create estimates and invoices, process payment, and operate the Chem-Dry business system. Until we do, you are required to use our designated software for business management, which will be detailed in the Operations Manual, System Standards, or otherwise in writing. You are also required to use our then-current designated accounting software which is currently QuickBooks Online. In addition, you are required to follow our specified chart of accounts. We have the right to change these requirements at our discretion.

We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a compatible "back office" computer system that complies with our standards and specifications; (ii) a custom and proprietary point of sale system (the "POS System"), if we make such a POS System part of our proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System"). Currently, your Computer System must include a laptop or tablet computer with a DSL or cable modem high-speed Internet connection that meets the requirements of the System Standards for handling of our then-current Chem-Dry Software or other Required Software. You promise to subscribe to, maintain, and utilize a DSL, cable, or satellite high speed Internet connection and email network account with independent suppliers which periodically we approve. If you do not receive written approval within ten days of our written receipt of your request, such supplier will be considered disapproved. We estimate the cost of the computer system to be approximately $4,000.

We shall have the right, but not the obligation, to develop or designate one or more: (i) computer software programs you must use in connection with any component of the Computer System, including the Chem-Dry Software, designated business management software and designated accounting software (the "Required Software"), which you shall install at your own expense; (ii) updates, supplements, modifications, or enhancements to the Required Software, which you shall install at your own expense; (iii) the tangible media upon which you record data; and (iv) the database file structure of the Computer System. You will be responsible for the payment of all fees associated with the Required Software (including the Chem-Dry Software), Computer System, and POS System.

We may also require you to use certain internet and cloud-based services, or subscriptions as may become relevant as the System and technology changes, at your sole expense. You agree to pay all fees associated with the use of Chem-Dry Software and any other Required Software, which may be payable to us or our approved or designated suppliers. You expressly agree to strictly comply with our then-current standards and specifications for all items associated with your Computer System, Chem-Dry Software, and any other Required Software, including any security software, and internet and cloud-based products. You agree, at your own expense, to keep your Computer System in good maintenance and repair and install such upgrades, additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software



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as we direct from time to time in writing. You agree that your compliance with these requirements shall be at your sole cost and expense, which we estimate to be less than $500 per year.

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the Chem-Dry Business to us. We shall also have the right to, at any time without notice, electronically connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose we deem necessary. There are no contractual limitations on our right to independently access the information and data on your POS System, Chem-Dry Software, and Computer System. You shall deliver to us all access codes, static Internet protocol ("IP") addresses and other information to facilitate our access to the data described in this Section within 30 days of opening the Chem-Dry Business. All client and customer data are our property and any data not accessible to us upon termination or expiration of the Franchise Agreement must be provided to us immediately.

You are required to participate in any System-wide computer network, intranet system, or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the System Standards and Operations Manuals, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with us and other Chem-Dry franchisees; and (v) to complete any initial or ongoing training. You agree to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the System Standards and/or Operations Manuals, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

You must use an email name that we have approved that will have "@chemdry.com", at our discretion, as its suffix for all business-related correspondence. You also promise to subscribe to, maintain, and utilize the phone model, type, and provider that we designate as well as the phone service from the company we designate.

You are required to use, subscribe to, and pay for, as directed by us, a customized website page connected to our website and managed by our website provider. We may require you to prepare all or a portion of the page for the Chem-Dry Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. You may not attempt to redirect the customized website. You may not implement a website or URL for the Chem-Dry Business either yourself or through a third-party provider. We have sole discretion and control over the website (including timing, design, contents and continuation).

As technology advances and new discoveries are made, we have the right to require that you use other technological items, as well as to designate the specific companies, models and/or types that you must use for these technological services.

You agree to establish and maintain a separate profile, page, or other presence on social media in connection with the Chem-Dry Business in accordance with the System Standards. Prior to establishing such social media page(s), you are required to obtain our prior written approval of the content to be posted on such social media page(s). If such approval is granted by us, you must: (i) establish and operate such social media page(s) in accordance with System Standards and any other policies we designate in the Operations Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). We recommend, but do not require, that you update the social media page(s) at least monthly. We shall have the right to modify the provisions of this Item.



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We may use a portion of the Brand Marketing Fund or the weekly usage/support/upgrade fee to pay or reimburse ourselves for the costs incurred in connection with the development, maintenance and update of our website.

*11.7 Telephone Listings*

We will provide you with the business phone number to be used by the Business. This number will be forwarded to any device that you choose. As part of your local marketing, this number must be dedicated to your Chem-Dry Business. You must continually list the Chem-Dry Business in the primary Internet and telephone directory servicing the Territory and, at a minimum, to maintain a trademark listing advertising your Business in the primary directory servicing the Territory.

We may offer a service through which selected phone calls to a toll-free phone number will be forwarded to you or us. In the offering of this service, we will use commercially reasonable efforts to maintain this service, subject to acts of God or circumstances beyond our reasonable control, including power outages and the unavailability of telephone services. In the phone routing process, we use commercially reasonable efforts to route calls from prospective customers requesting service in the Territory to you. We do not guarantee that every phone call requesting service in the Territory will be routed to you. We reserve the right to modify or terminate this service at any time, in our sole discretion, including, without limitation, the right to require that all customer calls be directed through our toll-free line or any other telephone number we designate. We reserve the right to include the cost of this toll-free number and forwarding call in the Technology Fee. (Section 2.I of the Franchise Agreement).

*11.8 Reference Guides*

You must adhere to and follow Chem-Dry Business System Standards and other industry standards. Adhering to both System Standards and industry standards is required to assure consistency and quality service throughout the Chem-Dry network of owners and to verify compliance to s for customers.

The various elements of the System are incorporated into the Operations Manual, online training modules and the Chem-Dry owner's intranet website (collectively, the "Operations Manual"). We also have a set of System Standards that will contain mandatory and suggested specifications, operating procedures, and rules (the "System Standards") that we prescribe periodically for the operation of a Chem-Dry Business, and information on your other obligations under the Franchise Agreement and related agreements.

We maintain Operations Manuals and System Standards that contain mandatory and suggested specifications, standards, operating procedures, and rules that we prescribe periodically for the operation of a Chem-Dry Business, and information on your other obligations under the Franchise Agreement and related agreements. However, you will set your own prices. We may modify the Operations Manual and System Standards periodically to reflect changes in the System and you will be required to follow the revised Operations Manual and System Standard standards.

You must keep your copies of the Operations Manuals and System Standard standards current and in a secure location in the principal office of the Chem-Dry Business. If there is a dispute over the contents, the master copy of each of the Operations Manuals/System Standard standards that we maintain at our principal office will be controlling. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manuals or System Standard standards. If all or any of the Operations Manuals or System Standard standards are lost, destroyed, or significantly damaged, you promise to obtain replacements at our then applicable



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charge. The Operations Manuals and System Standard standards are specifically incorporated by reference into the Franchise Agreement, and you must comply with the Operations Manuals and System Standard standards as essential aspects of your obligations under the Franchise Agreement. Failure to substantially comply with the Operations Manuals and/or System Standard standards may be considered a breach of the Franchise Agreement.

The table of contents of our Operations Manual is attached as Exhibit D to the FDD.

*11.9 JumpStart Training and Initial Training (Section 3.A of the Franchise Agreement)*

You and your Service Technician must successfully complete our JumpStart Initial Training program (hereinafter, "JumpStart," Section 3.A of the Franchise Agreement) within two (2) months of signing the Franchise Agreement, before attending in-person business operations and managerial Training (hereinafter, "Initial Training") and before the opening of the Chem-Dry Business. This includes our comprehensive preparation program that includes numerous pre-opening activities and may last six to eight weeks, depending on the pace you establish to complete activities. During the JumpStart training program, with guidance from our training team, along with training manuals and online modules, you must prepare a comprehensive financial plan, review the Operations Manuals, complete a territory review, coordinate your initial advertising program, acquire proper insurance, select and lease office space (if applicable), and acquire all permits, licenses, and approved vehicles. Most JumpStart activities are conducted in your hometown with assistance from our home office staff. You begin JumpStart immediately upon your execution of the Franchise Agreement and payment of the Initial Franchise Fee. During JumpStart, we will schedule Initial Training for you to attend. Initial Training sessions are typically offered each month. Final confirmation of your scheduled classroom training may be contingent upon your successful completion of the JumpStart program and activities.

Initial Training takes place at BFG headquarters in Ann Arbor, Michigan or another location designated by us. It may be attended by you and the Service Technician, Managing Owner or, if applicable, the Designated Manager, at no additional fee. You may designate, with our approval and on a "space available basis," additional persons to attend Initial Training for our then-current fee, which is currently $75 per person, per day. The Managing Owner or, if applicable, the Designated Manager must complete the Initial Training to our satisfaction. Failure to do so will result in the termination of the Franchise Agreement. Initial Training will last up to 5 days in duration and must be completed within four (4) months of signing the franchise agreement. Although we do not charge a fee for attending training, you will be responsible for all travel and living expenses that you and your employees/owners incur. Additional persons employed by you may attend on a space available basis, contingent upon our receipt of our training fee to offset the expenses we incur. All attendees who are not a party to the Franchise Agreement must sign our prescribed form of confidentiality and non-disclosure agreement (Exhibit A-3 of the Franchise Disclosure Document). After you return from Initial Training, you are ready to open for business.

Our Operations Manuals, videos, and other handouts comprise the instructional materials for our Initial Training. Initial Training will be led by the following instructors:

| Instructor | Years in Industry | Years with Chem-Dry |
|---|---|---|
| Kati Buckland | 24 | 22 |
| Shawn Rodeback | 42 | 42 |
| Sterling Nesbit | 9 | 9 |



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We may involve other employees of us, or our affiliates, or other industry experts in Initial Training from time to time.

Listed below are the general modules and details of the Initial Training. We reserve the right to modify the Initial Training, including the training materials, training subjects, hours of training, and overall length of training at any time.

**TRAINING PROGRAM**

| NEW BUYER TRAINING/INITIAL TRAINING PROGRAM<br><br>Day of Training | Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|---|---|---|---|---|
| Day One - Virtual | On Track Training: Company Setup, Customer Profile Creation, Scheduling, Drip Campaign Setup, Appointment Scheduling, Invoice Processing, Report Overview | 2 Hours | n/a | Franchisee's location |
| Day Two - Virtual | Local Marketing: Reviewing Local Competition, PR overview, Researching Local Print Media Options, Ordering Print Materials | 2 Hours | n/a | Franchisee's location |
| Day One - In person | Staff Introductions, Job Overview from Phone Call to Appointment Completion, Introduction to Carbonation, Introduction to Equipment Setup, Hands on Equipment Setup, Hands on Carpet Cleaning | 4 hours | 4 hours | Ann Arbor, MI, or another location |
| Day Two - In person | Understanding the Gateway and its Resources, Product Line Education, Specialty Spot Cleaning Product Review, Hands on Specialty Spot Cleaning | 4 hours | 4 hours | Ann Arbor, MI, or another location and On-Site |



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| NEW BUYER TRAINING/INITIAL TRAINING PROGRAM<br><br>Day of Training | Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|---|---|---|---|---|
| Day Three - In person | Van Loading and Job Preparation Process, Hands-on In-Home Carpet Cleaning, Marketing Framework Introduction | 4 hours | 4 hours | Ann Arbor, MI or another location and On-Site |
| Day Four - In person | Understanding Marketing Chem-Dry, Equipment Maintenance, OnTrack Training Continued, Hands on Upholstery Cleaning | 4 hours | 4 hours | Ann Arbor, MI or another location and On-Site |
| Day Five - In person | Understanding Marketing Chem-Dry Continued, Business Management Overview, Financial Reports and Understanding the numbers, Commercial Accounts and Cleaning Methods, Area Rug Cleaning and Identification of Rug Types | 7 hours | 1 hours | Ann Arbor, MI or another location and On-Site |

*11.13 Additional Training*

If this is a renewal term or if this is an additional Chem-Dry Business being awarded to you, and your Managing Owner or, if applicable, the Designated Manager, have already attended Initial Training, the requirement that you attend Initial Training is waived, except as with respect to the JumpStart online training modules and continuing training obligations. In such cases, if your Managing Owner or, if applicable, the Designated Manager do attend Initial Training, you will be assessed our then-current training fee, which is currently $500 per person, per event. You will also be responsible for all travel and living expenses that you and your employees/owners incur while training.

The Managing Owner or, if applicable, the Designated Manager, must attend the Convention every year it is offered and pay our then-current registration fee, which is currently (a) $1,000 maximum registration fee per person to attend the Convention, and (b) $0 to $500 registration fee per person per event for Regional Meetings. The Managing Owner or, if applicable, Designated Manager also must attend periodic refresher training courses and conferences, not to exceed one event per year, at the times and locations we determine, and for which we may charge the fees described above. We will determine the duration, curriculum, and location of any such



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sessions. You will be responsible for all travel and living expenses that are incurred by you or your employees/owners while attending such sessions.

*11.14 Accounting and Financial Reporting*

You promise to establish and maintain, at your expense, an accounting system that conforms to the requirements and formats that, from time to time, we prescribe in the Operations Manuals and/or System Standards. You shall furnish to us, in the manner and format that we require:

1. On the 5th day of each month, a report of Gross Sales obtained in the prior month;
2. on the 15th day of each month of the Chem-Dry Business' operation, an unaudited income statement for the preceding calendar month, in a form satisfactory to us, and such additional reports as we may require
3. within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;
4. within 10 days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the Chem-Dry Business, as well as the state, federal and other income tax returns from your existing business(es) that provide carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services, which we may need to review to assure all Gross Sales have been accurately reported;
5. by November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and
6. any other reports we may require in the future.

We can require you to have audited financial statements prepared on an annual basis if you fail to comply with any provision of the Franchise Agreement.

If you fail to provide the information listed above as requested, we may require you to give us independent access to your specific online accounting software, so we may obtain the required financial reports, for which there may be a fee.

You shall maintain all records, reports, and financial statements for a period of five years during and following the termination, transfer, or expiration of the Franchise Agreement.

## ITEM 12. TERRITORY

*12.1 The Territory*

You will operate the Chem-Dry Business from a location and within the Territory that we approve (the "Approved Location"). The Territory will be identified in the Summary Page to the Franchise Agreement. You may not perform Services or advertise the Services outside of your protected Territory. Your protected Territory will consist of specific zip-code(s) that have been awarded to you.

A Territory will have approximately 100,000 to 150,000 households for a Standard Territory and approximately 75,000 for a Small Territory, although you may purchase additional population for the Standard Territory for a cost of $0.20 per household up to a maximum of 180,000 households. We identify your Territory zip codes as determined by Census Bureau



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statistics. You will sign a franchise agreement for each Territory purchased. As of the date of this Disclosure Document, we are utilizing data that has been collected by a national demographics company to determine the number of households in each Territory. During the term of the Franchise Agreement, we will not allow you to relocate the Territory; however, the exact boundaries of the Territory may change in the future, as future zip code changes are made by the United States Postal Service or Census Bureau.

We have the right to restrict the number of Territories in any given geographic area.

*12.2 Relocation*

You may relocate the Approved Location within the Territory at your sole discretion but must immediately notify us of the change in address. You may not establish an office outside the Territory.

*12.3 Territorial Protections*

You will not receive an exclusive Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution, or competitive brands that we control.

During the Term of the Agreement, we will not license others the right to operate business using the Chem-Dry Marks and providing the Services through a franchise location within your Territory.

Although we are not required to do so, we reserve the right to manage any project or enterprise undertaken jointly by two or more Chem-Dry franchisees and to limit or prohibit your negotiating directly with other Chem-Dry franchisees on these jobs. Further, we reserve the right to establish and service NORAs both within and outside your Territory, as described below in Section 12.4, and to use the Chem-Dry Marks in other manners not specifically granted to you by the Franchise Agreement, both within and outside your Territory, examples of which are described in more detail in Section 12.5 below.

*12.4 National or Regional Accounts ("NORAs")*

We have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to National or Regional Account ("NORA") customers. The term NORA includes any customer which on its own behalf or through agents, licensees, or other third parties owns, manages, controls, or otherwise has responsibility for a business in more than one location, for the benefit of the System, and regardless of the aggregate contract amount of the services to be performed. Any dispute as to whether a particular customer is a NORA shall be determined by us in our sole discretion and our determination shall be final and binding. Following the execution of a contract with or the acceptance of a bid by a NORA customer which contemplates the provision of services to one or more NORA customers who are located in your Territory, we may, if you are qualified to perform the services and conditioned upon your substantial compliance with the terms of the Agreement and any other applicable agreements, provide you the opportunity to perform such services pursuant to the terms and conditions of the NORA contract or on such terms and conditions as we, at our sole discretion, determine are appropriate. You agree to provide services to all NORA customer referrals within your Territory. You further agree to provide all services in strict adherence to the Chem-Dry performance and process standards and all service guidelines and performance standards of the NORA. You may be required to enter into a service agreement to participate in certain NORA programs.



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If you are not able, in our discretion, or not willing to provide services to a NORA customer in conformity with the terms and conditions of the NORA contract, or fail to make an election within the time we specify after being offered the opportunity, we have the right, exercisable in our sole discretion, to (i) provide, directly or through any affiliate or other franchisee, services to the NORA customer; and/or (ii) contract with another party to provide such services to the NORA customer. In either event, neither you nor the Chem-Dry Business shall be entitled to any proceeds from the provision of Services provided to the customer of a NORA.

*12.5 Reserved Rights*

We and/or our affiliates retain, as we deem appropriate, the rights to:

1. establish, and allow other System franchisees to establish, Franchised Businesses at any location outside of the Territory on any terms and conditions, but subject to the same service and marketing restrictions upon their servicing in the Territory that you are subject to when servicing in their Territory;
2. establish, solicit, market to, and build regional and national account relationships, whose offices may be located in the Territory;
3. offer and sell Chem-Dry Products, and advertise Chem-Dry Products and Services anywhere, including and within and outside the Territory, and in connection with this right, to exploit our Marks, name, reputation, and know-how;
4. solicit and perform the Chem-Dry Services, as well as such other services which may be offered by Franchised Businesses in any geographic market outside your Territory, in within your Territory in accordance with 7 and 8 below, our NORA Programs, and our Co-Venturing programs;
5. acquire businesses providing services the same or similar to those provided under the System and to be acquired by such a business, whether or not such businesses have locations within the Territory;
6. sell Products under the Marks within and outside the Territory through alternative methods of distribution, using the Marks. This includes sales of products and services through such channels of distribution as the Internet, catalogues and direct mail sales, telemarketing, or other direct marketing sales, etc. (the "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside the Territory and you may not receive compensation for sales of products using the Marks through alternative distribution channels.
7. make sales within the Territory of Products or Services under trademarks different from the Marks you will use under this Agreement.
8. use and license to engage in any other activities not expressly prohibited in this Agreement.

You acknowledge and agree that the Franchise Agreement does not grant you any right to (a) offer any product or service via e-commerce without our prior approval, (b) establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof, or (c) distribute, market, or implement our products and services in any channel of distribution not specifically identified in the Franchise Agreement.

*12.6 Additional Franchises and Expansions*



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Upon your request, we may, but are not obligated to, award you an additional Chem-Dry Business or additional Territory, but any decision to do so will be in our sole discretion and judgment. At a minimum, to be considered for an additional Franchise you must be in compliance with your Franchise Agreement and have sufficient capital, service technicians, and equipment to market and service both your Territory and the additional Territory.

If you are approved for an expansion territory, you must sign a new Franchise Agreement and pay the appropriate fee in full within 14 days of receiving the documents. The Initial Package requirement may be waived for franchisees who qualify to expand; however, you need to pay the Initial Franchise Fee and sign a new Franchise Agreement, which may contain materially different economic terms than the initial Franchise Agreement you sign. You may not, without our prior written permission, solicit or perform services for customers geographically located within the proposed Territory until you have purchased the Territory and signed a then-current Franchise Agreement.

*12.7 Minimum Gross Sales Requirement*

You must maintain the following minimum levels of monthly Gross Sales (the "Minimum Gross Sales") in the Territory:

| Months in Operation | Minimum Monthly Gross Sales Requirement Per Standard Territory | Minimum Monthly Royalty Payment Per Standard Territory |
|---|---|---|
| 13 to 24 months | $12,500 | $400 |
| 25 to 36 months | $20,800 | $600 |
| 37 to 48 months | $33,300 | $900 |
| 49 to 60 months | $41,700 | $1,000 |
| Greater than 61 months | $50,000 | $1,200 |

| Months in Operation | Minimum Monthly Gross Sales Requirement Per Small Territory | Minimum Monthly Royalty Payment Per Small Territory |
|---|---|---|
| 13 to 24 months | $6,300 | $200 |
| 25 to 36 months | $10,400 | $300 |
| 37 to 48 months | $16,700 | $500 |
| 49 to 60 months | $20,800 | $500 |
| Greater than 61 months | $25,000 | $600 |

You must pay the greater of (i) the Royalty due or (ii) the Minimum Monthly Royalty Payment applicable to you, as set forth in the chart above. If the Chem-Dry Business fails to achieve the required Minimum Gross Sales Requirement during any consecutive three-month period, we reserve the right to terminate the Franchise Agreement, or reduce the size of your



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Territory. If you are not in compliance with your Franchise Agreement, you agree that we, any franchisee, or Company-Owned Store we designate may provide Services in the Territory. Neither the franchise, Company-Owned Store nor we are liable or obligated to pay you any compensation for doing so, and neither the franchise nor we will be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if the Minimum Monthly Gross Sales Requirement are achieved in the future.

If you are awarded more than one (1) Territory of the same type, the dollar values for the Minimum Gross Sales for each subsequent same-sized Territory shall be half of the then-current Minimum Gross Sales Requirement for the primary Territory for the initial term of the Franchise Agreement. The Minimum Gross Sales must be met for each individual Territory as described in the Franchise Agreement.

If this is a renewal term, you will be required to meet the Minimum Gross Sales requirement for the greater than 61+ month level for the first year of the Renewal Term. For all subsequent years of the Renewal Term, you must achieve Minimum Gross Sales growth of at least three percent (3%) per year, each year.

The Minimum Gross Sales Requirement is not intended to be a financial performance representation. Financial performance representation can be found in Item 19.

## ITEM 13: TRADEMARKS

We own the common law trademarks, service marks, trade names, logotypes, and numerical symbols listed below and licensed us the right to use such marks for promotion, use, license, and sale throughout the United States, its territorial possessions, and the District of Columbia. The Franchise Agreement grants to you the license to operate the System under the Chem-Dry name and under any other trade names, trade dress, indicia, trademarks, service marks, and logos currently used or that may be used in the operation of the System.

The following trademarks, service marks, trade names, logotypes, or other commercial symbols have been applied for with the United States Patent and Trademark Office ("USPTO"), and such applications are still pending, and all required affidavits have been filed unless otherwise noted:

| MARK | SERIAL/ REGISTRATION NUMBER | APPLICATION DATE/REGISTRATION DATE | REGISTER |
|---|---|---|---|
| Chem-Dry | 1119887 | June 12, 1979, renewed June 13, 2019 | Principal |
| The Healthier, Deeper Carpet Cleaner | 7202835 | October 24, 2023 | Principal |



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| | | | |
|---|---|---|---|
| The Natural | 1762324 | October 7, 2023 | Principal |
| P.U.R.T (stylized) | 1815327 | December 14, 2013 | Principal |

Additional Marks may be disclosed and authorized for your use. You must follow CDI's rules when you use these Marks. We have filed all required affidavits and renewals with respect to these registrations.

We intend to commence an on-going practice of registering new trademarks for promotional or related advertising activities.

No state trademark registrations have been filed.

There are no pending proceedings or material litigation involving Marks that are relevant to their use.

There are no agreements currently in effect that significantly limit our rights within the United States, to use, or license the use, of the above-mentioned Marks in any manner material to the Franchise.

You will follow our rules when you use the Marks. You may not use any Mark (including the name Chem-Dry) as part of your corporate or legal business name or with modifying words, terms, designs, or symbols (except for those we license to you). You may not use any Mark in selling any unauthorized services or products or in any other way we have not expressly authorized in writing.

You promise to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding arising out of any infringement, challenge, claim or otherwise relating to any Mark.

Provided that you have timely notified us of the claim or proceeding and complied with the Franchise Agreement as we determine in our sole discretion, we shall indemnify and hold you harmless against any loss or expense incurred in connection with any such infringement, challenge or claim. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement, you will bear the cost of such defense, including the cost of any judgment or settlement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interest in the Marks, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out-of-pocket costs in performing such acts.

If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any Mark and/or use one or more additional or substitute names or marks, you must comply with our direction no later than ten days after you have received notice. We will not be liable to you for any expenses, losses, or damages you sustain as the result of any such addition,



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modification, substitution, or discontinuance of a Mark and you must not commence or join in any litigation or other proceeding against us for any such expenses, losses, or damages.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our principal Mark in any state.

We or our parents are the lawful and sole owner of all Chem-Dry domains, including www.chemdry.com. You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue using any website containing the Marks. You may access our website. Except as we authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the Internet; or (iii) create or register any Internet domain names in connection with your Chem-Dry Business. The only exception is that you may list the Chem-Dry Business in the local online directory.

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

### *14.1 Patents and Copyrights*

Our affiliate, CDI, owns patents for certain technologies, equipment and products that you may be licensed to use during your operation of your Chem-Dry Business.

CDI has registered the following patents with the U.S. Patent and Trademark Office:

| Registration Number | Patent | Date | Status |
|---|---|---|---|
| 9,259,671 | Apparatus, System and Method for Defoaming A Waste Tank | February 16, 2016 | Active |
| 6,905,553 | Device for Removing Residues from Surfaces and a Method for Accomplishing the same | June 14, 2005 | Expired March 22, 2024 |
| 7,271,140 | Composition for Removing Stains from Textiles | September 18, 2007 | Active |
| 7,503,940 | Method and System for Spot-Dyeing Textiles | March 17, 2009 | Expired February 13, 2024 |
| 7,404,224 | Composition for Removing Stains from Textiles | July 29, 2008 | Expired September 8, 2024 |
| 9,267,227 | Odor Removal Treatment | February 23, 2016 | Active |
| 8,267,607 | Surface Working Apparatus | September 18, 2002 | Expired October 21, 2024 |
| 7,795,200 | Textile Cleaning Composition and Method of Use | September 14, 2010 | Active |
| 10,465,149 | Stain And Odor Treatment | November 5, 2019 | Active |
| 10,646,088 | Truck Mounted Cleaning System | May 12, 2020 | Active |
| 10,888,209 | Vacuum Pathway In a Rotary Head Cleaner | January 12, 2021 | Active |
| 11,118,145 | Stain and Odor Treatment | September 14, 2021 | Active |



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| Registration Number | Patent | Date | Status |
|---|---|---|---|
| 11,825,997 | Vacuum Extraction Head with Adjustable Height Brush | November 28, 2023 | Active |
| 11,459,529 | Cleaning Compositions Containing Gum And Methods of Use Therewith | October 4, 2022 | Active |

Patents Pending

| Application Number | Patent | Date Filed |
|---|---|---|
| 17/380,623 | Cleaning Machine Extractor Head | July 20, 2021 |

We do not warrant or guarantee that any patents or copyrights we obtain or hold rights to and licenses to you are valid or that you will have exclusive rights to operate under the claims of any such patent or copyright.

We do not own any registered copyrights which are material to the franchise; however, we claim copyrights in the Operations Manuals, System Standards, advertising materials, Chem-Dry Software, business forms, videos, CDs and other printed and advertising material used in operating the System. We have not registered these copyrights with the United States Registrar of Copyrights. You must use these items only in the way we specify and only while operating your Chem-Dry Business. You do not have any rights, including rights to compensation, under the Franchise Agreement if we require you to modify or discontinue using the subject matter covered by any patent or copyright.

The Operations Manuals and System Standard standards are described in Item 11. You can use the proprietary information contained in the Operations Manuals and System Standards in connection with the operation of your Chem-Dry Business. Although we have not filed an application for a copyright registration for the Operations Manuals or System Standards, we claim a copyright, and the information is proprietary. Item 11 describes limitations on the use of the Operations Manuals by you and your employees. You must promptly tell us if you learn about unauthorized use of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your use of the copyrighted materials in any state. We need not protect or defend copyrights, although we may do so when this action is, in our opinion, in the best interest of the System.

We are not required to protect your right to use the patents or copyrights or to protect you against claims of infringement or unfair competition arising out of your use of any of the patents or copyrights. You must notify us immediately in writing of any apparent infringement or challenge to your use of any of the patents or copyrights, or of any claim by any person of any rights in any of the patents or copyrights, and may not communicate with anyone other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We will take such action as it, in its sole discretion, deems appropriate and will have the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or any other



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administrative proceeding arising from such infringement, challenge or claim or otherwise relating to any of the patents or copyrights. You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our or CDI's attorneys, may be necessary or advisable to protect and maintain its interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain our and CDI's interests in or any of the patents or copyrights.

If it becomes advisable at any time in our sole discretion for us, CDI and/or you to modify or discontinue the use of subject matter covered by any patent or copyright, you must comply with our directions within a reasonable period of time after receiving notice. However, we are not obligated to reimburse you for any expenses or loss of revenue or goodwill arising from any modification or discontinuation of the subject of any patent or copyright. (See Franchise Agreement – Section 4)

*14.2 Proprietary Information*

The Operations Manuals, System Standards and other materials we possess contain our confidential information and/or trade secrets. This information may include (a) general operating procedures for a Chem-Dry Business; (b) the proprietary Chem-Dry Software and any other Required Software; (c) personnel guidelines for training supporting the marketing and sales staff; (d) the training programs; (e) written marketing and advertising materials, audiotapes, videos, and programs for their utilization; (f) knowledge of specifications and suppliers of certain equipment and supplies for the Chem-Dry Business; (g) information on operating results and financial performance of Chem-Dry Businesses other than your own; (h) the Operations Manuals and the Chem-Dry owners internet site and its contents; (i) sales guidelines and strategies for developing business relationships in the insurance industry; (j) Customer Information, as defined below; and (k) any other information we deem confidential.

We also own any and all customer lists and their contents that we provide to you and/or that you subsequently develop during the normal course of operating the Business. You are required to keep an up-to-date list of all current and former customers in the Chem-Dry Software, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service ("Customer Information").

You must disclose to us all ideas, concepts, methods, techniques and products concerning the development and operation of the Chem-Dry Business that you, the Managing Owner, the Designated Manager, or employees conceive or develop during the term of the Franchise Agreement.

We shall own the rights to all such ideas, concepts, methods, techniques and products, regardless of the source, and you must grant to us and agree to procure from your affiliates, owners or employees a perpetual, exclusive and worldwide right to use such ideas, concepts, methods, techniques and products concerning the development and operation of the Chem-Dry Business that you or your employees conceive or develop during the term of the Franchise Agreement.

You must sign all documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials. We will have no obligation to make any lump sum or on-going payments to you with respect to any such idea, concept, method, technique or product. You must agree that you will not use, nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.



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

You must at all times faithfully, honestly, and diligently perform your obligations under the Franchise Agreement. We require that you actively participate in the operation of the Chem-Dry Business. If you will operate the Chem-Dry Business through a business entity, you must designate at least one managing owner of the entity (the "Managing Owner") who will be our primary, individual contact with the Chem-Dry Business and who we will approve at our sole discretion. In the case of multiple owners, the owner with day-to-day responsibility and authority to run the Chem-Dry Business and with whom we will communicate shall be identified on the signature line as the first Managing Owner.

A Managing Owner may, in our sole discretion, serve as the Managing Owner of more than one Chem-Dry Business that is owned by you; provided, however, that we may, require you to designate a person who will serve as the primary individual contact and on-premises supervisor for each Chem-Dry Business (the "Designated Manager"). We must approve of the Designated Manager in writing, which we may grant in our sole discretion.

The Managing Owner and, if applicable, the Designated Manager, must successfully complete our JumpStart and Initial Training Programs as described in and required by the Franchise Agreement. The Designated Manager is not required to have an ownership interest in the Chem-Dry Business. The Managing Owner or, if applicable, the Designated Manager must continuously exert her/his full-time best efforts to manage, promote and enhance the Chem-Dry Business, and such other Chem-Dry Businesses as we permit in our sole discretion. Without our prior written permission, the Managing Owner and, if applicable, the Designated Manager, must not engage in any other business or activity that conflicts with their obligations to operate the Chem-Dry Business on a full-time, year-round basis..

Before commencing operation of the Chem-Dry Business, you must employ at least one person who has completed the Initial Training (which may be yourself). Before you begin operating the Chem-Dry Business, you must also hire one Service Technician who will be responsible for performing the Services. At all times during the term of the Franchise Agreement, you must employ at the Chem-Dry Business at least one person who has completed the Initial Training.

Before attending the Initial Training and/or upon any change to the legal entity ownership, you must submit to us a corporate resolution, or similar action, which states the name of the corporation or LLC, the legal names of all of the partners or shareholders, the percentage of ownership that each member controls, their place of residence and their agreement to be bound by the terms of the Franchise Agreement, if applicable. In the case of multiple owners, you must submit an operating agreement, shareholder agreement, or similar document with a dispute resolution procedure acceptable to us in our sole discretion that states what you will do in the event that there is a conflict between any owners of the franchisee entity. In addition, at all times, the owners who have executed the Franchise Agreement must control 100% of the franchisee entity. Any changes in ownership of the franchisee entity shall be subject to our transfer procedure.

During the term of the Agreement, you and your immediate family may not engage in any other business or activity and cannot have an interest in or business relationship with any competitor of Chem-Dry. Additionally, if you are a corporation, limited liability company, partnership, or other entity, each of your owners, owner's spouses, members and member's spouses, or officers must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or



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non-monetary obligations, including post-termination obligations, including the covenant not to compete, among others.

At the start of their employment, you must require, as consideration for employment, each of your Service Technicians, Managing Owner, Designated Managers, sales and/or account management employees to sign non-disclosure and confidentiality agreements that we have specified or approved. Such agreements will prohibit disclosure, by the employee to any other person or legal entity, of any trade secrets, customer lists, or other information, knowledge, or know-how regarding the System or the operation of the Chem-Dry Business, which is deemed confidential and/or proprietary by us. Such employee non-disclosure and confidentiality agreements will, to the fullest extent permitted by applicable law, prevent employees from servicing or soliciting any of the customers of your Business, except in their capacities as employees of the Chem-Dry Business. We may require you to send us a copy of such agreements once fully signed.

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

You must offer and provide only the Services that we periodically require for Chem-Dry franchisees in the manner that we prescribe, and you may only provide the Services we have authorized. You may not market or perform any other services, except the Services, without our express, prior written approval. There are no limits on our right to periodically change required and/or authorized services and service categories, and we may do so at our discretion. Other than the advertising and territorial restrictions (See Item 12), we do not restrict the types of customers that you may service through your Chem-Dry Business.

## 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 Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

| | Provisions | Section in Franchise Agreement | Summary |
|---|---|---|---|
| a. | Length of the franchise term | Section 1.C | 10 years. |
| b. | Renewal or extension of the term | Section 11.A | One additional, consecutive term of 10 years. |
| c. | Requirements for franchisee to renew or extend | Section 11 | In order to renew you must: (i) be in compliance with your Franchise Agreement; (ii) not have made certain repeated defaults of your Franchise Agreement; (iii) not have failed to make payments repeatedly, (iv) have serviced customers in a manner consistent with System Standards, (v) provide us with notice of your intent to renew within the required time; (vi) sign our then-current franchise agreement, which may contain materially different terms; (vii) upgrade and remodel the Chem-Dry Business, as necessary; (viii) sign a general release (such requirement to sign a general release is subject to change in our sole discretion); and (ix) pay us a renewal fee. "Renewal" means |



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| | Provisions | Section in Franchise Agreement | Summary |
|---|---|---|---|
| | | | entering into a new franchise agreement with us, which may contain materially different terms and conditions from the original franchise agreement. |
| d. | Termination by franchisee | Not Applicable | Not Applicable. You may terminate the Franchise Agreement by any grounds permitted by state law. |
| e. | Termination by franchisor without cause | Not Applicable | Not Applicable |
| f. | Termination by franchisor with cause. | Section 12. | We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart. |
| g. | "Cause" defined – curable defaults | Section 12. | We may terminate the Franchise Agreement after providing you with notice and a 15-day cure period if you: (i) fail to pay any amounts due to us, or you do not record funds paid to you for jobs completed as required or you default on any loan made to you by us or our preferred lender for the purchase of the Territory; (ii) fail to employ for 2 consecutive months a Service Technician or a Designated Manager as required; (iii) fail to comply with any applicable law, regulation or ordinance; (iv) fail to comply with the Franchise Agreement, the intranet website, Manuals and/or other confidential materials; (v) fail to comply with modifications to the System Standards, intranet website, or Manuals; (vi) fail to make payments on the vehicle resulting in repossession; (vii) use products or materials that do not meet our System Standards; (viii) fail to provide any required report, statement, or return; (ix) fail to service all customers in a manner consistent with our System Standards; (x) market or advertise to a customer in another Territory without permission; (xi) establish an office location outside of your Territory without our prior written consent; (xii) fail to endorse any payments due to us that is erroneously made to you; (xiii) fail to maintain the hours of operation at the Chem-Dry Business; (xiv) fail to personally supervise day-to-day operation or fail to employ a sufficient personnel; (xv) fail to maintain the strict quality controls; (xvi) conduct yourself in a manner that reflects adversely on the System, the Marks, or the products; or (xvii) fail to procure or maintain any required licenses, certifications, or permits. |
| h. | "Cause" defined – non-curable defaults | Section 12. | The Franchise Agreement will automatically terminate without notice or an opportunity to cure if: (i) you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent; (ii) proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any bankruptcy or insolvency law, and are not dismissed within 60 days, or a trustee or receiver is appointed for you or the Chem-Dry Business without your consent, and is not vacated within 60 days; or (iii) you make or attempt to make an unauthorized transfer. |



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| | Provisions | Section in Franchise Agreement | Summary |
|---|---|---|---|
| | | | We may terminate the Franchise Agreement, immediately, and without an opportunity to cure, effective upon notice, if: (i) your Managing Owner/Designated Manager, fail to attend or successfully complete the required training or the pre-training requirements; (ii) you fail to commence operation of the Chem-Dry Business within the required time period; (iii) you have made a material misrepresentation; (iv) you receive 3 or more notices to cure a similar defaults, within any 2-year period; (v) you are convicted, or plead no contest to, a felony; (vi) you understate your Royalty by 3% or more on 3 or more occasions, during any 2-year period; (vii) you engage in any dishonest or unethical conduct; (viii) you violate any provision regarding confidentiality or non-disclosure; (ix) you abandon; (x) you fail to acquire or maintain the required insurance; (xi) you fail to attend Convention as required; (xii) your Managing Owner/Designated Manager fails to attend required refresher training; (xiii) you fail to train your Service Technician; (xiv) any other franchise agreement you have with us or our affiliate is terminated; (xv) you commit 3 or more defaults-in any 12 month period; (xvi) you materially breach any other agreement with us or our affiliates, or any lease, and fail to cure such breach within any cure period; (xvii) you materially violate any provision pertaining to Marks or Confidential Information; (xviii) you violate any health, safety, or sanitation law, ordinance or regulation; (xix) you violate the in-term restrictive covenant; (xx) a levy or writ of attachment or execution or any other lien is placed against you and not released or bonded within 30 days; (xxi) you become insolvent; (xxii) you order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier; (xxiii) you misuse or make unauthorized use of any Chem-Dry /Required Software; (xxiv) you fail to comply with the anti-terrorism provision; (xxv) you take for your own personal use any assets or property of the Chem-Dry Business; or (xxvi) if there are insufficient funds in your bank account to cover a check or EFT payment 3 or more times within any 12-month period or you fail to achieve minimum sales for 3 consecutive months. |
| i. | Franchisee's obligations on termination/non-renewal | Section 13 | Upon termination or early expiration of the Franchise Agreement, your obligations include: (i) pay all amounts owed to us; (ii) de-identify and otherwise stop using the Marks in any manner, including in business names and telephone listings; (iii) return all Confidential Information and customer lists to us; (iv) comply with post-term non-competition covenants; and (v) deliver proof of compliance. |
| j. | Assignment of contract by franchisor | Section 10.A | No restriction on our right to assign. |
| k. | "Transfer" by franchisee – definition | Section 10.B | Means any voluntary, involuntary, direct, or indirect, in whole or in part, assignment, sale, gift, encumbrances, lese, merger, bequest, change in control, or other disposition of (i) this Agreement, (ii) Chem-Dry business, (iii) any part of your ownership in assets of the Chem-Dry business, (iv) or any part of your |



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| | Provisions | Section in Franchise Agreement | Summary |
|---|---|---|---|
| | | | equity/ownership interest in the Franchisee entity. |
| l. | Franchisor's approval of transfer by franchisee | Section 10.B | We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions. |
| m. | Conditions for franchisor approval of transfer | Section 10.B | Conditions to transfer: (i) you are in full compliance with the Franchise Agreement or any other related agreement and you have paid all accrued monetary obligations; (ii) the transferee meets our then current s; (iii) the transferee is not operating a competitive business, unless all competitive services as part of the Chem-Dry Business; (iv) you permit us to release to the transferee information about the Chem-Dry Business; (v) transferee signs the then-current form of franchise agreement; (vi) if an installment sale, Franchisee continues to guarantee performance and payment to Franchisor; (vii) any of transferee's financing obligations are subordinate to payments to us; (viii) you pay us a transfer fee, all Royalties and other fees owed, and all commissions and broker fees, if applicable; (ix) transferee completes training; (x) transferee assumes and agrees to be bound by all outstanding obligations to customers of the Chem-Dry Business; (xi) you and the transferee sign a general release (such requirement to sign a general release is subject to change in our sole discretion); (xii) we have approved the material terms of the purchase agreement; (xiii) if transferred to a wholly owned company, then you retain a required percentage of such company; (xiv) you have attended training and the Chem-Dry Business is open; (xv) you comply with all post-term obligations; (xvi) transferee obtains all required permits and licenses; (xvii) lessors have consented to transfer, if applicable; (xviii) transfer is made in compliance with all laws;; and (xix) transferee complies with all system standards. |
| n. | Franchisor's right of first refusal to acquire franchisee's business | Section 10.C | Before transferring your interest in the Franchise Agreement, you must first offer us the right to purchase the interest on the same terms and conditions contained in any bona fide offer and we have 30 days to decide. |
| o. | Franchisor's option to purchase franchisee's business | Not Applicable | We do not have an option to purchase your business. |
| p. | Death or disability of franchisee | Section 10.D | You must transfer within 6 months of your death or disability. |



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| | Provisions | Section in Franchise Agreement | Summary |
|---|---|---|---|
| q. | Non-competition covenants during the term of the franchise | Section 6.A | During the Term, you, your Managing Owner, your Designated Manager, and Service Technician (if applicable), and your immediate family members shall not: (i) engage in any capacity in any other business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services (except for other franchises or authorizations we enter into with you); (ii) use our Confidential Information, System, intranet website, Manuals, Marks, customer lists, Customer Information, or any colorable imitations, in connection with any business other than the Chem-Dry Business; (iii) attempt to or divert any business or customer of the Chem-Dry Business to any competitor, or do any other act injurious or prejudicial to the goodwill of the Marks or the System. This provision is subject to state law. |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 13.D | For 18 months from expiration or termination of the Franchise Agreement, you, your owners and, your Designated Manager, and your immediate family members shall not (a) engage in any capacity in any business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services, (b) solicit business from customers of your former Franchised Business, or (c) attempt to or divert any business or customer of the Franchised Business or do any other act injurious to the goodwill of the Marks or the System or engage in any business relationship with any of your customers or former customers, within: (i) the Territory; (ii) the Territories of any Chem-Dry franchisees, Company-Owned Store, or any other Chem-Dry business operator; or (iii) a radius of 50 miles from the Territory. This provision is subject to state law. |
| s. | Modification of Agreement | Section 15.J | Modification of the Franchise Agreement must be in writing and agreed upon by both parties. |
| t. | Integration/merger clause | Section 15.L | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. |
| u. | Dispute resolution by arbitration or mediation | Sections 15.F.1 and 15.F.2 | You must bring any disputes arising out of the Franchise Agreement or any other agreement with us to our President prior to bringing a claim before any third party in an attempt to resolve the dispute internally. After exhaustion of this internal dispute resolution procedure all claims or disputes between you and us must be submitted to arbitration in Nashville, Tennessee, in accordance with the American Arbitration Association's Commercial Arbitration Rules then in effect. This provision is subject to state law. |
| v. | Choice of forum | Section 15.F.3 | All claims not subject to arbitration must be commenced in the state, or federal court of general jurisdiction in Davidson County, Tennessee or the United States District Court for the Middle District of Tennessee (subject to applicable state law). |



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| | Provisions | Section in Franchise Agreement | Summary |
|---|---|---|---|
| w. | Choice of law | Section 15.H | Except federal law, Tennessee law applies (subject to applicable state law). |

## ITEM 18: PUBLIC FIGURES

We do not use any public figures to promote our franchise. You have no right to use the name of any public figure for promotional efforts, advertising, or endorsements, except with our prior written consent. No public figure has any investment in the 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 any 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.

The following below information is projection of annual Gross Revenue, assuming a franchisee operates in a Standard Territory, operating one (1) van for fifty-two (52) weeks.

The below projection is based on the historical information we have analyzed from our existing franchisees that report data to us. Our existing franchisees have an average of over 20 years in operation. They offer the same services that you will be offering to customers and in the same manner. However, they do not operate in exclusive territories. The below presentation has been prepared accounting for the operational differences. The following information is unaudited.

| | |
|---|---|
| Standard Territory | 125,000 Households |
| Jobs Per Day | 3 |
| Days Per Week | 4 |
| Projected Average Income Per Job | $350 |
| Projected Weekly Revenue | $4,200 |
| **Projected Annual Revenue** | **$218,400** |

Apart from the foregoing, 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 Franchisor's management at 3310 West End Ave., Suite 620, Nashville, TN 37203, 734-864-9799, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**TABLE NUMBER 1**



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**Systemwide Outlet Summary**
**For Years 2022 to 2024**

| | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| **Franchised** | 2022 | 1692 | 1437 | -255 |
| | 2023 | 1437 | 1284 | -153 |
| | 2024 | 1284 | 1099 | -185 |
| **Company-Owned** | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| **Total Outlets** | 2022 | 1692 | 1437 | -255 |
| | 2023 | 1437 | 1284 | -153 |
| | 2024 | 1284 | 1099 | -185 |

**TABLE NUMBER 2**
**Transfers of Outlets from Franchisees to New Owners**
**(other than to Franchisor)**
**For Years 2022 to 2024**

| State | Year | Number of Transfers |
|---|---|---|
| **Arizona** | 2022 | 0 |
| | 2023 | 4 |
| | 2024 | 0 |
| **California** | 2022 | 12 |
| | 2023 | 2 |
| | 2024 | 4 |
| **Colorado** | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 6 |
| **Delaware** | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 1 |
| **Florida** | 2022 | 5 |



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| | | |
|---|---|---|
| | 2023 | 0 |
| | 2024 | 2 |
| **Georgia** | 2022 | 0 |
| | 2023 | 3 |
| | 2024 | 0 |
| **Hawaii** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |
| **Idaho** | 2022 | 1 |
| | 2023 | 2 |
| | 2024 | 0 |
| **Illinois** | 2022 | 6 |
| | 2023 | 2 |
| | 2024 | 2 |
| **Indiana** | 2022 | 2 |
| | 2023 | 0 |
| | 2024 | 1 |
| **Iowa** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |
| **Kansas** | 2022 | 1 |
| | 2023 | 1 |
| | 2024 | 0 |
| **Massachusetts** | 2022 | 11 |
| | 2023 | 4 |
| | 2024 | 0 |
| **Michigan** | 2022 | 0 |
| | 2023 | 0 |



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| | | |
|---|---|---|
| | 2024 | 2 |
| **Missouri** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |
| **Nebraska** | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 1 |
| **New Jersey** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 1 |
| **New Mexico** | 2022 | 0 |
| | 2023 | 5 |
| | 2024 | 0 |
| **New York** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |
| **North Carolina** | 2022 | 2 |
| | 2023 | 2 |
| | 2024 | 0 |
| **North Dakota** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |
| **Pennsylvania** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 1 |
| **Rhode Island** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |



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| | | |
|---|---|---|
| **South Carolina** | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 1 |
| **Tennessee** | 2022 | 0 |
| | 2023 | 4 |
| | 2024 | 2 |
| **Texas** | 2022 | 3 |
| | 2023 | 0 |
| | 2024 | 3 |
| **Virginia** | 2022 | 1 |
| | 2023 | 5 |
| | 2024 | 0 |
| **Wyoming** | 2022 | 0 |
| | 2023 | 3 |
| | 2024 | 0 |
| **Canada** | 2022 | 0 |
| | 2023 | 1 |
| | 2024 | 0 |
| **TOTALS** | 2022 | 53 |
| | 2023 | 38 |
| | 2024 | 29 |

## TABLE NUMBER 3

### Status of Franchised Outlets
### For Years 2022 to 2024

| State | Year | Outlets at Start of Year | Outlets Opened | Termi-nations | Non-Renewals | Re-acquired by Franchisor | Ceased Operations Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| **Alabama** | 2022 | 31 | 0 | 4 | 0 | 0 | 0 | 27 |
| | 2023 | 27 | 1 | 4 | 1 | 0 | 0 | 23 |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 23 | 0 | 0 | 0 | 0 | 0 | 23 |
| **Arizona** | 2022 | 40 | 1 | 7 | 1 | 0 | 1 | 32 |
| | 2023 | 32 | 0 | 3 | 2 | 0 | 0 | 27 |
| | 2024 | 27 | 0 | 0 | 2 | 0 | 0 | 25 |
| **Arkansas** | 2022 | 9 | 1 | 0 | 0 | 0 | 0 | 10 |
| | 2023 | 10 | 2 | 5 | 0 | 0 | 4 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| **California** | 2022 | 256 | 13 | 5 | 13 | 0 | 27 | 224 |
| | 2023 | 224 | 5 | 16 | 15 | 0 | 0 | 198 |
| | 2024 | 198 | 0 | 18 | 6 | 0 | 0 | 174 |
| **Colorado** | 2022 | 45 | 1 | 2 | 2 | 0 | 0 | 40 |
| | 2023 | 40 | 0 | 2 | 2 | 0 | 0 | 36 |
| | 2024 | 36 | 0 | 3 | 3 | 0 | 0 | 30 |
| **Connecticut** | 2022 | 16 | 0 | 2 | 2 | 0 | 0 | 12 |
| | 2023 | 12 | 0 | 5 | 0 | 0 | 0 | 7 |
| | 2024 | 7 | 0 | 0 | 3 | 0 | 0 | 4 |
| **Delaware** | 2022 | 7 | 0 | 0 | 0 | 0 | 3 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| **District of Columbia** | 2022 | 4 | 0 | 2 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Florida** | 2022 | 103 | 0 | 11 | 8 | 0 | 1 | 88 |
| | 2023 | 88 | 7 | 12 | 2 | 0 | 0 | 81 |
| | 2024 | 81 | 2 | 15 | 16 | 0 | 0 | 52 |
| **Georgia** | 2022 | 59 | 4 | 22 | 3 | 0 | 3 | 35 |
| | 2023 | 35 | 0 | 4 | 0 | 0 | 2 | 29 |
| | 2024 | 29 | 0 | 2 | 2 | 0 | 0 | 25 |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Hawaii** | 2022 | 4 | 0 | 1 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| **Idaho** | 2022 | 28 | 0 | 2 | 0 | 0 | 0 | 26 |
| | 2023 | 26 | 0 | 0 | 1 | 0 | 0 | 25 |
| | 2024 | 25 | 0 | 0 | 3 | 0 | 0 | 22 |
| **Illinois** | 2022 | 63 | 1 | 10 | 4 | 0 | 1 | 49 |
| | 2023 | 49 | 0 | 0 | 2 | 0 | 0 | 46 |
| | 2024 | 46 | 1 | 0 | 8 | 0 | 0 | 39 |
| **Indiana** | 2022 | 52 | 0 | 3 | 4 | 0 | 2 | 43 |
| | 2023 | 43 | 0 | 0 | 1 | 0 | 0 | 42 |
| | 2024 | 42 | 0 | 0 | 1 | 0 | 1 | 40 |
| **Iowa** | 2022 | 11 | 0 | 2 | 0 | 0 | 0 | 9 |
| | 2023 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2024 | 9 | 0 | 0 | 1 | 0 | 0 | 8 |
| **Kansas** | 2022 | 7 | 0 | 0 | 2 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 1 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 1 | 0 | 0 | 0 | 3 |
| **Kentucky** | 2022 | 11 | 3 | 1 | 0 | 0 | 0 | 13 |
| | 2023 | 13 | 0 | 4 | 0 | 0 | 0 | 9 |
| | 2024 | 9 | 0 | 1 | 1 | 0 | 0 | 7 |
| **Louisiana** | 2022 | 10 | 0 | 6 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 1 | 0 | 1 | 0 | 0 | 4 |
| | 2024 | 4 | 2 | 2 | 1 | 0 | 0 | 3 |
| **Maine** | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| **Maryland** | 2022 | 47 | 5 | 15 | 2 | 0 | 1 | 34 |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 34 | 0 | 1 | 4 | 0 | 0 | 29 |
| | 2024 | 29 | 0 | 5 | 4 | 0 | 0 | 20 |
| **Massachusetts** | 2022 | 28 | 0 | 1 | 0 | 0 | 0 | 27 |
| | 2023 | 27 | 0 | 0 | 0 | 0 | 0 | 27 |
| | 2024 | 27 | 2 | 11 | 1 | 0 | 0 | 17 |
| **Michigan** | 2022 | 35 | 2 | 3 | 3 | 0 | 0 | 31 |
| | 2023 | 31 | 0 | 0 | 0 | 0 | 0 | 31 |
| | 2024 | 31 | 1 | 5 | 4 | 0 | 0 | 23 |
| **Minnesota** | 2022 | 33 | 0 | 3 | 1 | 0 | 0 | 29 |
| | 2023 | 29 | 0 | 0 | 1 | 0 | 0 | 28 |
| | 2024 | 28 | 0 | 0 | 3 | 0 | 0 | 25 |
| **Mississippi** | 2022 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| **Missouri** | 2022 | 25 | 0 | 0 | 0 | 0 | 0 | 25 |
| | 2023 | 25 | 2 | 0 | 0 | 0 | 1 | 26 |
| | 2024 | 26 | 0 | 3 | 1 | 0 | 1 | 21 |
| **Montana** | 2022 | 25 | 0 | 16 | 2 | 0 | 1 | 6 |
| | 2023 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2024 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| **Nebraska** | 2022 | 13 | 0 | 1 | 1 | 0 | 0 | 11 |
| | 2023 | 11 | 0 | 1 | 0 | 0 | 0 | 10 |
| | 2024 | 10 | 0 | 0 | 1 | 0 | 0 | 9 |
| **Nevada** | 2022 | 12 | 0 | 3 | 1 | 0 | 0 | 8 |
| | 2023 | 8 | 0 | 1 | 3 | 0 | 0 | 4 |
| | 2024 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| **New Hampshire** | 2022 | 4 | 0 | 2 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| **New Jersey** | 2022 | 40 | 2 | 14 | 0 | 0 | 0 | 28 |
| | 2023 | 28 | 1 | 0 | 2 | 0 | 2 | 24 |
| | 2024 | 24 | 0 | 1 | 2 | 0 | 0 | 21 |
| **New Mexico** | 2022 | 12 | 0 | 2 | 1 | 0 | 0 | 9 |
| | 2023 | 9 | 0 | 1 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 1 | 0 | 0 | 0 | 7 |
| **New York** | 2022 | 49 | 2 | 5 | 2 | 0 | 0 | 44 |
| | 2023 | 44 | 0 | 1 | 2 | 0 | 0 | 41 |
| | 2024 | 41 | 2 | 7 | 2 | 0 | 0 | 34 |
| **North Carolina** | 2022 | 67 | 0 | 8 | 0 | 0 | 3 | 56 |
| | 2023 | 56 | 0 | 4 | 3 | 0 | 0 | 49 |
| | 2024 | 49 | 1 | 2 | 5 | 0 | 0 | 43 |
| **North Dakota** | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| **Ohio** | 2022 | 39 | 1 | 5 | 2 | 0 | 3 | 30 |
| | 2023 | 30 | 0 | 7 | 1 | 0 | 0 | 22 |
| | 2024 | 22 | 0 | 1 | 1 | 0 | 0 | 20 |
| **Oklahoma** | 2022 | 15 | 2 | 0 | 0 | 0 | 0 | 17 |
| | 2023 | 17 | 0 | 0 | 0 | 0 | 0 | 17 |
| | 2024 | 17 | 0 | 1 | 1 | 0 | 0 | 15 |
| **Oregon** | 2022 | 40 | 0 | 6 | 1 | 0 | 1 | 33 |
| | 2023 | 33 | 0 | 0 | 1 | 0 | 0 | 32 |
| | 2024 | 32 | 0 | 0 | 3 | 0 | 0 | 29 |
| **Pennsylvania** | 2022 | 47 | 9 | 6 | 4 | 0 | 2 | 44 |
| | 2023 | 44 | 0 | 0 | 8 | 0 | 0 | 36 |
| | 2024 | 36 | 0 | 1 | 0 | 0 | 1 | 34 |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Rhode Island** | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| **South Carolina** | 2022 | 38 | 0 | 0 | 4 | 0 | 0 | 34 |
| | 2023 | 34 | 0 | 5 | 0 | 0 | 0 | 29 |
| | 2024 | 29 | 2 | 3 | 2 | 0 | 0 | 26 |
| **South Dakota** | 2022 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| **Tennessee** | 2022 | 30 | 3 | 5 | 0 | 0 | 0 | 28 |
| | 2023 | 28 | 1 | 0 | 2 | 0 | 0 | 27 |
| | 2024 | 27 | 0 | 1 | 2 | 0 | 0 | 24 |
| **Texas** | 2022 | 126 | 3 | 14 | 2 | 0 | 7 | 106 |
| | 2023 | 106 | 2 | 12 | 5 | 0 | 0 | 91 |
| | 2024 | 91 | 0 | 6 | 3 | 0 | 0 | 82 |
| **Utah** | 2022 | 27 | 0 | 1 | 0 | 0 | 0 | 26 |
| | 2023 | 26 | 0 | 1 | 1 | 0 | 0 | 24 |
| | 2024 | 24 | 0 | 2 | 1 | 0 | 0 | 21 |
| **Vermont** | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| **Virginia** | 2022 | 55 | 0 | 14 | 5 | 0 | 2 | 34 |
| | 2023 | 34 | 1 | 2 | 1 | 0 | 0 | 32 |
| | 2024 | 32 | 0 | 2 | 4 | 0 | 0 | 26 |
| **Washington** | 2022 | 68 | 0 | 4 | 6 | 0 | 1 | 56 |
| | 2023 | 56 | 0 | 2 | 5 | 0 | 0 | 49 |
| | 2024 | 49 | 0 | 0 | 5 | 0 | 1 | 43 |
| **West Virginia** | 2022 | 5 | 0 | 2 | 1 | 0 | 0 | 2 |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| **Wisconsin** | 2022 | 32 | 1 | 3 | 3 | 0 | 2 | 25 |
| | 2023 | 25 | 0 | 1 | 0 | 0 | 0 | 24 |
| | 2024 | 24 | 0 | 3 | 1 | 0 | 1 | 19 |
| **Wyoming** | 2022 | 9 | 0 | 4 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| **Canada** | 2022 | 60 | 2 | 11 | 2 | 0 | 0 | 49 |
| | 2023 | 49 | 2 | 4 | 3 | 0 | 0 | 44 |
| | 2024 | 44 | 0 | 1 | 1 | 0 | 0 | 42 |
| **TOTALS** | **2022** | **1752** | **56** | **228** | **82** | **0** | **61** | **1437** |
| | **2023** | **1437** | **26** | **99** | **70** | **0** | **9** | **1284** |
| | **2024** | **1284** | **14** | **101** | **94** | **0** | **4** | **1099** |

## TABLE NUMBER 4

### Status of Company-Owned outlets
### For Years 2022 to 2024

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|



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| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Totals | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |

**TABLE NUMBER 5**

**Projected Openings in 2025 as of December 31, 2024**

| State | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| **Arizona** | 0 | 2 | 0 |
| **California** | 0 | 4 | 0 |
| **Colorado** | 0 | 2 | 0 |
| **Connecticut** | 0 | 1 | 0 |
| **Florida** | 0 | 4 | 0 |
| **Georgia** | 0 | 2 | 0 |
| **Illinois** | 0 | 2 | 0 |
| **Kansas** | 0 | 1 | 0 |
| **Kentucky** | 0 | 1 | 0 |
| **Louisiana** | 2 | 0 | 0 |
| **Maryland** | 0 | 2 | 0 |
| **Massachusetts** | 0 | 1 | 0 |
| **Michigan** | 0 | 2 | 0 |
| **Minnesota** | 0 | 1 | 0 |
| **Missouri** | 0 | 2 | 0 |
| **Nevada** | 1 | 2 | 0 |
| **New York** | 2 | 2 | 0 |
| **New Jersey** | 0 | 2 | 0 |



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| | | | |
|---|---|---|---|
| **North Carolina** | 0 | 2 | 0 |
| **Ohio** | 0 | 2 | 0 |
| **Oklahoma** | 0 | 1 | 0 |
| **Oregon** | 0 | 1 | 0 |
| **Pennsylvania** | 0 | 2 | 0 |
| **South Carolina** | 0 | 1 | 0 |
| **Tennessee** | 0 | 2 | 0 |
| **Texas** | 0 | 4 | 0 |
| **Utah** | 0 | 1 | 0 |
| **Virginia** | 0 | 2 | 0 |
| **Washington** | 0 | 1 | 0 |
| **Wisconsin** | 0 | 1 | 0 |
| **Total** | **5** | **53** | **0** |

Exhibit F to this Disclosure Document includes the names, addresses and telephone numbers of all franchise owners as of the issuance date of this document. Exhibit G includes the name, city and state, and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement between January 1, 2024 and December 31, 2024, or who has not communicated with us within ten weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, former franchisees have signed confidentiality agreements restricting their ability to speak with you. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

Exhibit H-1 lists, to the extent known, the names, addresses, telephone numbers, email addresses and web addresses of each trademark-specific franchisee organization associated with the franchise system that we have created, sponsored or endorsed. Exhibit H-2 lists the independent franchisee organizations that have asked to be included in this Disclosure Document. As of the date of this issuance, there are no organizations that have asked to be included in this Disclosure Document.

## ITEM 21: FINANCIAL STATEMENTS

Exhibit B contains the audited financial statements of our parent, BFG Holdco, which guarantees our obligations to you, for the years ending December 31, 2024, December 31, 2023, and December 31, 2022. Our fiscal year-end is December 31.

## ITEM 22: CONTRACTS



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The following contracts are exhibits within this Disclosure Document:

Exhibit A: Form of Agreements:

A-1 - Franchise Agreement and Addenda

A-2 - Promissory Note

A-3 - Confidentiality / Non-Disclosure Agreement

A-4 - General Release(s) – Upon Renewal or Assignment

Exhibit I: Disclosure Questionnaire

**ITEM 23: RECEIPTS**

The final pages of this Disclosure Document (Exhibit L of the Disclosure Document) are detachable receipt pages acknowledging your receipt of the Disclosure Document. If these pages, or any other pages or exhibits are missing from your copy, please notify us immediately. You should sign both copies of the receipt. You should retain one signed copy for your records and return the other signed copy to your sales representative at 3310 West End Ave., Suite 620, Nashville, TN 37203, 734-864-9799.



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**EXHIBIT A**
**TO FRANCHISE DISCLOSURE DOCUMENT**

# EXHIBIT A-1

# CHEM-DRY FRANCHISE AGREEMENT

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**CHEM-DRY FRANCHISE AGREEMENT**
**(the "Franchise Agreement")**

**SUMMARY PAGE**

The following terms are used throughout this Franchise Agreement, its Exhibits and Addenda, and are defined as follows:

1. Chem-Dry, Inc., a Utah corporation, with its principal place of business at 3310 West End Avenue, Suite 620, Nashville, Tennessee 37203 (referred to in this Agreement as "we," "us," "ourselves," "Franchisor," or "Licensor").

2. _____, (a sole proprietorship, limited liability company, corporation organized under the State of _____) whose principal address is _____ (referred to in this Agreement as "you," "your," "Franchisee," or "Licensee"). If different than the principal address, the Approved Location address is: _____ _____.

3. This Franchise Agreement is made and entered into on the last date executed by an authorized representative of Franchisor (the "Effective Date").

4. The "Marks" referred to in Section 1.A of the Franchise Agreement shall include:

| MARK | SERIAL/ REGISTRATION NUMBER | APPLICATION DATE/REGISTRATION DATE | REGISTER |
|---|---|---|---|
| Chem-Dry | 1119887 | June 12, 1979, renewed June 13, 2019 | Principal |
| The Healthier, Deeper Carpet Cleaner | 7202835 | October 24, 2023 | Principal |
| The Natural | 1762324 | October 7, 2023 | Principal |
| P.U.R.T (stylized) | 1815327 | December 14, 2013 | Principal |

5. The "Initial Franchise Fee" referred to in Section 4.1 of the Franchise Agreement is $36,000 for a Standard Territory and $18,000 for a Small Territory (plus optional additional households at $0.20 per household). Total Initial Franchise Fee owed $_____.

6. The "Initial Package Fee" referred to in Section 4.8.1 is $_____. In addition, you



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are required to purchase the equipment and supplies listed on Exhibit F to the Franchise Agreement.

7. The "Renewal Fee" referred to in Section 2.A and 11.D is currently $3,600, and may be increased up to 10% each year of the Term.

8. The "Transfer Fee" referred to in Section 2.A and 10.B is currently, $3,600, and may be increased up to 10% each year of the Term.

9. The "Territory" referred to in Section 1.2 of the Franchise Agreement will be defined by the following zip codes and attached map:

**[insert map and zip codes here]**

This is to confirm your acknowledgement and understanding that zip codes and/or their boundaries change periodically, and in the event of a future change you may continue to market to an existing customer, who is now outside the Territory as a result of a zip code change. Provided, it will be your responsibility to clearly demonstrate that the customer was located in the Territory, when they first became a customer. _____ [INITIAL]

In the event a new ZIP code is created entirely within your existing geographic Territory, it will become a part of the Territory, and you may market in it. If a new ZIP code is created along the boundary of the Territory, and if at least one-third of the new ZIP code area is within the Territory, as indicated on the attached map, then you can market to the new ZIP code, with the understanding an adjoining CHEM-DRY franchise owner, who also has one-third of the new ZIP code in their previous Territory, may also be able to market in this new ZIP code. _____ [INITIAL]



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**Exhibits:**


Exhibit A – Designated Personnel
Exhibit B – Franchise Management Software License Agreement
Exhibit C – Telephone and Other Listing Agreement
Exhibit D – Guaranty and Assumption of Franchisee's Obligations
Exhibit E – Electronic Funds (EFT) Authorization
Exhibit F – Equipment Sales and Security Agreement
Exhibit G – State Addenda to the Franchise Agreement
Exhibit H – Collateral Assignment and Assumption of Lease
Exhibit I – Promissory Note




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# Franchise Agreement

THIS FRANCHISE AGREEMENT is made and entered into on the Effective Date by and between the Franchisor and Franchisee.

## 1. INTRODUCTION, DEFINITIONS, ACKNOWLEDGMENTS, AND AWARD OF FRANCHISE.

### A. INTRODUCTION.

We use, promote and license certain trade and service marks and other commercial symbols in operating businesses that offer carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services which may be specified from time to time, including but not limited to the trade and service mark(s) included in the Summary Page to this Franchise Agreement (collectively, the "Marks"). The Marks have gained and continue to gain public acceptance and goodwill, and we may continue to create, use, and franchise additional trademarks, service marks, and commercial symbols in operating Franchised Businesses, as defined below.

Through the expenditure of considerable time, we have established a system of marketing, promoting, advertising, managing, conducting, and operating businesses that performs carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services which may be specified from time to time (the "Services") under the Marks for both residential and commercial locations (the "Franchised Business," or "Business").

We award to persons, who meet our qualifications and who are willing to undertake the investment and effort, a franchise to own and operate a Franchised Business offering the Services and products we require, authorize and approve (the "Products") while utilizing our business formats, methods, procedures, signs, standards, specifications, and Marks (the "System").

Following your evaluation of the System, you have expressed to us your desire to obtain the right to develop, own, and be franchised to operate a Franchised Business.

This Agreement governs the ongoing relationship between you and us.

### B. DEFINITIONS AND ACRONYMS.

The following terms which are used in this Section and throughout this Agreement are defined as follows:

*Affiliate:* any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. For purposes of this definition, "control" means the power to direct or cause the direction of management and policies.

*Company Stores:* A CHEM-DRY office that is owned by CDI or its affiliates.

*Customer:* Any person or company who purchases goods or services from you. It includes those who make the purchase on their own behalf as well as those who purchase on the behalf of a third party.

*Territory:* The specific area where the Franchised Business is to be operated, which consists of a set of zip codes.



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## C. AWARD OF FRANCHISE.

Subject to all of the terms and conditions of this Agreement, we hereby award you a franchise (the "Franchise") to operate a Franchised Business offering the Chem-Dry Services, using the approved Products, in accordance with and utilizing the System and the Marks in the Territory that you and we have agreed to as described on the Summary Page and in Section 1.D below.

The term of the franchise will be ten (10) years (the "Initial Term") commencing on the date of this Agreement.

You must at all times faithfully, honestly, and diligently perform your obligations under this Agreement. Except as stated herein, you must designate at least one (1) managing owner (the "Managing Owner") who will be our primary individual contact with the Franchised Business and who we will approve in our sole discretion. A Managing Owner may, in our sole discretion, serve as the Managing Owner of more than one (1) Franchised Businesses that are owned by you; provided, however, that we may, in our sole discretion, require you to designate a person who will serve as the primary individual contact for this Franchised Business (the "Designated General Manager"). We must approve of the Designated General Manager in writing, which we may grant in our sole discretion. The Managing Owner and, if applicable, the Designated General Manager, must (a) successfully complete the training program as described in and required by this Agreement and (b) possess all required certifications and licenses within 30 days of the completion of training. The Designated General Manager is not required to have an ownership interest in the Franchised Business. The Designated General Manager must sign our prescribed form of confidentiality and non-compete agreement. The Managing Owner or, if applicable, the Designated General Manager must continuously exert her/his full-time best efforts to manage, promote and enhance the Franchised Business, and such other Franchised Businesses as we permit in our sole discretion. Without our prior written permission, the Managing Owner and, if applicable, the Designated General Manager, must not engage in any other business or activity that conflicts with their obligations to operate the Franchised Business on a full-time, year-round basis.

Before commencing operation of the Franchised Business, you must employ at least one (1) person who has completed the Initial Training as described and defined in Section 3.A of this Agreement.

Before attending the Initial Training and/or upon any change to the legal entity ownership, you must submit to us a corporate resolution, or similar action, which states the name of the corporation or LLC, the legal names of all of the partners or shareholders, the percentage of ownership that each member controls, their place of residence, and their agreement to be bound by the terms of this Agreement. We charge a fee of $500 (the "Transfer of Corporation Fee") to process all changes to the legal entity subsequent to the submission of an initial corporate resolution prior to the commencement of the Franchised Business. In the case of multiple Owners, you must submit a dispute resolution procedure acceptable to us in our sole discretion that states what you will do in the event that there is a conflict between any owners of the franchisee entity. In addition, at all times, the Owners who have executed this Agreement must control 100% of the franchisee entity. Any changes in ownership of the franchisee entity shall be subject to the transfer procedure set forth in Section 10 of this Agreement.



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## D. TERRITORY.

The Franchise Agreement grants you the right to operate the Franchised Business, provide Services, and advertise the Franchised Business only within the Territory defined in the Franchise Agreement. You recognize that the rights that are granted to you are for the operation of a Franchised Business, in a specific territory, and cannot be transferred to an alternative territory, without Franchisor's prior written consent.

You must select your business office site within the Territory ("Office Site"), and we must approve such Office Site in our sole discretion. You may not locate your office outside of the Territory without our express written consent and if you do so, then we may charge you a Non-Compliance Fee. You may relocate the Office Site within the Territory at your sole discretion but must immediately notify us of the change in address. You shall establish and operate the Franchised Business within a protected territory identified in the Summary Page to this Agreement (the "Territory").

Except as provided for in Sections 1. E, F and G below, we shall not franchise or license any third party the right to operate another Franchised Business within the Territory.

You may only advertise the Franchised Business and provide services to customers located within the Territory unless you request and receive our prior written approval. If we approve your request to provide services outside the Territory, which we may withhold for any reason, we may withdraw such approval at any time. Advertising, establishing an office, or servicing customers outside of the Territory ("Out-of-Territory Conduct") in a manner that is not permitted by this Agreement constitutes a default under this Agreement. Out-of-Territory Conduct may result in you being charged a Non-Compliance Fee. This fee is in addition to, and not in lieu of, Franchisor's other rights and remedies for breach under this Agreement, including the right to terminate this Agreement.

## E. RIGHTS WE RESERVE.

We retain, as we deem appropriate, the rights to:

1. establish, and allow other System franchisees to establish, Franchised Businesses at any location outside of the Territory on any terms and conditions, but subject to the same service and marketing restrictions upon their servicing in the Territory that you are subject to when servicing in their Territory;

2. establish, solicit, market to, and build regional and national account relationships, whose offices may be located in the Territory as is further outlined in Sections 1.F and 1.G of this Agreement;

3. offer and sell the Chem-Dry Products, and advertise the Chem-Dry Products and Services anywhere, including and within and outside the Territory, and in connection with this right, to exploit our Marks, name, reputation, and know-how;

4. solicit and perform the Chem-Dry Services, as well as such other services which may be offered by Franchised Businesses in any geographic market outside your Territory, in within your Territory in accordance with Section 1.E (7) and (8) and Section 1F and 1G below;



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5. acquire businesses providing services the same or similar to those provided under the System and to be acquired by such a business, whether or not such businesses have locations within the Territory;

6. sell Products under the Marks within and outside the Territory through alternative methods of distribution, using the Marks. This includes sales of products and services through such channels of distribution as the Internet, catalogues and direct mail sales, telemarketing, or other direct marketing sales, etc. (the "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside the Territory and you may not receive compensation for sales of products using the Marks through alternative distribution channels.

7. make sales within the Territory of products or Services under trademarks different from the Marks you will use under this Agreement.

8. use and license to engage in any other activities not expressly prohibited in this Agreement.

We have the right to require you to purchase products, inventory, equipment, fixtures, furnishings, product display units, signs, uniforms, supplies, vehicles, and other materials from us or our designated or approved suppliers. We will furnish you with a list of the equipment, motor vehicle requirements, and other required products, inventory and accessories required in connection with the operation of the Business (collectively, the "Required Purchases"). You must purchase or lease such Required Purchases from us at our then current prices, or, at our direction, from sources or suppliers approved or designated by us (which sources or suppliers may include us).

## F. NATIONAL AND REGIONAL ACCOUNT ("NORA") PROGRAMS.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to national or regional account ("NORA") customers for the benefit of the System, and regardless of the aggregate contract amount of the services to be performed. The term NORA includes any customer which, on its own behalf or through agents, licensees, or other third parties, owns, manages, controls, or otherwise has responsibility for a business in more than one (1) location. Any dispute as to whether a particular customer is a NORA shall be determined by us in our sole discretion and our determination shall be final and binding. Following the execution of a contract with or the acceptance of a bid by a NORA customer which contemplates the provision of services to one (1) or more NORA customers who are located in your Territory, we may, if you are qualified to perform the services and conditioned upon your substantial compliance with the terms of the Franchise Agreement and any other applicable agreements, provide you the opportunity to perform such services pursuant to the terms and conditions of the NORA contract or on such terms and conditions as we, at our sole discretion, determine are appropriate.

If you agree to service NORA customers within your Territory, you agree to provide services to all NORA customer referrals within your Territory. You further agree to provide all services in strict adherence to performance and process standards and all service guidelines and performance standards of the NORA. You may be required to enter into a service agreement to participate in certain NORA programs.



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If you are not able or not willing to provide services to a NORA customer in conformity with the terms and conditions of the NORA contract, or fail to make an election within the time we specify after being offered the opportunity, we have the right, exercisable in our sole discretion, to (i) provide services to the NORA customer, directly or through any affiliate or other franchisee or Company Store; and/or (ii) contract with another party to provide such services to the NORA customer. In either event, neither you nor the Franchised Business shall be entitled to any proceeds from the provision of services provided to the customer of a NORA.

We may manage or provide support services to national and/or regional accounts that require centralized oversite such as managing those relationships, answering calls placed to our toll-free number, or a national account on-line access system. In that case, we may charge you a National or Regional Accounts Fee (the "NORA Fee") of up to fifteen percent (15%) of Gross Sales generated by the account. The purpose of this fee is to defray the cost of providing national/regional account management services to the franchise system. We do not plan to charge a fee for simple referrals where we do not directly manage the relationship with the customer, but we reserve the right to do so.

**G. CO-VENTURING**

Although we are not required to do so, we reserve the right to manage any project or enterprise undertaken jointly by two or more franchisees and to limit or prohibit your negotiating directly with other Franchised Businesses on these jobs. You may not service a customer if doing so is beyond your current equipment capabilities, or if it would otherwise disrupt the normal servicing of other existing customers.

**H. OTHER BUSINESSES.**

It is agreed and understood no other business or business operations may be undertaken through your legal entity or by the Managing Owner without our prior written consent. Owners, including the Managing Owner, may not own or operate any business which conducts services identical to or similar to us.

**2. FEES AND OTHER MONETARY REQUIREMENTS.**

**A. INITIAL FRANCHISE FEE.**

You shall pay us, at the time of execution of this Agreement, the Initial Franchise Fee listed on the Summary Page for a territory that will encompass 100,000 – 150,000 households ("Standard Territory"), or approximately 75,000 households ("Small Territory"). Franchisee may purchase additional population for a cost of $0.20 per person up to a maximum of 180,000 households in the Territory ("Additional Territory Fee"). The Initial Franchise Fee is deemed fully earned by us upon execution of this Franchise Agreement and is nonrefundable under any circumstance.

If you wish to purchase multiple Franchise Territories at the time you sign your first Franchise with us, then we will discount the Initial Franchise Fee for the additional Franchise Agreement(s) by $5,400 for a Standard Territory and $2,700 for a Small Territory, if Franchisee is purchasing multiple Franchised Businesses contemporaneously with the execution of this Franchise Agreement.

We offer a Veteran discount to honorably discharged veterans of the United States armed forces and their spouses. We will discount the Initial Franchise Fee by 20% on the first territory purchased for those veterans and/or their spouses who have received an honorable discharge from



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the military (the "Veteran Discount"). A copy of your DD214 will be required to receive this discount. This discount may not be used in conjunction with the First Responders or Related Franchisee Discounts.

We also offer a 10% discount on the Initial Franchise Fee on the first territory purchased to first responders, which include sworn police officers, paid and volunteer firefighters, and paid and volunteer emergency medical technicians and paramedics ("First Responders Discount"). This discount may not be used in conjunction with the veteran or Related Franchisee discounts. We reserve the right to require proof that the applicant qualifies for this discount.

If you are currently a franchisee in good standing, as determined by us, with one of our franchising affiliates (a "Related Franchisee"), then you may qualify to purchase a Franchised Business with a discounted initial franchise fee ("Related Franchisee Discount"). The Initial Franchise Fee for a Related Franchisee will be reduced by twenty-five percent (25%) of the then-current Initial Fee for Standard Franchises, and such discounted fee is limited to up to two (2) Franchises, which must be purchased at the same time. This discount may not be used in conjunction with any other discounts, including the Veteran or First Responders Discounts.

If you are acquiring your CHEM-DRY Business via transfer, you will not be required to pay the Initial Franchise Fee, but you or the seller must pay our then-current Transfer Fee. If this is a Renewal Term, you will not be required to pay the Initial Franchise Fee, but you must pay our then-current Renewal Fee.

## B. INITIAL PACKAGE FEE/PRE-OPENING PURCHASES.

You promise to pay us, or a vendor designated by us in our sole discretion, our then-current fee (the "Initial Package Fee") for specified equipment, products, supplies and services (the "Initial Package"), which monies shall be promptly due and payable before receipt of the Initial Package. The Initial Package also includes of logo wear, stationery, digital marketing, consumables, promotional items, and our then-current convention allowance. The Initial Package Fee is non-refundable and deemed fully earned upon payment.

If this is a Transfer or Renewal Term, you may be required to purchase the complete or a modified Initial Package, in our discretion.

You are required to purchase or lease a vehicle that meets our standards and specifications to be used to provide the Services to Customers. We hold the rights to change the approved vehicle standards at any time. We also reserve the right to require you to purchase or lease the initial vehicle and any additional vehicle from an approved supplier.

## C. ROYALTY.

Subject to the Minimum Monthly Royalty Requirement, you shall pay to us a tiered monthly royalty as follows (collectively, the "Royalty"):

| Annual Gross Sales for Standard Territory | Royalty Percentage Due |
|---|---|
| "Tier 1": $0 to $500,000 | 7% on Tier 1 Gross Sales |
| "Tier 2": $500,001 to $1,000,000 | 6% on Tier 2 Gross Sales |
| "Tier 3": $1,000,001 to $1,500,000 | 5% on Tier 3 Gross Sales |
| "Tier 4": $1,500,001 and up | 4% on Tier 4 Gross Sales |



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| Annual Gross Sales for Small Territory | Royalty Percentage Due |
|---|---|
| "Tier 1": $0 to $250,000 | 7% on Tier 1 Gross Sales |
| "Tier 2": $250,001 to $500,000 | 6% on Tier 2 Gross Sales |
| "Tier 3": $500,001 to $750,000 | 5% on Tier 3 Gross Sales |
| "Tier 4": $750,001 and up | 4% on Tier 4 Gross Sales |

For a hypothetical large territory business that has sales for the calendar year of $1,250,000, the Royalty would be calculated as follows:

Tier 1: $500,000 x 7% = $35,000, plus, Tier 2: $500,000 x 6% = $30,000, plus, Tier 3: $250,000 x 5% = $25,000, for a total Royalty the calendar year of $90,000. The franchise would then begin the subsequent year at Tier 3 paying 5% on Gross Sales until achieving Tier 4 status. Should the franchise not achieve Gross Sales in the subsequent calendar year of at least Tier 3, the franchise would revert back to the highest achieved Tier for that year for purposes of calculating Royalties for the year thereafter.

For purposes of paying the Royalty, we follow the calendar month.

If you transfer the Franchise Agreement to a new owner, the Royalty for all jobs completed prior to the transfer must be paid on the day of closing, regardless of whether the invoice(s) is paid in full. On the effective date of termination of the Franchise Agreement, either by you or us, you must pay us the Royalty for all jobs.

We will draft the Royalty from your bank account on the tenth (10th) day of the calendar month (or another day we may designate) for the preceding month. You must pay the Royalty by electronic funds transfer or by such other means as we may specify. We may periodically specify other dates for payment of the Royalty. The Royalty will be assessed to you upon the date of the original invoice issued to the Customer, regardless of whether the invoice is paid in full. You must enter all work performed in the Software upon completion of the job.

If for any reason you and/or the Chem-Dry Business is found to be out of compliance with the Franchise Agreement, we reserve the right to refuse to reduce your Royalty rate or reset the Royalty rate to 7% for the remainder of the calendar year, at which time you must re-qualify for the discounted Royalty for the following year.

## D. DEFINITION OF GROSS SALES.

You must report your Gross Sales each month. "Gross Sales," as used in this Agreement, includes all revenue generated from operating the Franchised Business, whether in cash, in services in kind, from barter and/or exchange, or otherwise. All barter and/or exchange transactions for which you furnish Services and/or products in exchange for goods or services will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services you provide. You may deduct from Gross Sales the amount of all sales tax receipts or similar tax receipts that, by law, are chargeable to customers, if these taxes are separately stated when the Customer is charged. You must pay Royalties only on the receipt of the cash, services in kind, barter and/or other exchange. All payments received for jobs must be recorded in the Required Software within 48 hours of being received.



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## E. LATE REPORT FEE, LATE PAYMENT SERVICE FEE AND INTEREST.

If the Royalty or any other fee that is due is not available in your account for debiting when due, a late payment fee will be imposed of $50, for each day past due ("Late Payment Fee"). If you do not report your Gross Sales as required and/or you fail to submit your Royalty reports, financial information, or other reports we require when due, a fee will be imposed of $50 per week for each week past due ("Late Report Fee"). Additionally, interest will be imposed at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is greater, from the date these amounts were originally due until the date paid ("Interest Fee"). If we debit your account for monies owed and there are insufficient funds available, we will also charge our current non-sufficient fund fee ("NSF Fee"). We can automatically debit your account for the Late Payment Fee, NSF Fee, Late Report Fee, Interest Fees and all other fees owed to us.

You acknowledge that this paragraph does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance the operation of the Franchised Business. Notwithstanding the provisions of this Section, your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 12.B. of this Agreement.

## F. REQUIREMENT TO ACHIEVE A MINIMUM LEVEL OF GROSS SALES AND PAY MINIMUM MONTHLY ROYALTY.

You acknowledge and agree that we have awarded you this Franchised Business and Territory with the expectation that you will be able to develop a Franchised Business that will achieve a minimum level of monthly Gross Sales (the "Minimum Gross Sales") in the Territory. Following your first full year of operations, and for the remainder of the Initial Term of this Agreement, the Business will be required to meet the following minimum monthly Gross Sales requirements (the "Minimum Gross Sales Requirement"), and you will be required to pay the minimum monthly Royalty required ("Minimum Monthly Royalty"), as set forth below, if the percentage Royalty in Section 2.C that is due and payable in any month is less that the Minimum Monthly Royalty that corresponds to your months in operation, as set forth in the below chart, in lieu of the percentage Royalty.

| Months in Operation | Minimum Monthly Gross Sales Requirement Per Standard Territory | Minimum Monthly Royalty Payment |
|---|---|---|
| 13 to 24 months | $12,500 | $400 |
| 25 to 36 months | $20,800 | $600 |
| 37 to 48 months | $33,300 | $900 |
| 49 to 60 months | $41,700 | $1,000 |
| Greater than 61 months | $50,000 | $1,200 |



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| Months in Operation | Minimum Monthly Gross Sales Requirement Per Small Territory | Minimum Monthly Royalty Payment |
|---|---|---|
| 13 to 24 months | $6,300 | $200 |
| 25 to 36 months | $10,400 | $300 |
| 37 to 48 months | $16,700 | $500 |
| 49 to 60 months | $20,800 | $500 |
| Greater than 61 months | $25,00 | $600 |

If the Franchised Business fails to achieve the required Gross Sales Requirement during any consecutive three-month period, we reserve the right to terminate the Franchise Agreement, establish another franchisee or Company Store in the Territory, reduce the Territory granted, or allow another franchisee to advertise in your Territory. Neither the Franchisor, Company Store, nor other franchisees shall be liable for or obligated to pay you any compensation for doing so, and neither the Franchisor, Company Store, nor any franchisee will be considered in breach of any provision of this Agreement or any other agreement between you and us for exercising the remedies set forth in this paragraph, regardless of whether the monthly Minimum Gross Sales Requirement is achieved in the future.

The Minimum Gross Sales must be met for each Territory as described in the Summary Page of the Franchise Agreement.

If this is a Renewal Term, you will be required to meet the Minimum Monthly Gross Sales requirement for the greater than 61+ month level for the entirety of the Renewal Term in year 1 of the Renewal Term, and Gross Sales must continue to grow at a rate of at least three percent (3%) per year in each year of the Renewal Term.

Once a Royalty or Minimum Monthly Royalty is paid, it is neither refundable nor applied to any future or past fees owed.

## G. LOCAL ADVERTISING - CUSTOMER ACQUISITION AND RETENTION.

Recognizing the value of advertising to the image and growth of Franchised Business, we may, from time to time in our business judgment, provide you with sample advertising and promotional programs and select creative concepts and materials for use in connection with marketing the Franchised Business. These materials may include direct mailers, print advertising, brochures and other materials. The type, content, media, quality and amount of such advertising and promotional programs are within our best interest and judgment.

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials before their first use. We reserve the right to designate one or more approved supplier(s) for all advertising and marketing materials. In order to obtain approval of advertising and marketing materials, you must submit such proposed advertising material to us for review at least ten (10) business days before the proposed first use. If we take no action within such ten (10) business day period, the materials shall be deemed disapproved, and you may not use such materials. The approval or disapproval is in our sole discretion. We also may, in our sole discretion, require you to immediately discontinue use of any



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advertising or marketing materials at any time, even if previously approved or provided by us. All advertising and marketing materials must meet our then-current standards and specifications. We may, in our sole discretion, offer and sell advertising, marketing, and promotional materials at any time. Certain items, such as your truck, yard signs, direct mail, etc. must reference our national toll-free number. You may not alter or remove reference to the national toll-free number. You have no obligation to purchase any of these materials or forms from us, but you may be required to purchase such materials from approved or designated suppliers, or, if we implement local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense.

We have the right to formulate and design the content of the materials, and to discontinue the materials if, in our sole business judgment, we determine a more effective alternative method of advertising. Any other forms of advertising must be approved by us in writing. We may, with 30 days' notice to you, require that you use and pay for a call center that we authorize to answer incoming sales calls.

You will be required to spend 5% of your Gross Sales annually on local advertising and marketing for your Franchised Business. You are also required to be a member of at least one local or community-based business organization, such as your local Chamber of Commerce, BNI, Caerusnet, or similar organization, at your expense. We reserve the right to change this requirement from time to time.

In addition, we have established a national marketing fund (the "Brand Marketing Fund") for the common benefit of System franchisees. Beginning in month 13 of the Term, you must contribute up to three percent (3%) of your Gross Sales, but not less than $150 for the Standard Territory and $75 for the Small Territory monthly, to the Brand Marketing Fund (the "Brand Marketing Fee") in the manner we prescribe.

We will use the Brand Marketing Fund, in our sole discretion, to develop, produce and distribute national, regional and/or local advertising and to create advertising materials and public relations programs, which promote, in our sole judgment, the System and the Services offered. We have the sole right to determine contributions and expenditures from the Brand Marketing Fund, or any other advertising program, and the sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend Brand Marketing Fund in the general best interests of the System on a national or regional basis. We may use the Brand Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, producing, and implementing advertising, including the cost of: (i) preparing, producing, and implementing television, radio, magazine and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; (ii) public relations activities and advertising agencies; (iii) developing and maintaining an Internet website; and personnel and other departmental costs for advertising that we internally administer or prepare. Nevertheless, we acknowledge that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. We reserve the right to use portions of the Brand Marketing Fund for advertising for the solicitation for franchisees, for public relations or recognition of the brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available."



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We may periodically assist franchisees to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the Brand Marketing Fund. The cost of these programs may be charged directly to you if the results from a Survey fall below System established minimum standards for such Surveys.

We have the right to reimburse ourselves from the Brand Marketing Fund for such reasonable costs and overhead, if any, that we may incur in activities reasonably related to the direction and implementation of the Brand Marketing Fund.

We are not required to contribute to the Brand Marketing Fund. We may, but are not obligated to, advance money to the Brand Marketing Fund to fund Brand Marketing Fund programs. In the event that we advance monies to the Brand Marketing Fund, we will determine, in our sole discretion, the manner and timing for the repayment, to us, of some, or all, of the funds we advance.

## H. MANAGEMENT SOFTWARE LICENSING AGREEMENT AND FEES; COMPUTER SYSTEM; INTRANET.

Throughout the term of this Agreement, you must:

1. utilize our then-current franchise management software system in the operation of the Franchised Business, which may be developed by us or designated by us (the "Software"), unless we approve an alternate software supplier;

2. sign and maintain a quarterly renewable Software Licensing Agreement (attached as Exhibit B to this Agreement);

3. pay the then-current monthly Technology Fee in the same manner and at the same time as you pay the monthly Royalty; and

4. utilize, sign a license agreement for, and pay for, any future proprietary software program we may designate for use with the System.

We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a compatible "back office" computer system that complies with our standards and specifications; (ii) a custom and proprietary point of sale system (the "POS System"), if we make such a POS System part of our proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System"). Currently, your Computer System must include a DSL or cable modem high-speed Internet connection located at your Office Site that meets the requirements of the System Standards and for handling of our then-current CHEM-DRY Software or other Required Software.

We shall have the right, but not the obligation, to develop or designate: (i) computer software programs and web-based applications you must use in connection with any component of the Computer System, including the Software, designated business management software and designated accounting software (the "Required Software"), which you shall install at your own expense; (ii) updates, supplements, modifications, or enhancements to the Required Software, which you shall install at your own expense; (iii) the tangible media upon which you record data;



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and (iv) the database file structure of the Computer System. You will be responsible for the payment of all fees associated with the Required Software, Computer System, Software and POS System.

At our request, you shall purchase or lease, and thereafter maintain, the Computer System, Software, and the Required Software. You agree to pay all fees associated with the use of Software and any other Required Software, which may be payable to us or our approved or designated suppliers. You expressly agree to strictly comply with our then-current standards and specifications for all items associated with your Computer System, Software and any Required Software, including any security software. You agree, at your own expense, to keep your Computer System in good maintenance and repair and install such upgrades, additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software as we direct from time to time in writing. You agree that your compliance with this Section shall be at your sole cost and expense.

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We shall also have the right to, at any time without notice, electronically connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose we deem necessary. There are no contractual limitations on our right to access the information and data on your POS System, Software, and Computer System. You shall deliver to us all access codes, static Internet protocol ("IP") addresses and other information to facilitate our access to the data described in this Section within 30 days of opening the Franchised Business. All client and customer data are property of the Franchisor and at the termination or expiration of this Agreement, any data not previously obtained by us shall be transmitted to us immediately.

You must obtain the computer hardware necessary to implement the Software and any Required Software and comply with all specifications and standards prescribed by us regarding the Software and any Required Software as provided in the Operations Manual. We reserve the right to create additional proprietary software programs, which you must use in connection with the Franchised Business and are to be included as part of the Required Software, and to charge a fee for the maintenance and use of such Required Software. This Software may be our proprietary product, and the information collected therefrom will be deemed our confidential information.

You are required to participate in any System-wide computer network, intranet system, or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under this Agreement to us online; (ii) view and print portions of the Operations Manual, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with us and other franchisees; and (v) to complete any initial or ongoing training. You agree to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements.



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## I. HIGH SPEED INTERNET CONNECTION, ELECTRONIC MAIL NETWORK, WEBSITE AND BUSINESS PHONE.

You promise to subscribe to, maintain, and utilize a DSL, cable, or satellite high speed Internet connection and email network account with independent suppliers which periodically we approve. If you do not receive written approval within ten (10) days of our written receipt of your request, such supplier will be considered disapproved. You must use an email name that we have approved for all business-related correspondence. You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our website and managed by our website provider. You may not attempt to redirect the customized website. You also promise to subscribe to, maintain, and utilize the phone model, type and provider that we designate as well as the phone service from the company we designate. As technology advances and new discoveries are made, we have the right to require that you use other technological items, as well as to designate the specific companies, models and/or types that you must use for these technological services.

You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our website and managed by our website provider. You may not attempt to redirect any traffic on the customized website. You may not implement a website or URL for the Franchised Business either yourself or through a third-party provider. We have sole discretion and control over the website (including timing, design, contents and continuation). You are required to pay a technology fee, the cost of which may be amended by us during the term of this Agreement as necessary, for the use of the website and other system-wide technology that we maintain (the "Technology Fee").

We may, but are not obligated to, create interior pages on the website(s) that contain information about the Franchised Business and other Franchised Businesses. If we do create such pages, we may require you to prepare all or a portion of the page for the Franchised Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. Except as permitted in this Agreement, or approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, social media sites, etc.

You agree to establish and maintain a separate profile, page or other presence on social media, such as with in connection with the Franchised Business in accordance with the System Standards. Prior to establishing such social media page(s), you are required to obtain our prior written approval of the content to be posted on such social media page(s). If such approval is granted by us, you must: (i) establish and operate such social media page(s) in accordance with System Standards and any other policies we designate in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). We recommend, but do not require, that you update the social media page(s) at least monthly.

We may use a portion of the Brand Marketing Fund or the monthly Technology Fee to pay or reimburse ourselves for the costs incurred in connection with the development, maintenance and update of our website.

We will provide you with the business phone number and fax number to be used by the Business. This number will be forwarded to any device that you choose. As part of your local marketing, this number must be dedicated to your Franchised Business. You must maintain an answering system on this business number, use an approved script for answering calls, and you



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must continually list the Franchised Business in the primary Internet and telephone directory servicing the Territory and, at a minimum, to maintain a trademark listing advertising your Business in the primary directory servicing the Territory.

We currently offer a service through which selected phone calls to our toll-free phone number may be forwarded to you or us. In the offering of this service, we will use commercially reasonable efforts to maintain this service, subject to acts of God or circumstances beyond our reasonable control, including power outages and the unavailability of telephone services. In the phone routing process, we use commercially reasonable efforts to route calls from prospective customers requesting service in the Territory to you. We do not guarantee that every phone call requesting service in the Territory will be routed to you. We reserve the right to modify or terminate this service at any time, in our sole discretion, including, without limitation, the right to require that all customer calls be directed through our toll-free line or any other telephone number we designate. Currently, the cost of this toll-free number and forwarding call is included in the Technology Fee.

We shall have the right to modify the provisions of this Section, as may be required by technological advancements that may affect the operation of the System.

**J. ADMINISTRATIVE FEE.**

You must pay to us the then-current administrative fee (the "Administrative Fee") upon your request or when we are required due to your actions or request, to amend the Franchise Agreement or when you ask us to consent to various transactions or to services for which a specific fee is not imposed elsewhere in this agreement or the System.

**K. COLLECTION FEE.**

We retain, as we deem appropriate, the right to contact Customers who are delinquent in their payment of 180 days or more, initiate collection procedures on your behalf, and take the full amount of any Royalties owed to us from any amounts collected and apply collection fees up to an additional thirty-five percent (35%) (the "Collection Fee") of the amounts collected on your behalf. We will credit you with any amounts collected, net of any Royalties and Collection Fees. You may not sue or otherwise hold us liable in any way for our pursuit of these collection procedures.

**L. OUTSTANDING ROYALTIES AND FEES OF PREDECESSOR.**

In the event you were awarded your Franchised Business as a result of your purchase of all or substantially all of the assets of the Franchised Business owned by a previous franchisee in the Territory, you promise to pay us the following fees if they are not timely paid by your predecessor:

1. Our then-current Transfer Fee to defray expenses we incur in the transfer; and
2. Any and all outstanding Royalties, Referral Fees, amounts owed for purchases from us, Late Payment Fees, Late Report Fees, Interest Fees, NSF Fees, and any other fees owed, plus interest, as well as any applicable broker fees, whether incurred by you or by your predecessor franchisee.

**M. NON-COMPLIANCE FEE.**

We have the right to assess then-current fine amount for conduct that violates the terms of this Agreement, including, but not limited to Out-of-Territory Activity, use of unapproved



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equipment in operating the Franchised Business, selling or using unapproved Products or Services through the Franchises Business, misuse of the Marks, use of unapproved marketing materials, and other violations of franchisee's duties under the Franchise Agreement. The Non-Compliance Fee is currently up to $5,000 per violation, or in the case of Out-of-Territory Activity, $1,000 or 50% of the total invoice for the job, whichever is greater, per instance. This fee may be in lieu or in connection with default and/or terminate your Franchise Agreement, and other available remedies set forth in this Agreement for your default.

**N. NORA FEE.**

We may provide services to national and/or regional accounts that require centralized overview and support, and for purposes of responding to requests and referrals for Services through our franchise system, managing those relationships, answering calls placed to our toll-free number or a national account on-line access system. In that case, we may charge you a National or Regional Accounts Fee ("NORA Fee") of up to 15% of Gross Sales generated from each NORA Account. The purpose of this fee is to defray the cost of providing national/regional account management services to the franchise system. We do not plan to charge a fee for simple referrals where we do not directly manage the relationship with the customer, but we reserve the right to do so.

**O. POTENTIAL INCREASES.**

During the Term of the Agreement, we may increase any fee imposed and collected by us by up to ten percent (10%) per year of the Term. If we collect and remit a fee on to third-party vendors on behalf of you and franchisees in the System, we may charge a processing fee of up to 10% of the fee.

**3. TRAINING AND GENERAL GUIDANCE.**

**A. TRAINING.**

Your Managing Owner, Service Technician, and, if applicable, Designated General Manager, must successfully complete our JumpStart initial training program (the "JumpStart Training Program") within two (2) months of signing this Agreement, before attending Initial Training (as defined below) and before the opening of the Franchised Business. The JumpStart Training Program is our preparation program that includes numerous pre-opening activities.

The JumpStart Training Program is a self-guided process, with additional guidance from our training team, along with our Operations Manual (as defined in Section 3.E of this Agreement) which we will loan to you. All JumpStart Training Program activities are to be completed before attending Initial Training and are to be conducted in your hometown by you with assistance from our home office staff. You shall begin the JumpStart Training Program immediately upon your execution of this Agreement and the payment of all initial fees due. During the JumpStart Training Program, we will schedule Initial Training for you to attend at a later time. Initial Training sessions are typically offered each month.

We may waive your attendance at the Initial Training, in our discretion, if you already operate a Franchised Business and you purchase an additional franchise from us.

Before you begin operating the Franchised Business, we will furnish Initial training (the "Initial Training") to the Service Technician, Managing Owner or, if applicable, the Designated General Manager, at no additional fee. The Service Technician, Managing Owner or, if applicable, the Designated General Manager must complete the Initial Training to our satisfaction and failure



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to do so will result in the termination of this Agreement. The Initial Training may not commence until you have paid all fees due to us and must be completed within four (4) months of the effective date of this agreement.

The Initial Training will last approximately (5) days in duration at our headquarters or another location designated by us. You will be responsible for all travel and living expenses that you and your employees/owners incur for this Initial Training.

In the event that you own multiple Franchised Businesses and have your Managing Owner already at another Franchised Business who has already completed the Initial Training, the Managing Owner will still be required to successfully complete the most recent online training modules essential to the role of ownership.

You may designate, with our approval and on a "space available" basis, additional persons to attend other sessions of the Initial Training for which you will be charged our then-current Initial Training fee. In addition, each person we approve to attend the Initial Training will be required to sign our then-current form of confidentiality and non-disclosure agreement before the start of training. The Initial Training fee will be due and payable before the start of the training program, and you will be responsible for the payment of all travel and living expenses incurred by your designees while training.

The Managing Owner or, if applicable, the Designated General Manager, must attend the Convention every year it is offered, and pay the then-current Convention Fee. If you fail to attend the Convention, without our prior written permission, you must pay then-current Convention Non-Attendance Fee.

The Managing Owner or, if applicable, Designated General Manager also must attend periodic refresher training courses and/or regional conferences, not to exceed one (1) event per year, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that are incurred by you or your employees/owners while attending such session.

In the event that the Designated General Manager terminates their employment with you, you are required to designate a successor for our written approval, which we will grant in our sole discretion, within ten (10) days of such termination. Such successor Designated General Manager must attend the next available Initial Training. In the event that the successor Designated General Manager does not successfully complete the next available Initial Training, you may appoint one (1) additional person as the successor Designated General Manager. This second successor Designated General Manager must attend and successfully complete the next available Initial Training. If this second successor Designated General Manager does not successfully complete the next available Initial Training, you will be in default of this Agreement and this Agreement will be subject to termination pursuant to Section 12 of this Agreement. At all times during the term of this Agreement, you must have employed at the Franchised Business a person who has completed the Initial Training program.

If this is a Renewal Term or if this is an additional Franchised Business being awarded to you, and your Managing Owner or, if applicable, the Designated General Manager, have already attended Initial Training, the requirement that you attend the Initial Training is waived, except as described above with respect to the online training modules and continuing training obligations.



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In such cases, if your Managing Owner or, if applicable, the Designated General Manager do attend Initial Training, you will be assessed our then-current training fee. You will also be responsible for all travel and living expenses that you and your employees/owners incur while training.

Before you begin operating the Franchised Business, you must also employ at least one full-time experienced service technician (the "Service Technician"), in addition to yourself, who will be responsible for performing and overseeing your carpet cleaning and other Services.

The Service Technician may be required to attend periodic refresher training courses and conferences, not to exceed one (1) session per year, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that are incurred while attending such session.

**B. GENERAL GUIDANCE.**

You will have access to information helpful to the operation of the Franchised Business based on reports you submit to us and/or inspections that we make. In addition, we may furnish guidance to you, to the extent we determine necessary in our sole discretion, on the following topics:

1. new products, services, and methods which we may have discovered or have developed for the System;
2. the purchase and use of supplies, uniforms, equipment, and products;
3. the formulation and implementation of advertising and promotional programs using such merchandising, marketing, and advertising research data and advice as we may periodically develop for use in your local market;
4. the financial and daily operation of the Franchised Business including its accounting and record keeping functions; and
5. other business and marketing advice.

This guidance will, at our discretion, be furnished in our confidential Operations Manual, bulletins, or other written materials, conferences, conventions, or other training sessions, toll-free telephone consultations, electronic communications, and in consultations at our office or the offices of the Business.

**C. REFERENCE GUIDE.**

The various elements of the System are incorporated into the Operations Manual, online training modules and the franchise owner's intranet website (collectively, the "Operations Manual"). We also have a set of system standards that will contain mandatory and suggested specifications, standards, operating procedures, and rules (the "System Standards") that we prescribe periodically for the operation of a Franchised Business, and information on your other obligations under the Franchise Agreement and related agreements. We may modify the Operations Manual and System Standards periodically to reflect changes in the System.

You promise to keep your copy of the Operations Manual and System Standards current and in a secure location in the principal office of the Franchised Business. If there is a dispute over the contents, the master copy of each of the Operations Manual or System Standards that we



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maintain at our principal office will be controlling. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual or System Standards. If all or any of the Operations Manual or System Standards are lost, destroyed, or significantly damaged, you promise to obtain replacements at our then applicable charge.

## D. DELEGATION OF PERFORMANCE.

You agree that we have the right, but not the obligation, to delegate the performance of any portion or all of our obligations and duties under this Agreement to designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

## E. OPERATIONS MANUAL.

Upon attendance at the Initial Training, we will loan to you one (1) or more manuals, technical bulletins or other written or electronically recorded materials covering the proper operating and marketing techniques of the Franchised Business. Such written or electronically recorded materials, including the franchise owner's intranet website, plus all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or Intranet data, or other publications, documents, software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of us for use by the franchisees generally or for you in particular, setting forth information, advice and standards, requirements, operating procedures, instructions or policies, as same may be added to, deleted or otherwise amended by us from time to time in our sole discretion, relating to the operation of the Franchised Business, are all considered as part of the "Operations Manual." You agree that the Operations Manual is specifically incorporated by reference into this Agreement and that it shall be considered a part hereof, and that you shall comply with the Operations Manual as an essential aspect of your obligations under this Agreement and failure by you to substantially comply with the Operations Manual may be considered a breach of this Agreement. To the extent that any terms in this Agreement conflict with those in the Operations Manual, this Agreement shall govern and supersede such conflicting terms.

You agree to use the Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of us and shall be used by you only during the term of this Agreement and in strict accordance with the terms and conditions hereof. You agree that such Operations Manual shall be deemed to be a trade secret and you shall not duplicate the Operations Manual nor disclose its contents to people other than your employees or officers who need the information contained therein to perform their jobs and who have signed a nondisclosure and noncompetition agreement in a form approved by us. You shall furnish copies of all such nondisclosure and noncompetition agreements to us immediately upon execution. You shall not make any paper or electronic copies of the Operations Manual without our prior written consent. You shall return the Operations Manual, together with all copies of any portion thereof, to us immediately upon the expiration, termination or assignment of this Agreement.

We reserve the right to revise the Operations Manual from time to time in our sole discretion as we deem necessary to update operating and marketing techniques or standards and specifications. You shall immediately update your copy of the Operations Manual as instructed by us and shall conform your operations with the updated provisions as soon as practicable, but no later than 30 days after receipt of receipt of any updated information, unless otherwise agreed to in writing us. You acknowledge that the master copy of the Operations Manual maintained by us



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at our principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

If all or any of the Operations Manual is lost, destroyed, or significantly damaged, you promise to obtain replacements at our then applicable charge.

## 4. MARKS.

### A. OWNERSHIP AND GOODWILL OF MARKS.

1. You acknowledge that we own and have all rights to the Marks.
2. Your right to use the Marks is derived only from this Agreement and is limited to your operation of the Franchised Business in accordance and in compliance with this Agreement and all System Standards we prescribe from time to time during its term.
3. You promise to use only the Marks that we designate in writing, and to use them only in the manner that we authorize.
4. You agree that your use of the Marks, and any goodwill established by this use, will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interest in the Marks upon you (other than the right to operate a Franchised Business under this Agreement). Upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System and the Marks,
5. All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols that we authorize you to use.
6. The right and license of the Marks awarded to you under this Agreement is non-exclusive, and we may:
    a. award other licenses and franchises for the Marks, in addition to those licenses and franchises already awarded;
    b. use the Marks in connection with marketing and selling of any products and services as we deem appropriate; and
    c. develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and grant licenses thereto without providing any rights therein to you.

### B. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You promise to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding, or any other administrative proceeding arising out of any infringement, challenge, claim or otherwise relating to any Mark. Provided that you have timely notified us of the claim or proceeding and complied with this Agreement as we determine in our sole discretion, we shall indemnify and hold you



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harmless against reasonable litigation expenses incurred in connection with any such infringement, challenge or claim. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of such defense, including the cost of any judgment or settlement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interest in the Marks, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in performing such acts.

## C. LIMITATIONS ON YOUR USE OF MARKS.

1. You promise to use the Marks as the only identification of the Franchised Business, except that you must identify yourself as the owner of an independent entity in the manner that we prescribe.

2. You promise to affix the Marks upon such vehicles, uniforms, equipment, containers, fixtures, signs, stationary, advertising, sales/promotional materials, and such other objects, in such size, color, lettering style and fashion, and at such places as we may designate in the Operations Manual.

3. You promise to not use the Marks, or any words or symbols confusingly similar to them, as part of any corporate or other legal name or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in connection with the sale of any unauthorized product or service, on an Internet website of your own design, or in any other manner not explicitly authorized in writing by us.

4. Except as expressly provided in the Operations Manual, you may not display any other trademarks, logotypes, symbols, or service marks, nor may you use any other marks in connection with the Marks, or with the Franchised Business, without our prior written approval.

5. You promise that all advertising and promotional materials that you use will bear the appropriate "SM," "TM," "®," or "©" registration symbol and/or such other appropriate notice of ownership, registration, or copyright as we may require.

6. You promise to submit to us, for our approval, the assumed or trade name (the "DBA") you intend to use in the operation of the Franchised Business before filing for it as required by local laws. We may approve or disapprove such DBA at our discretion. The approved DBA is the only DBA that you may use. You may not use a different name under any circumstances, including as a domain name, URL address, marketing, or for any other function.

7. We or our parent is the lawful and sole owner of the domain name www.chemdry.com. You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of website using the Marks.



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You may access our website. Except as we authorize in writing in advance, you may not: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain names in connection with your Franchised Business. The only exception is that you may list the Franchised Business in an online directory.

8. In order to obtain approval of any use of the Marks, including all advertising containing any Marks, your identification or your DBA, you must submit such proposed use, identification or DBA to us for review at least ten (10) business days before the proposed first use. If we take no action within such ten (10) business day period, such use, identification or DBA shall be deemed disapproved. The approval or disapproval is at our sole discretion. We also may, at our sole discretion, require you to immediately discontinue use of any Mark, advertising, identification or DBA at any time, even if previously approved or provided by us.

9. You must submit and receive our written approval in advance for any person that you desire to act as a representative for you in connection with local promotion of the Franchised Business or Marks in a public media.

**D. DISCONTINUANCE OF USE OF MARKS.**

If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any Mark and/or use one (1) or more additional or substitute names or marks, you must comply with our direction no later than ten (10) days after you have received notice. We will not be liable to you for any expenses, losses, or damages you sustain as the result of any such addition, modification, substitution, or discontinuance of a Mark, and you must not commence or join in any litigation or other proceeding against us for any such expenses, losses, or damages.

**5. CONFIDENTIAL AND PROPRIETARY INFORMATION.**

**A. CONFIDENTIAL INFORMATION.**

1. We possess (and will continue to develop and acquire) certain confidential information (the "Confidential Information") relating to the development and operation of Franchised Businesses. The Confidential Information includes (without limitation):

   a. general operating procedures for a Franchised Business;

   b. the proprietary Software;

   c. personnel guidelines for hiring, training, retaining, promoting, and supporting the marketing and sales staff;

   d. the Initial Training;

   e. written marketing and advertising materials, audiotapes, videos, and programs for their utilization;

   f. knowledge of specifications and suppliers of certain equipment and supplies for the Franchised Business;



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g. information on operating results and financial performance of Franchised Businesses other than your own;

h. The Operations Manual and the franchise owners' intranet website and its contents;

i. sales guidelines and strategies for developing business relationships in the insurance industry;

j. The Customer Information, as defined in Section 5.B below; and

k. Any other information we deem confidential.

2. You acknowledge and agree that you do not acquire any interest in Confidential Information, other than the right to utilize that which is disclosed to you in operating the Franchised Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You also acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you promise to, during and at all times after the term of this Agreement:

   a. not use Confidential Information in any other business or capacity;

   b. maintain the absolute confidentiality of Confidential Information;

   c. not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form;

   d. adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure to employees of the Franchised Business and others; and

   e. immediately upon the expiration of termination of this Agreement, return and cease using in any way all Confidential Information and provide us with immediate access to all computer or other electronic or other storage media, including without limitation, hard drives, memories, CDs, DVDs, zip drives, PDAs, jump drives or other peripheral drives and memory cards, containing any Confidential Information for the purpose of removing such Confidential Information or, if mutually agreed upon, surrender such devices to us.

3. The foregoing restrictions will not apply to the information that:

   a. is now public knowledge or hereafter becomes public knowledge through no fault of yours;

   b. is properly provided to you without restriction by a third party having no such restriction;



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c. is required to be disclosed by order of a competent court or governmental authority, provided, however, that you provide us with prompt written notice of any claim or litigation that could give rise to such a requirement, you furnish only that portion of the Confidential Information that you are required to disclose, and you advise the governmental authority of your confidentiality obligations under this Agreement and seek to obtain appropriate protective orders or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

4. You must disclose to us all ideas, concepts, methods, techniques and products concerning the development and operation of the Franchised Business that you, the Managing Owner, the Designated General Manager, or employees conceive or develop during the term of this Franchise Agreement. We shall own the rights to all such ideas, concepts, methods, techniques and products, regardless of the source, and you must grant to us and agree to procure from your affiliates, owners or employees a perpetual, exclusive and worldwide right to use such ideas, concepts, methods, techniques and products concerning the development and operation of the Franchised Business that you or your employees conceive or develop during the term of this Agreement. You must sign all documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials. We will have no obligation to make any lump sum or on-going payments to you with respect to any such idea, concept, method, technique or product. You must agree that you will not use, nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

**B. PROPRIETARY INFORMATION/CUSTOMER LISTS/ INBOUND AND OUTBOUND CALL LISTS.**

You acknowledge and agree that we own any and all Customer lists and their contents that we provide to you and/or that you subsequently develop during the normal course of operating the Business. You promise to keep an up-to-date list of all current and former Customers in the Software, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service ("Customer Information"). You acknowledge and agree that we have available to us through the Software, an electronic copy of a complete list of current and former Customers, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service, and other information concerning such Customers. You acknowledge and agree that we may have available to us through the phone company that we designate a listing of all inbound and outbound calls. The information will be utilized periodically in the development and execution of various marketing strategies for the mutual benefit of you and us. We retain sole discretion in the development of all marketing strategies. You promise not to use any Customer Information for any purpose other than in the normal operation of the Business without our prior written approval. You may not file suit against any of our Customers without our prior express written permission. We reserve the right to communicate with people on the Customer list.



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## 6. COVENANTS NOT TO COMPETE.

### A. FOR YOU.

During the term of this Agreement, you and your Managing Owner, your Designated General Manager (if applicable), immediate family members, and Service Technician shall not:

1. engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity in a business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services which may be specified from time to time which may be offered by Franchised Businesses (a "Competitive Business") (except for other franchises or authorizations we enter into with you);

2. use our Confidential Information, System, franchise owners' intranet website, the Software, Operations Manual, Marks, Customer lists, Customer Information, trade secrets, trade dress, proprietary knowledge, or know-how, or any colorable imitations, in the design, development, or operation of any business other than the Franchised Business franchised hereunder, unless specifically authorized by us;

3. Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

### B. YOUR EMPLOYEES.

At the start of their employment, you must require, as consideration for employment, each of your Managing Owner, Designated General Managers, Service Technicians, sales and/or account management employees to sign non-disclosure and confidentiality agreements that we have specified or approved. Such agreements will prohibit disclosure, by the employee to any other person or legal entity, of any trade secrets, customer lists, or other information, knowledge, or know-how regarding the System or the operation of the Business, which is deemed confidential and/or proprietary by us. Such employee non-disclosure and confidentiality agreements will, to the fullest extent permitted by applicable law, prevent employees from servicing or soliciting any of the customers of your Business, except in their capacities as employees of the Business. We may require you to send us a copy of such agreements once fully signed.

### C. OUR RIGHT TO ENFORCE NON-COMPETITION COVENANTS.

You agree and acknowledge that a violation of the covenants not to compete as listed in this Section and/or in Section 13.D will result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement or otherwise, will not constitute a defense to the enforcement by us of these covenants not to compete. You promise to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by us in connection with the enforcement of these covenants not to compete, if you are found to be in violation of your confidentiality and/or your non-competition obligation(s) under this Agreement. The protection awarded in this Section



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and/or in Section 13.D will be in addition to, and not in lieu of, all other protections for such trade secrets and confidential information as may otherwise be afforded in law or in equity.

The parties expressly agree that the time and geographical limitations contained in this Section and in Section 13.D are reasonable and necessary to protect us and other franchisees from unfair competition if this Agreement expires or is terminated for any reason.

## 7. SYSTEM STANDARDS.

### A. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that the operation and maintenance of your Franchised Business according to System Standards is essential to preserve the goodwill for the Marks and all franchisees. Therefore, at all times during the term of this Agreement, you agree that the Managing Owner or, if applicable, the Designated General Manager, shall devote its full-time best efforts to operate and maintain the Franchise Business according to each and every System Standard, even if you believe that a System Standard is not in the System's or your franchise's best interests. System Standards may be periodically modified and supplemented during the term of this Agreement, and you must comply with any such changes immediately upon notice to you. Furthermore, you must use your best efforts to assure that your employees and representatives conduct themselves, during business hours and/or whenever they are in a vehicle or a company uniform bearing the Marks, in a manner which is consistent with the professional and ethical image of the System.

You will offer and provide all of the Services that we periodically require for franchisees, and in the manner we prescribe. You will use only approved equipment and approved cleaning methods, using the approved Products.

System Standards, to be specified and periodically amended in the Operations Manual or otherwise in writing, may include, without limitation, standards and specification regarding:

1. use and display of the Marks;
2. Chem-Dry Services and Chem-Dry Products which we authorize or require that you to sell to the public;
3. the use of supplies and equipment;
4. a dress code, during business hours, for you, your employees and your representatives;
5. suppliers and vendors you may use for advertising, inventory, equipment, technology, the purchase of products, inventory, equipment, uniforms for you, your employees and your representatives, and other services, products, and items to be used in the operation of the Franchised Business;
6. vehicle type, model, condition, color, supplier, trademark representation, and appearance. These specifications are included in our Operations Manual. All vehicles purchased or leased for the Franchised Business are to be, and maintained, in a "good" condition as defined by KELLY BLUE BOOK ("good" condition means that the vehicle is free of any major defects). The paint, body and interior must have only minor (if any) blemishes, and there may not be any major



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mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be decaled as required by us and the decals are to be free of defects. You will be required to submit photos of all vehicles used in connection with the Franchised Business in the manner and format we prescribe;

7. business forms and stationary;

8. designated and approved suppliers for business assets and supplies using our Marks;

9. types and amounts of insurance coverage;

10. compliance with applicable laws including obtaining required licenses and permits, payment of all taxes, assessments, fees, fines, and penalties arising out of the operation of the Franchised Business;

11. adhering to good business practices, observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers (including, but not limited to, maintaining, at all times, professional behavior with all Customers, vendors and our personnel), suppliers, and us, and notifying us if any action, suit, or proceeding is commenced against you or your legal entity;

12. general operations including maintaining, at a minimum, Monday through Friday 8:00 AM to 5:00 PM business hours, sales, marketing, advertising, and promotional programs, call center usage, phone type/model/provider, and materials and media used in these programs, personnel practices, bookkeeping, accounting, data processing, and record keeping systems, and forms, methods, content, and frequency of reports to us of sales and financial performance, and the furnishing of tax returns related to the Franchised Business and other operating and financial information to us;

13. respond to any and all customers' inquiries or complaints within one (1) business day, and resolve it within seven (7) days of the initial complaint, to reasonably insure positive customer relations and maintain the goodwill of the System, even when such response may necessitate re-performing a task not completed to the Customer's satisfaction or a refund of moneys received;

14. public figures you choose in connection with local promotions;

15. use of a phone system, computer, electronic mail, and website that meets our requirements, as periodically updated;

16. marketing, advertising, and promotional material prepared by you;

17. number of employees to necessary provide prompt courteous service;

18. timing of the training of other employees for the Franchised Business;

19. necessary amounts of working capital; and



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20. any other aspect of the operation and maintenance of your Franchised Business that we determine periodically to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the System.

You agree to refrain from committing any act or pursuing any course of conduct that tends to bring our Marks into disrepute.

You must use your best efforts to promote and increase the demand for Franchised Business. All of your advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. You agree to refrain from any business or advertising practice which may be injurious to the Franchised Business, or the goodwill associated with the Marks and System.

You are solely responsible for: (a) selecting, retaining and paying your employees; (b) the payment of all invoices for the purchase of goods and services used in connection with operating the Franchised Business; and (c) determining whether, and on what terms, to obtain any financing or credit that you deem advisable or necessary for the conduct of the Business. You agree to pay all current obligations and liabilities to suppliers, lessors, and creditors on a timely basis. You agree to indemnify us in the event that we are held responsible for debts owed by you if we elect to pay any of your obligations in order to preserve the relationship between system suppliers and franchisees. You agree to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes arising from your operation of the Franchised Business. You agree to indemnify us in the event that we are held responsible for these taxes.

You shall meet and maintain the highest safety standards and ratings applicable to the operation of the Franchised Business. You shall furnish to us within two (2) days of your receipt thereof, a copy of all inspection reports and any violation or citation that indicates your failure to maintain federal, state, or local safety standards in the operation of the Franchised Business.

You acknowledge that we have developed the System to offer and sell Services that will distinguish the Franchised Business from other businesses that offer similar services valued at different prices and with less attention paid to service quality and customer service. You agree to offer Services and to operate the Franchised Business in such a manner that emulates and enhances the image we intend for the System. You further acknowledge and agree that each aspect of the System is important not only to you but also to us and to other franchisees in order to maintain the highest operating standards, achieve system-wide uniformity and increase the demand for the Services rendered by franchisees. You agree to comply with the standards, specifications and requirements we set forth in order to uniformly convey the distinctive image of a Franchised Business.

You must notify us, in writing, within five (5) days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of you or the Franchised Business.



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## B. MODIFICATION OF SYSTEM STANDARDS.

You acknowledge and agree that the System must continue to evolve to reflect changing market conditions and to meet new and changing consumer demands. As a consequence, changes, modifications, and variations to the Systems Standards may be required periodically to preserve and enhance the public image of the System and enhance the operational efficiency of all franchisees.

You, therefore, agree that we may periodically, and upon reasonable notice to you, add to, modify, phase out, or change the System, including without limitation, the adoption and use of new or modified trademarks, uniforms, signs, vehicle types, telephone numbers and technologies, Chem-Dry Products, equipment, Chem-Dry Services, techniques, proprietary software, non-proprietary software, methodologies and sales strategies. You promise to promptly accept, implement, use, and display in the operation of your Franchised Business, all such additions, modifications, and changes at your expense.

All products and materials used in the operation of the Franchised Business must meet System Standards and specifications for representation of the Marks and be pre-approved by us regardless of the supplier. In the event you wish to purchase an unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us a written request for approval, including a proof of the materials you wish to order. We will notify you in writing of our approval or disapproval within ten (10) days of receipt of the materials and your written request. We have no obligation to approve any particular products, service or supplier. If you do not receive approval within ten (10) days, you should consider the materials disapproved. All products and materials must meet the quality of our current suppliers, and correctly bear the Marks. Standards and specifications are periodically modified to meet changing market conditions and are published in our Operations Manual and on our web site. You must reimburse us our reasonable costs, regardless of if we subsequently approve your request.

Use of products and materials that have not received our prior written approval and/or do not meet our standards and specifications can result in the termination of this Agreement. Standards and specifications are updated periodically at our sole determination and are made available to you on our CHEM-DRY owners' intranet website and in the Operations Manual.

## C. INSURANCE.

Before attending the Initial Training, you promise to purchase and maintain in full force and effect throughout the term of this Agreement and at your expense, insurance protecting you, your employees, and us, our officers, and our employees, against loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the operation and promotion of the Franchised Business. You acknowledge and agree that (a) the insurance you will maintain reflects the minimum amounts of coverage we require, (b) these minimums are not meant to reflect the actual needs you may have, and (c) it is your responsibility to carefully evaluate if these minimums will adequately meet your needs.

All policies will be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of "A" or better. Currently, you are not obligated by the terms of this Agreement to purchase your insurance from any specific provider, although we reserve the right to specify the specific provider that you must use in the future.



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Our current requirements are: a commercial general business umbrella liability insurance policy with a limit of at least $1,000,000 general aggregate, which must state that the work product is covered at a minimum of $50,000 per occurrence, or that there is no "workmanship" or "care, custody, and control" exclusion; $100,000/$400,000/$75,000 (or $500,000 combined single limit) for the vehicle liability coverage, with all non-owned or hired vehicles insured with the same limits; Workers Compensation insurance based on statutory requirements; and any other insurance as required by any state, county, local, or other municipal insurance requirements. We may modify the types and amounts of insurance you are required to purchase as we deem appropriate in our reasonable discretion.

The insurance levels listed above are the minimum we require you to maintain for the Franchised Business. We may, periodically, determine and modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstance. To gain adequate protection, you should discuss with your insurance agent and financial advisor to determine if your personal situation requires you to maintain coverage in excess of the minimums that we require. If any lease or Customer contract requires an insurance policy amount to be higher than the amounts we have listed above, you must obtain the highest amount for such policy.

All general liability insurance policies will name us, BELFOR Franchise Group, LLC, BELFOR USA Group Inc., and our designated affiliates, employees, officers and directors as additional insureds, and will contain no provision which in any way limits or reduces coverage for you if a claim is made by any one (1) or more of the Indemnified Parties, as defined in Section 14.C of this Agreement, and will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 30 days' notice of any intent to cancel or materially alter any policy.

At least ten (10) days before attending Initial Training, commencing the operation of the Franchised Business, whenever a change is made to your policy, and before expiration of any insurance coverage, you promise to have your insurance provider send us a copy or certificate or other acceptable proof of such insurance. If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage and premium payments, we may obtain, at our sole option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf. We are under no obligation whatsoever to obtain such insurance, but if we do so, you must fully cooperate with us in our efforts and must promptly sign all forms required to obtain or maintain the insurance. You must also allow any inspections of your Franchised Business required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf will reduce or absolve you of any obligations of indemnification described in this Agreement. You must promptly report all material claims, or potential claims, against you, any Indemnified Party or us, to the insurer and to us.

You may not commence your Franchised Business until you have provided the certificates of insurance or other acceptable proof of all insurances. You may not reduce the policy limits,



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restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

You must provide us with copies of any insurance claims or insurance cancellations within 24 hours. You have a 24-hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days prior written notice from the insurance carrier to us. We have the right to increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to you, and you shall comply with any such modification within the time specified in said notice.

## D. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

We require you to use the Software, or other Required Software as we designate, for maintaining Customer records for the Franchised Business. We have confidential access to your databases and related information from the Software, which we use to compute the Royalty due on Gross Sales, and to make other evaluations and verifications. In addition, you promise to establish and maintain, at your expense, an accounting system that conforms to the requirements and formats that, from time to time, we prescribe, which is currently QuickBooks Online and is subject to change. In addition, you are required to follow our specified chart of accounts. We have the right to change these requirements at our discretion. We may require you to provide us with automatic password access to your financial reports on this system, but we do not exercise that right at this time.

You shall furnish to us, in the manner and format that we require:

1. On the 5th day of each month, a report of Gross Sales obtained in the prior month;
2. On the 15th day of the month or within 48 hours of request, an unaudited income statement for the requested time period in a form satisfactory to us, and such additional reports as we may require;
3. Within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;
4. Within ten (10) days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the Franchised Business, as well as the state, federal and other income tax returns from any additional business(es) you own which we may need to review to assure all Gross Sales have been accurately reported;
5. By November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and
6. Any other reports we may require in the future.

Your fiscal year must end on December 31. You promise to verify and sign each report and financial statement in the manner that we prescribe. We can disclose data derived from these reports without specifically identifying you or the Business (unless we have your written consent to do so). We can require you to have audited financial statements prepared on an annual basis if you fail to comply with any provision of this Agreement. Finally, you will allow us, as we deem



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appropriate, timely access to your copy of any computer systems that you maintain, to retrieve all information relating to the operation of the Franchised Business.

You shall maintain all records, reports, and financial statements for a period of five (5) years during and following the termination, transfer, or expiration of this Agreement.

**E. COMPLIANCE WITH LAWS.**

You will, at your expense, secure and maintain in force all required licenses, permits, and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable local, state and federal laws, rules and regulations. You must, at your expense, comply with all federal, state, and local laws and regulations that apply to businesses in general. It is your responsibility to investigate the federal, state and local laws and regulations that pertain to your business. You must maintain your license(s) in good standing with the licensing authority for the entire term of this Agreement and all renewals.

You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding for the issuance of any order, writ, injunction, award or decree or any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business.

**8. INSPECTIONS AND AUDITS.**

**A. OUR RIGHT TO INSPECT THE BUSINESS.**

To determine whether you are complying with this Agreement and all System Standards, we have the right at any time during business hours to perform an on-site inspection of your business at your Office Site, and any other locations through which the Franchised Business is operated. During such inspection, we may: (i) participate in quality checks of home field services; (ii) interview employees; or (iii) review (a) your books and records, (b) your promotional materials and media advertising, (c) your personnel files and practices, and/or (d) any and all components of the Franchised Business.

You promise to cooperate fully with us in any inspection of your Franchised Business, and we promise to use our best efforts to not interfere with the operation of your Franchised Business.

**B. OUR RIGHT TO AUDIT.**

We have the right at any time during business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, any and all financial statements, reports, income tax records, sales tax records, payroll records, software databases, and other records. You promise to cooperate fully with our representatives and independent accountants we hire to conduct any inspection or audit.

If any inspection or audit discloses an understatement of Gross Sales, we can debit your account, as provided in Sections 2.C and 2.H of this Agreement, for the Royalty and Brand Marketing Fees which are due on the amount of the understatement, plus interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is lesser, and all late fees, from the date originally due until the date of payment.

Furthermore, if we conduct an inspection or audit due to your failure to (a) furnish reports, supporting records, or other information as required, (b) furnish these items on a timely basis, (c) to record all jobs in the Software as required, or (d) use Software/Required Software for scheduling



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or invoicing, or we discover that an understatement of Royalty is greater than 3% for any period reviewed, you promise to reimburse us for the cost of the inspection and/or audit, including without limitation, the charges of attorneys and independent accountants, the travel, room and board expenses, and compensation of our employees. Further, if an understatement of the Royalty is greater than 3%, you also promise to pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales.

These remedies are in addition to our other remedies and rights for breach and indemnification of costs under this Agreement and applicable law.

**9. TAXES AND ADVANCES.**

**A. TAXES.**

You promise to pay all taxes as required by local, state, or federal laws regarding the products, service, or equipment furnished or used in connection with the operation of the Franchised Business. You promise to promptly pay us, when due, the amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected, or paid by us, to your state and/or local government, on account of services or goods furnished by us to you through sale, lease, or otherwise, or on account of collection by us of the Initial Franchise Fee, the Initial Package Fee, Marketing and Operations Package Fee, or any other payments to us under this Agreement.

**B. ADVANCES.**

You promise to promptly reimburse us for all amounts that we have paid, or have been obligated to pay, on your behalf for any unpaid tax liability, provided, however, that we are not obligated to pay these or any other payments on your behalf.

**10. TRANSFER.**

**A. BY US.**

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

**B. BY YOU.**

You acknowledge and agree that we have entered into this Agreement with you based on your personal qualifications, experience, skills, character, etc. Therefore, you cannot transfer this Agreement without prior written approval. A "Transfer" of this Agreement shall mean and include any voluntary, involuntary, direct, or indirect, in whole or in part, assignment, sale, gift, encumbrance, lease, merger, bequest, change in control, or other disposition of 1) this Agreement or any rights thereunder, 2) the Franchised Business or its assets, 3) any part of your ownership interest in the assets of the Franchised Business, or 4) any equity/ownership interest in the Franchisee entity, or a grant of an option, warrant, or right to acquire an equity or ownership interest, including but not limited to by divorce, insolvency, probate, or intestate succession, trust, or other operation of law. All Transfers are subject to the conditions listed below. Any such Transfer without our prior written approval, will be void and will constitute a breach of this Agreement. We will not, however, unreasonably withhold our approval provided that the conditions specified below are met, which we will determine in our sole discretion:



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1. you are in full compliance with this Agreement or any other agreement between you and us, our affiliates, or our designated/approved suppliers and vendors, and you have paid all accrued monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

2. the transferee has demonstrated sufficient business experience, aptitude, and financial resources to meet our then-current standards and qualifications for new franchisees;

3. the transferee and its owners, affiliates, and owners' immediate family members, are not engaged in a Competitive Business, unless they agree to operate all Competitive Businesses as a part of the System;

4. you provide us with written authorization to release to the transferee any and all information about the operation of the Franchised Business which we have collected;

5. the transferee must sign our then-current form of franchise agreement for a full term, the personal guaranty and all other required exhibits, which terms may materially differ from the terms of this Agreement;

6. in the case of an installment sale, a transaction where you provide financing to the transferee, transferee pays you via a promissory note or other structured payment plan, you: (a) agree and will assure that all of the transferee's obligations under any promissory notes or agreements are subordinate to the transferee's obligation to pay Royalties, Brand Marketing Fees, and other amounts due to us and otherwise to comply with this Agreement, (b) will not hold any security interest reserved in the Franchised Business, and (c) will enter into a comfort letter assuring us that the transferee will meet its obligations under the Franchise Agreement;

7. you pay us:

    a. our then-current Transfer Fee, as published in our Operations Manual, upon our preparation of the required transfer documentation, the Transfer Fee, once paid, is non-refundable;

    b. all Royalties for completed jobs up through the date of closing, fees, amounts owed under any promissory notes with us, Late Payment Fees, Late Report Fees, NSF Fees, Interest Fees, and all other fees or amounts owed to us, plus interest; and

    c. all commissions, broker fees or other similar expenses if: (i) you list the Franchised Business with a broker, lead referral network or similar entity; or (ii) the transferee is referred to you or us by a broker, lead referral network or similar entity;

8. the transferee successfully completes our training program;

9. the transferee must assume and agree to be bound by all outstanding obligations to customers and client of the Franchised Business;



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10. you, your principals, and the transferee (if we have a prior relationship with the transferee) have signed a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents (such requirement to sign a general release is subject to change in our sole discretion);

11. we have approved the material terms and conditions of the transfer, the form of purchase and sale agreement, and determined that the price and terms of payment will not adversely affect the transferee's operation of the Franchised Business;

12. in the event of an approved transfer to a wholly owned corporation or limited liability company, where you will own and control 100% of the issued and outstanding capital stock or other ownership interest;

13. your business must be open in order to transfer the Franchised Business;

14. any transfer does not impact any of your post-termination obligations, including, without limitation, such obligations set forth in Sections 6 or 13.

15. the transferee must obtain, within the time limits set by us, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

16. to the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

17. the transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises; and

18. if required by us, in our sole discretion, transferee must purchase all or a portion of the Initial Package, new or refurbished equipment, inventory, new vehicles/vehicle wraps, and complete any remodeling, refurbishing, renovation, or upgrades require by us, etc. to ensure the Franchised Business is in compliance with our current System Standards and in well-maintained condition.

We shall have sixty (60) days from the date of the written notice to approve or disapprove in writing your proposed transfer. You acknowledge that the proposed transferee shall be evaluated for approval by us based on the same criteria as is currently being used to assess new franchisees of us and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If we have not given you notice of our approval or disapproval within such period, the request for the transfer or assignment is deemed rejected.

## C. OUR RIGHT OF FIRST REFUSAL.

If you at any time determine to sell, assign, or transfer for consideration your interest in this Agreement, you must obtain a bona fide, signed written offer and earnest money (in the amount of 5% or more of the offer price) from a responsible and fully disclosed offeror, and immediately submit to us a true and complete copy of the offer which includes details of the payment terms. To be a valid, bona fide offer, the proposed purchase price is to be denominated in a dollar amount.



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We have the right, exercisable by written notice delivered to you within 30 days from the date of the delivery to us of both an exact copy of the offer and all other information we request, to purchase the interest for the same price, less the Transfer Fee, and on the same terms and conditions contained in the offer provided that:

1. We may substitute cash for any form of payment proposed in the offer;
2. Our credit will be deemed equal to the credit of any proposed purchaser;
3. We will have ninety (90) days, after giving notice of our election to purchase, to prepare for and complete the closing; and
4. We are entitled to receive, and you must make, the same representations and warranties given to the proposed purchaser.

If we do not exercise our right of first refusal, you may complete the sale to the purchaser on the exact terms of the offer, subject to our approval of the transfer as provided in Section 10.B above. If the sale is not completed within 60 days after the expiration of the right of first refusal, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

**D. YOUR DEATH OR DISABILITY; DIVORCE.**

Upon your death or disability (or the death or disability of an owner 33% or more of Franchisee, (referred to in this document as "your death or disability")) the executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement or in Franchisee, in accordance with Sections B and C above, to a third party within a reasonable amount of time, but not to exceed six (6) months. During this time between your death or disability and the transfer required by this Section, the Franchised Business must be operated in full compliance with this Agreement. The transfer will be subject to all of the terms and conditions applicable to transfers that are contained in this Section.

For purposes of this Section, disability is defined as a condition that materially impairs your ability to operate the Franchised Business in accordance with this Agreement for a period of thirty (30) or more consecutive days or sixty (60) or more days in a calendar year.

You will promptly notify us of any divorce proceedings that may result in a Transfer and tender the right of first refusal required in Section 10.C above. If we do not exercise such right, you must request our consent to any Transfer, and comply with the Transfer conditions set forth above in Section 10.B.

**E. OWNERSHIP.**

1. The following provisions apply if you or any permitted successor is a partnership, Limited Liability Company ("LLC") or corporation:
    a. The articles of partnership, partnership agreement, articles of organization, articles of incorporation, by-laws and other organizational documents shall provide that the issuance and transfer of any interest in the legal entity is restricted by the terms of this Agreement. Copies of such documents and of resolutions of the legal entity's board of directors or managers



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authorizing its entry into this Agreement shall be furnished to us upon request.

b All general partners, members and all direct and indirect holders of equity interest shall, upon the legal entity's execution of this Agreement, execute an agreement personally guaranteeing to us the full payment and performance of the legal entity's obligations to us and undertaking to be bound, individually, jointly and severally, by all the terms of this Agreement including, without limitation, the restrictions on assignment contained herein. The personal guaranty shall be in the form attached hereto as Exhibit D or in such other form as we may from time to time prescribe.

c. The legal entity shall not use the name "CHEM-DRY" or any other Mark, or any name deceptively similar thereto, except to reflect its franchise relationship with us. Neither the legal entity nor any of its owners may issue or sell, or offer to issue or sell, any securities of the legal entity or an affiliate of the legal entity, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior written consent, which is in our sole discretion, and complying with all of our requirements and restrictions concerning use of information about us.

d. The legal entity shall furnish us, at the time of execution of this Agreement and upon all transfers subject to the provisions of this Section 10, a list of all stockholders, members, managers and partners having an interest in the legal entity, their respective percentage interests and the number of shares directly and indirectly owned or controlled by each.

e. The legal entity, if a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section and shall cause all certificates representing outstanding voting securities to be surrendered for reissuance and cause all certificates for voting securities in the future to be issued with this legend printed conspicuously upon the face of each certificate stating the transfer of any certificate and the shares it represents is subject to the terms and conditions this Franchise Agreement.

f. The legal entity acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Marks, the Confidential Information, as well as our high reputation and image, and are for the protection of us and all other System franchisees.

g. It is agreed and understood that no other business or business operations outside of the operation of the Franchised Business may be undertaken or conducted through such legal entity.



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## 11. EXPIRATION OF THIS AGREEMENT.

### A. YOUR RIGHTS UPON EXPIRATION OF THIS AGREEMENT.

Upon the expiration of this Agreement, provided that during its term you complied substantially with its provisions, including the timely payment of all fees and royalties, you may continue your Franchised Business for one (1) additional term of ten (10) years each (each, a "Renewal Term" (as previously defined)).

In order to be awarded a Renewal Term, you must:

1. Be in substantial compliance with this Agreement, or any other ancillary agreement then in effect between you and us including but not limited to, the timely payment of all fees and compliance with System Standards;
2. Not have received written notice by us three (3) or more times during the last 30 months of the Initial Term or any Renewal Terms for failure to comply with the terms of this Agreement or were in violation of your obligation(s), whether or not the failure is subsequently cured;
3. Not have failed on more than three (3) separate occasions during the last 24 months of the Initial Term or any Renewal Terms to make timely payment to us of all sums due to us;
4. Not have failed on more than three (3) separate occasions during the last 24 months of the Initial Term or any Renewal Terms to service all Customers in a manner consistent with our System Standards and reputation of ethical and professional conduct;.
5. Sign our then-current form of franchise agreement, which may contain materially different terms than this Agreement;
6. Make any remodeling, repairs, upgrades, renovations or repurchases of the required equipment, vans, Approved Location, etc. as required by us to bring the business in compliance with the then-current System Standards,
7. Meet the net-worth, financial, and other qualifications that we require of a new franchisee and meet the Minimum Gross Sales requirements of a Franchised Business in its 11th year of operation;
8. Sign a general release of Franchisor, its parents and affiliates; and
9. Pay us the Renewal Fee.

### B. AWARD OF A RENEWAL AGREEMENT.

You promise to give us written notice of your election to pursue a Renewal Term no earlier than nine (9) months, and no later than six (6) months, before the expiration of this Agreement. We promise to give you notice (referred to as "Our Notice"), not more than 45 days after we receive your notice, of our decision in accordance with Paragraph A of this Section:

1. to award you a renewal franchise agreement;



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2. to award you a renewal franchise agreement on the condition that you correct any provisions of this Agreement with which you are not in compliance, which may require you to attend and successfully complete additional trainings; or

3. not to award you a renewal franchise agreement based on our determination that you have not substantially complied with this Agreement during its term.

If applicable, Our Notice will state the actions you must take to correct operating deficiencies and a reasonable time period in which these deficiencies are to be corrected.

If we elect not to award you a renewal franchise agreement, Our Notice will describe the reasons for our decision. Your right to a renewal franchise agreement is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

**C. AGREEMENTS/RELEASES.**

If you satisfy all of the other conditions to the awarding of a Renewal Term, you promise to sign the then-current franchise agreement and any ancillary agreements for Franchised Businesses, which may include a different Royalty and/or or Territory. You and we further promise to sign a mutual general release, in a form satisfactory to us, of any and all claims against either of us and our respective shareholders, officers, directors, employees, agents, successors, and assigns. Such requirement to sign a general release is subject to change in our sole discretion.

Notwithstanding any provision to the contrary, at our request, you will promise to upgrade and remodel the Franchised Business at your sole expense to conform to the then-current Operations Manual (the completion of such upgrades shall be a condition of you receiving such Renewal Term). Further, you must submit proof to us that you have the right to operate the Franchised Business at the Office Site for the Renewal Term.

**12. TERMINATION OF AGREEMENT.**

**A. AUTOMATIC TERMINATION WITHOUT NOTICE.**

This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

1. If you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the Franchised Business.

2. If proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the Franchised Business without your consent, and the appointment is not vacated within 60 days.

3. You make or attempt to make an unauthorized transfer of this Agreement or the Franchised Business in violation of any of the transfer provisions contained in Section 10 of this Agreement.



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## B. AUTOMATIC TERMINATION WITH NOTICE.

We have the right to terminate this Agreement, immediately, and without the opportunity to cure, effective upon delivery of written notice to you, or any of the following:

1. Your Managing Owner and, if applicable, Designated General Manager, fail to attend or successfully complete the Initial Training within four (4) months of signing this Agreement and/or fulfill all the pre-training requirements, which include the payment of all monies due to us, and the completion of all the required tasks as designated on the owners' intranet website and in the Operations Manual;

2. You fail to commence operation of the Franchised Business within four (4) months of signing this Agreement and/or two (2) months following your successful completion of the Initial Training, whichever is later;

3. You have made or make any material misrepresentation or omission in purchasing the Franchise or operating the Franchised Business;

4. You receive from us three (3) or more notices to cure the same or similar defaults or violations of this Agreement, within any two (2)-year period of time, regardless of whether these defaults were cured after notice was sent to you;

5. You are or have been convicted by a trial court of, or plead no contest to a felony or any conviction rising to the equivalent of a felony and/or failure to disclose a prior felony conviction or conviction rising to the equivalent of a felony to us;

6. You understate your Royalty by three percent (3%) or more, in any reported financial statement, on three (3) or more occasions, during any consecutive two (2)-year time frame during the term of this Agreement, regardless of whether or not you subsequently rectify the deficiency;

7. You engage in any dishonest or unethical conduct, which may adversely affect the reputation of the Franchised Business, or the general goodwill associated with the Marks;

8. You violate any provision regarding confidentiality or non-disclosure contained in Sections 6 and 13 of this Agreement;

9. You cease to continuously and actively operate the Business for five (5) consecutive days, unless caused by an act of God, or other circumstance beyond your control, as determined by us; or the business telephone is disconnected at any time and no new number is immediately reinstalled or reconnected; or your conduct is otherwise determined by us to constitute an abandonment of the Business;

10. You fail to acquire or continuously maintain the required minimum levels of insurance, fail to have us, BELFOR USA Group Inc. and/or BELFOR Franchise Group, LLC named as an additional insured, or fail to provide a current certificate of insurance to us as required in Section 7.C of this Agreement. However, we will not exercise our right to terminate this Agreement if upon receipt of notice from us, you immediately cease operating the Franchised Business and obtain such



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insurance within ten (10) days after written notice is delivered to you prior to resuming operation;

11. You fail to attend convention without prior written permission;

12. Your Managing Owner or, if applicable, your Designated General Manager, fail to attend, or send a representative in their place, to a minimum of one (1) training course or regional meeting each calendar year, provided that at least one (1) of the above named events have been offered during that time period;

13. You fail to employ and train required personnel within three (3) months of signing this Agreement;

14. Any other franchise agreement or other agreement you or your owner(s) or affiliates have with us, or any franchise agreement you or your owner(s) or affiliates have with any of our affiliates, is terminated for any reason;

15. You commit three (3) or more defaults of this Agreement, of any type, in any 12-month period;

16. If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, or any lease for the Office Site, and fail to cure such breach within any permitted period for cure;

17. If you or your principals materially violate any provision hereof pertaining to Marks or Confidential Information or misuse the Marks or Confidential Information;

18. If you violate any safety or sanitation law, ordinance or regulation or operate the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public;

19. If you violate the in-term restrictive covenant contained in Section 6;

20. If a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which is not released or bonded against within 30 days;

21. If you or any of your principals become insolvent;

22. You order or purchase supplies, signs, furnishings, fixtures, equipment, vehicle, or inventory from an unapproved supplier;

23. You misuse or make unauthorized use of any Software or Required Software that we may develop for use in connection with the System;

24. You fail to comply with the provisions of Section 15.S;

25. You take for your own personal use any assets or property of the Franchised Business, including employee taxes, FICA, insurance or benefits;



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26. If there are insufficient funds in your bank account to cover a check or EFT payment to us three (3) or more times within any 12-month period or you fail to achieve minimum sales for three (3) consecutive months; or

27. You commit three (3) or more instances of Out-of-Territory Conduct.

**C. TERMINATION IF NOT CURED.**

We have the right to terminate this Agreement if any of the following defaults remains uncured after your receipt of a default notice from us, and if such defaults are not cured. Unless otherwise specified below, all defaults must be cured within thirty (30) days of our delivery of the default notice:

1. You fail to make payment of any amounts due to us, our affiliates, our affiliates' franchisees, or funds are not available in your account for debiting when they are due, and such deficiency is not cured within five (5) days, or you default on any loan made to you by us or our preferred lender, if applicable, in connection with your Franchised Business, and such default is not cured within five (5) days;

2. You fail to have in your employ for a period of two (2) consecutive months (a) at least one (1) Service Technician, or (b) a Designated General Manager, if you are required to have one.

3. You fail, within 15 days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business;

4. You fail to comply with any part or condition, warranty, or certification requirement in this Agreement, the owners' intranet website, Operations Manual and/or other confidential materials;

5. You fail to comply with modifications to System Standards on the owners' intranet website, or in the Operations Manual within the required time period;

6. You fail to make payments on the vehicle resulting in repossession and you do not have a vehicle that meets our standards to operate the Business;

7. You fail to receive our prior written approval and use products or materials that do not meet our System Standards and/or do not promptly discontinue use after written notice from us;

8. You fail to timely provide us with any report, statement, or return required by this Agreement;

9. You fail to service all Customers in a manner consistent with our System Standards and reputation and you fail to cure such inconsistency;

10. You market or advertise in the outside of your Territory without permission;

11. You establish an office location outside of your Territory without our prior written consent;



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12. You fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you;

13. If you fail to maintain the prescribed months, days, or hours of operation at the Franchised Business;

14. If you fail, in our sole discretion, to personally supervise day-to-day operation of the Franchised Business or fail to employ a sufficient number of qualified, competent personnel as we require from time to time;

15. If you fail to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual;

16. You conduct yourself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the products offered through the System; or

17. You fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your Franchised Business.

We also have the right to terminate this Agreement after providing notice and a 30 day cure period if you fail to perform or comply with any one or more of the terms or conditions of this Agreement or the Operations Manual not specifically contained in Section 12.A above; including, without limitation, any warranty, or certification of this Agreement, and any System Standard or other provision in the owners' intranet website or the Operations Manual.

In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against you, upon a failure to cure any default within the applicable time period (if any), we have the right, but not the obligation, to

1. Charge the Non-Compliance Fee;

2. Reduce the size of your Territory or permit other franchisees or Company Stores to provide the Services and Products with your Territory;

3. Enter upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as we determine, in our sole discretion that the default has been cured, and you are otherwise in compliance with this Agreement. In the event we exercise the rights described in this Section, you must pay us a reasonable management fee and reimburse us for all reasonable costs and overhead, if any, incurred in connection with our operation of your Franchised Business including, without limitation, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations, plus a 20% of Gross Sales. This fee is in addition to the payment of the Royalty and all other fees due under this Agreement during the time we exercise our rights under this Agreement. If we undertake to operate the Franchised Business pursuant to this Section, you agree to indemnify and hold us (and our representative(s) and employees) harmless from and against any fines, claims, suits or proceedings that may arise out of our operation of the Franchised Business.

Our delay in exercising or failing to exercise any right or remedy under this Agreement or our acceptance of any late or partial payment due hereunder will not constitute a waiver of any of our rights or remedies against you.



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## D. LIQUIDATED DAMAGES

If this Agreement is terminated pursuant to this Section 12, then you shall pay to us, within thirty (30) days following the date of such terminated, as liquidated damages, because actual damages incurred by us will be difficult or impossible to ascertain, and not as a penalty, an amount equal to the sum of the Royalty fees or Minimum Monthly Royalty Requirement Fees, whichever is greater, owed during the immediately preceding 36 full calendar months (or such shorter period as equals the unexpired Term at the date of termination, without regard to any express right to terminate prior to the expiration of the Term); provided, however, if the Franchised Business has been open for fewer than 36 months, then the average monthly Royally fees owed since the date the Franchised Business opened multiplied by 36, plus any applicable taxes assessed on such payment.

## 13. POST TERMINATION OBLIGATIONS.

## A. PAYMENT OF AMOUNTS OWED TO US.

You promise to pay to us, on the effective date of termination or expiration of this Agreement, or at any later date that the amounts due to us are determined:

1. all Royalties, Referral Fees, promissory note balance(s), Late Report Fees, Late Payment Fees, NSF Fees, Interest Fees, or any other fees, amounts or interest owed to us or to our affiliates; and

2. upon termination for any default, the actual and consequential damages, costs, and expenses (including reasonable attorneys' and experts' fees) incurred by us as a result of your default.

The obligation to pay said sums will create a lien in favor of us against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory of the Franchised Business and/or against any moneys we hold or otherwise come to our possession.

Any transferee (or purchaser of all or substantially all of the assets of the Franchised Business) shall be liable for payment of these items if you do not timely pay them. Provided, however, the foregoing sentence will not release or discharge you from your obligations to pay us pursuant to this Section and/or to indemnify or reimburse the transferee or purchaser pursuant to the applicable purchase or transfer agreement.

## B. MARKS.

Upon the termination or expiration of this Agreement, you promise to:

1. strictly comply with, observe, and abide by all of the post-termination provisions of this Agreement, including those as set forth in Sections 5, 6 and 13.D of this Agreement;

2. neither directly nor indirectly represent to the public that any other business you may then own or operate, is or was operated as, or was in any way connected to, the System;

3. not hold yourself out or advertise in any context that you are a present franchisee or were a former franchisee of ours;



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4. immediately refrain from engaging in any business relationship with any contacts with Customers or former Customers of the Franchised Business, whether with respect to collection of accounts receivable, providing Services, or for any other purpose whatsoever;

5. at our option, assign any and all accounts receivable to us for collection, unless all Royalties and other payment obligations to us are paid in full. In connection with this assignment, you appoint us as attorney-in-fact to engage in these collection activities and you specifically refrain from engaging in any of these collection activities. We promise to employ good faith efforts, including where appropriate in our sole and exclusive judgment the commencement of legal proceedings to collect the accounts receivable. We have no duty or obligation to you to accomplish the collection of such accounts receivable. We will remit to you any of these sums collected after first deducting all moneys owed to us and our costs of collection;

6. immediately cease operation under this Agreement and not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a Franchised Business, or any confusingly similar business;

7. take the action required to cancel all DBAs or equivalent registrations relating to your use of any Mark;

8. deliver to us, within seven (7) days, all electronic and hard copies of Customer Information;

9. remove all signage from vehicles and store fronts and deliver to us, within five (5) days, the Operations Manual and all copies thereof, and all proprietary information, confidential material, Required Software (including the Software), signs, sign-faces, marketing and advertising materials, forms, uniform patches, decals (or proof of their removal) and other materials containing any Mark or otherwise identifying or relating to a Franchised Business, and allow us, without liability to you or third parties, to remove all of these items from your vehicles and place of business;

10. notify the telephone company and all telephone directory publishers and Internet directory listings of the termination or expiration of your right to use any listing, telephone, telecopy, or other numbers and any telephone directory listings associated with any Mark, and authorize the transfer of these numbers and directory listings to us or, at our direction, instruct the telephone company to forward all calls made to your telephone number to numbers we specify. If you fail to do so, we can take whatever action is necessary, on your behalf and consistent with the telephone and other listing agreement attached to this Agreement as Exhibit C, to affect these events;

11. agree to cooperate with us to effectuate any change in telephone numbers or other transfers of our property to us, including the signing of any forms, authorizations or other documents necessary;



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12. deliver to us, upon our request, an assignment of any real estate leases for property from which the Franchised Business was operated; and

13. deliver to us, within 30 days, evidence that is satisfactory to us of your compliance with each of the foregoing obligations.

## C. CONFIDENTIAL INFORMATION.

You promise that, upon termination or expiration of this Agreement, you must immediately cease to use any of our Confidential Information (including any computer software that we have provided or made available to you) in any business or otherwise, return to us all copies of the Operations Manual and other confidential materials that we have loaned to you, and you shall not maintain any copies of any such materials, in whole or part.

## D. COVENANT NOT TO COMPETE.

For a period of 18 months from the time of expiration or termination of this Agreement, you and your owners and, if applicable, your Designated General Manager, shall not (a) engage as an owner, shareholder, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in Competitive Business, (b) solicit business from Customers of your former Franchised Business or contact any of our suppliers or vendors for any competitive business purpose, or (c) divert or attempt to divert any business or Customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System or engage in any business relationship with any contacts with Customers or former Customers of the Franchised Business, whether with respect to collection of accounts receivable, or to provide them services, or for any other purpose whatsoever, within:

1. the Territory as defined in this Agreement;

2. the geographic area encompassed by the Territories of any System franchisees, Company Stores, or any other Franchised Business operator, as of the date of the termination or expiration of this Agreement; or

3. a geographic area that is contained in a circle having a radius of 50 miles outward from the outside boundary of the Territory as defined in this Agreement.

## E. CONTINUING OBLIGATIONS AND OTHER OBLIGATIONS.

All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement, will continue in full force and effect subsequent to and notwithstanding its expiration or termination, until they are satisfied in full or by their nature expire.

If, within five (5) days after termination or expiration of this Agreement, you fail to remove all displays of the Marks, we may enter the Franchised Business to effect removal. In this event, you agree that you may not file any complaint or action against us for trespass or any other violation or claim, nor shall we be accountable or required to pay for any displays or materials. You agree that this Agreement shall constitute your complete consent to such entry set forth in this Section.



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If, within 30 days after termination or expiration, you have not taken all steps necessary to amend or terminate any registration, telephone number, email address, domain name, URL, or filing of any business name or DBA or any other registration or filing containing the Marks or any names and marks which are identified or associated with the Marks and System, you hereby irrevocably appoint us as your true and lawful attorney-in-fact for you, and in your name, place and stead and on your behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable us to protect the Marks and System. We may, at our discretion, choose to have your telephone numbers, domain names and/or URLs forwarded or directed to us.

You shall permit us to make final inspection of your financial records, books, and other accounting records within eighteen (18) months of the effective date of termination, expiration, or transfer.

Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which we may have against you, whether such claims or rights arise before or after termination or expiration, including, without limitation, our rights to receive or collect fees or other amounts payable by you under this Agreement, to enforce the provisions of this Agreement against you, to sue for damages, seek and obtain ex-parte or other injunctive relief, to pursue any other legal or equitable remedy for breach of this Agreement, or otherwise constitute a waiver of any of our other rights upon the occurrence of an event giving rise to our right to terminate. We shall not be obligated following any such termination, expiration or cancellation, to refund any amount previously paid by you under the terms of this Agreement.

You shall, for three (3) years following any termination or expiration of this Agreement, keep us advised of your current business and residence address and telephone numbers, as well as the business address and phone number of your employer and the employer(s) of any of your principal owners.

Upon expiration or termination, you shall allow us, our affiliates and our franchisees to solicit your employees for employment.

You shall not form, adopt, or use in connection with, or in the name of, any subsequent business the Marks or any term confusingly similar to the Marks or any other term which may have the effect of creating confusion or question regarding your affiliation with the System or us.

## 14. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

### A. INDEPENDENT CONTRACTORS.

You acknowledge and agree that, under this Agreement; you are and will be an independent contractor of ours. You will not be deemed an employee of ours for any purpose, and no employee of yours will be deemed to be an employee of ours for any purpose, most particularly with respect to any mandated or other insurance coverage, tax, or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, or federal governmental agency. Nothing in this Agreement will be construed so as to create a partnership, joint venture, or agency. You do not have any power to obligate us for any expenses, liabilities, or other obligations, other than as is specifically provided for in this Agreement. We will not have the power to hire or fire your employees and, except as expressly provided in this Agreement, we may not control or have access to your funds or expenditures, or in any other way exercise dominion or control over the Franchised Business.



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You promise to identify yourself conspicuously in all dealings with customers, suppliers, public officials, the Franchised Business' employees, and others, and in the manner we prescribe, as the owner of the Franchised Business under a franchise agreement that we have awarded and to place notices of independent ownership on the forms, business vehicles, stationery, and advertising, and other materials we require you to use.

**B. NO LIABILITY FOR ACTS OF OTHER PARTY.**

Neither you nor we will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between you and us is other than that of franchisor and franchisee. We do not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Franchised Business authorized by this Agreement.

**C. INDEMNIFICATION.**

You promise to protect, defend, and indemnify us, and all of our past, present, and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys, and designees (the "Indemnified Parties"), and hold Indemnified Parties harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury, or damage to any person, firm, or corporation, or to any property arising out of, or in connection with, your operation of the Business. Your obligation to indemnify us will survive the termination or expiration of your Franchise Agreement.

Under no circumstances will we, or any other Indemnified Party, be required to seek recovery from any insurer or other third party, in order to maintain and recover fully a claim against you. You agree that a failure to pursue recovery against others will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

**D. NO LIABILITY FOR TECHNOLOGY FAILURE.**

We are not liable for any direct, incidental, or consequential damages, including but not limited to, lost profits, lost savings or consequential, punitive or incidental damages for any reason whatsoever, including but not limited to any cause arising out of or in any way connected to a technology related problem, such as high speed internet connection, electronic mail, software, website, computer, phone systems and other electronic equipment, call center, or software-as-a-service or other required online platforms or applications (i.e. Google MyBusiness and other internet profiles).

**15. ENFORCEMENT.**

**A. SEVERABILITY.**

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement, the owners' intranet website, or the Operations Manual, and any present or future statute, law, ordinance, or regulation, contrary to which the parties have no legal right to contract, the latter will prevail, but if the provisions of this Agreement, or the Operations Manual thus affected, will be curtailed and limited only if necessary to bring them within the requirements of the law. In the



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event that any part, article, paragraph, sentence, or clause of this Agreement, the owners' intranet website, or the Operations Manual, will be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid, or unenforceable provision will be deemed deleted, and the remaining part of this Agreement will continue in full force and effect.

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

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of termination, or refusal to renew, than this Agreement, the prior notice or other action required by such law or rule will be substituted for the notice requirements of this Agreement. Such modification to this Agreement will be effective only in such jurisdiction and this Agreement will otherwise be enforced as originally made and entered into in all other jurisdictions.

**B. WAIVER OF OBLIGATIONS.**

Either of us may, by written notice, unilaterally waive or reduce any obligation or restriction of the other party under this Agreement. The waiver or reduction may be revoked at any time, for any reason, on ten (10) days' written notice.

**C. FEES AND EXPENSES.**

If you are in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between you and us and/or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of this Agreement, and your claim in such action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

**D. YOU MAY NOT WITHHOLD PAYMENT TO US/RIGHT TO OFFSET.**

You promise not to withhold payment of any amount due to us on the grounds of our alleged nonperformance or for any other reason. In the event that you are delinquent on any fees or payments to us, we have the right to offset against any payment obligations or sums we may owe to you to satisfy your delinquent payments in full.

**E. RIGHTS OF PARTIES ARE CUMULATIVE.**

Your and our rights are cumulative and no exercise or enforcement by either of us of any right or remedy in this Agreement will preclude the exercise or enforcement by that party of any other right or remedy to which it is entitled by law.

**F. DISPUTE RESOLUTION PROCEDURES.**

1. Internal Dispute Resolution. You must first bring any claim or dispute you have with us and our shareholders, officers, directors, agents and employees to our President, after providing notice as set forth in Section 15.F.4 below. You must exhaust this internal dispute resolution procedure before you may bring your



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dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

2. Arbitration. At our option, all claims or disputes between us, our shareholders, officers, directors, agents and employees and you, arising out of, or in any way relating to, this Agreement or any other agreement by and between you and us or our affiliates, or any of the parties' respective rights and obligations arising from such agreement, or the operation of the Franchised Business which are not first resolved through the internal dispute resolution procedure set forth in Section 15.F.1 above, must be submitted first to binding arbitration in Nashville, Tennessee under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Arbitration Rules then in effect, and with a mutually agreeable arbitrator with at least five (5) years of franchise law experience. Each party shall bear its own cost of arbitration and you and we shall share arbitration costs equally. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

3. Notwithstanding the foregoing, we shall not be required to arbitrate, and may initiate litigation in court, in accordance with the procedure set forth in Section 15.F.3 below, any controversy, dispute, or claim as set forth in this Section 15.F.2 if such controversy, dispute, or claim concerns an allegation that you have violated (or threaten to violate, or pose an imminent risk of violating):

   a. Any federally protected intellectual property rights in the Marks, the System, trade secrets, or Confidential Information;

   b. Any claims pertaining to or arising out of any warranty issue;

   c. Any of the restrictive covenants contained in this Agreement;

   d. Any claims arising out of or related to fraud or misrepresentation by you or your insolvency;

   e. Any claims where damages alleged are less than $50,000.

4. Selection of Venue. Nothing contained in this Agreement shall prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interests. The parties expressly agree to the exclusive jurisdiction and venue of any court of general jurisdiction in Davidson County, Tennessee or the United States District Court for the Middle District of Tennessee. You acknowledge that this Agreement has been entered into in the State of Tennessee, and that you are to receive valuable and continuing services emanating from our headquarters in Nashville, Tennessee, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consent to the personal jurisdiction of the state and federal courts of the State of Tennessee as set forth above and waive any objection you may have to either the jurisdiction or venue in such court. In the event that you file an action in any forum or jurisdiction in violation



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of this Section 15.F.3, you shall pay our costs and fees, including our reasonable attorneys' fees, in connection with any efforts to order the dispute to the proper forum or jurisdiction.

5. Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

6. Third Party Beneficiaries. Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the arbitration provision set forth in this Section 15.F, each having authority to specifically enforce the right to arbitrate/litigate claims asserted against such person(s) by you.

## G. INJUNCTIVE RELIEF.

Nothing in this Agreement shall prevent us from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incur as a result of the wrongful issuance.

## H. CHOICE OF LAW.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the State of Tennessee, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Tennessee, which laws shall prevail in the event of any conflict of law.

## I. WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS.

You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, that your recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM US OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN YOU, YOUR OWNERS AND US OR OUR



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AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN US AND ANY OTHER THIRD PARTY.

## J. BINDING EFFECT.

This Agreement is binding upon us and you and will inure to the benefit of the parties identified in the Agreement and their respective executors, administrators, heirs, assigns, and successors in interest and may not be modified, except by a written agreement signed by you and us.

## K. LIMITATIONS OF CLAIMS.

Except for claims arising from your non-payment or underpayment of amounts you owe us under this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim. You hereby waive the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by us, including, without limitation, rescission of this Agreement, in any arbitration,, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

## L. CONSTRUCTION AND INTEGRATION.

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations or inducements, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our Franchised Business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

You agree that no modifications of this Agreement (except those specifically authorized herein) shall be effective except those in writing and signed by both parties. You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, gross revenues, business or financial success, value of the franchise, provided by us or our representatives or any other matters pertaining to the franchise from us or any of our officers, employees or agents that were not contained in this Agreement or the Franchise Disclosure Document received by you (hereinafter "Representations"). You further acknowledge that if you had received any such Representations, you would not have executed this Agreement, and you would have: (a) promptly notified us in writing of the person or persons making such Representations; and (b) provided to us a specific written statement detailing the Representations made. You acknowledge that we justifiably have relied on your representations made before the execution of this Agreement. Nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.



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Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right, in our sole discretion, to refuse any request you make or to withhold our approval of any of your proposed initiated or effected actions that require our approval.

The headings of the sections and paragraphs in this Agreement are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs.

References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, will be deemed to include any of our affiliates with whom you deal. The term "affiliate," as used in this Agreement with respect to you or us, means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. For purposes of this definition, "control" means the power to direct or cause the direction of management and policies.

If two (2) or more persons are the franchisee under this Agreement, their obligation and liability to us will be joint and several.

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

**M. COMPLIANCE WITH OTHER LAWS.**

You must comply with all national, state, and local laws and regulations that apply. You are solely responsible for investigating and complying with these laws.

**N. WAIVERS.**

We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; (b) we do not insist on your strict compliance with the terms of this Agreement; (c) there develops a custom or practice which is at variance with the terms of this Agreement; or (d) we do not demand payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else.

**O. EFFECTIVE DATE AND LOCATION OF AGREEMENT.**

This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer of us and the place of execution of this Agreement shall be the State of Tennessee.

**P. DAYS.**

Unless otherwise specifically stated in this Agreement, the term "days" shall refer to calendar days.

**Q. ADDITIONAL DOCUMENTATION.**

You must from time to time, subsequent to the date first set forth above, at our request and without further consideration, execute and deliver such other documentation or agreement and take such other action as we reasonably may require in order to effectuate the transactions



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contemplated herein. In the event that you fail to comply with the provisions of this Section, you hereby appoint us as your attorney-in-fact to execute any and all documents on your behalf that are reasonably necessary to effectuate the transactions contemplated herein.

## R. FORCE MAJEURE.

Neither you nor us or our affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if that party's failure to perform its obligations is not the fault nor within the reasonable control of that person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as we deem reasonable.

## S. ANTI-TERRORIST ACTIVITIES.

You certify that neither you, nor your owners, principals, employees or anyone associated with you are listed in the Annex to Executive Order 13224 (the "Annex"). You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, your owners, principals, employees, or anyone associated with you being listed in the Annex. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent, and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities as provided in Section 14.C of this Agreement pertain to your obligations under this Section. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners, principals or employees will constitute grounds for immediate termination, upon notice, of this Agreement and any other agreement you have entered into with us or one (1) of our affiliates in accordance with the terms of Section 12 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

## T. OUT OF STOCK AND DISCONTINUED.

We are not liable to you for any loss or damage, or deemed to be in breach of this Agreement, if we cannot deliver, or cause to be delivered, or if our designated sources or approved suppliers cannot deliver, all of your orders for ancillary goods, merchandise, equipment, supplies, etc., where such things are out-of-stock or discontinued.



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## U. PERSONAL GUARANTY.

Owner will ensure that each Owner (if Franchisee is an entity) and each Owner's spouse will sign and comply with the Guaranty and Assumption of Franchisee's Obligations attached as Exhibit F hereto, or as we, in our sole discretion, otherwise prescribes. Owner(s) must provide us with a copy of each executed agreement.

## 16. NOTICES AND PAYMENTS.

Any notice, report, payment, or other communication that is required to be delivered by the provisions of this Agreement, will be in writing and will be deemed to be delivered:

1. at the time of hand delivery;
2. at the time delivered via computer transmission (electronically verified and absent a notice of non-delivery) and, in the case of Royalty and other due fees, at the time we actually debit your account;
3. one (1) business day after transmission by telecopy, facsimile, or other electronic system;
4. one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or
5. five (5) business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

All communications are to be addressed to the party to be notified at its most current principal business address. Both you and we agree to immediately notify the other of any change in address. Any required payment or report that we do not actually receive during regular business hours on the date due will be deemed delinquent.

## 17. YOUR AFFIRMATIONS.

In awarding this Franchised Business, we are relying upon your statements, as affirmed by your initials to the left of each statement, that:

a. ___ ___The Managing Owner or, if applicable, the Designated General Manager, shall devote your full-time best efforts to the development and management of the Franchised Business. At least one (1) Managing Owner or Designated General Manager will operate the Franchised Business on a full-time basis.

b. ___ ___We have not made any representation as to the past or future sales, volume or potential profitability, earnings or income of the Franchised Business, or any other Franchised Business, other than the information provided in our franchise disclosure document.

c. ___ ___You have had the opportunity, and have been encouraged by us, to independently investigate and analyze both the franchise opportunity and the terms and provisions of this Agreement by contacting any and all of our franchise owners and by utilizing the services of attorneys, accountants, or other advisors as you deem to be necessary.

d. ___ ___You are not relying on any representation or statement that we have made, regarding the anticipated income, earnings and growth of our outlets, the System, or the viability of this franchise opportunity.



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e. ___ ___Like any other business, the nature of the business conducted by System Businesses may, and probably will, evolve over time.

f. ___ ___Your abilities and efforts are vital to the success of the Franchised Business.

g. ___ ___Continually securing new Customers is necessary to the Franchised Business and requires you to make consistent and repeated marketing and advertising efforts through a variety of mediums.

h. ___ ___We have certain rights reserved to us to own and operate Franchised Businesses, to franchise or franchise others to operate Franchised Businesses, and to otherwise use the System, Marks, know-how, techniques, and procedures, including (without limitation) those expressly set forth in of this Agreement.

i. ___ ___We may sell our assets, Marks, or the System, outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations; may undertake a re-financing, re-capitalization, leverage buyout or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, you expressly and agree to provide reasonable closing certificates and other documentation as reasonably requested by us to conclude the transaction, and specifically waive any claims, demands, or damages arising from or related to the loss of said Marks (or any variations of them) and/or the loss of association with or identification us as the franchisor of this Agreement.

j. ___ ___The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience, and education which will afford you the opportunity to derive income from other endeavors.

k. ___ ___All information that you have set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness, and accuracy of this information.

## 18. REPRESENTATIONS.

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT OUR AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF THAT HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS, OR 14



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CALENDAR DAYS IF APPLICABLE, PRIOR TO THE EXECUTION OF THIS AGREEMENT OR YOUR PAYMENT OF ANY MONIES TO US, REFUNDABLE OR OTHERWISE.

YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF YOU ARE A PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY WARRANTS TO US, BOTH INDIVIDUALLY AND IN YOUR CAPACITY AS PARTNER, OFFICER, OR MANAGER/MEMBER THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION, OR ALL OF THE MANAGERS/MEMBERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Agreement on the date stated on the first page hereof.

**FRANCHISOR:**

By: _____

Name: _____

Title: _____

**FRANCHISEE:**

By: _____

Name: _____

Title: _____

**OWNERS**

_____
[NAME], Individually

_____
[NAME], Individually



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**EXHIBIT A**
**TO THE FRANCHISE AGREEMENT**
**DESIGNATED PERSONNEL**

1. The "Managing Owner" referred to in Section 1.C of the Franchise Agreement will be the following person:

«Managing Owner»

2. The "Designated General Manager" referred to in Section 1.C of the Franchise Agreement will be the following person (if there is no Designated General Manager, please write "none"):

«General Manager»



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**EXHIBIT B**
**TO THE FRANCHISE AGREEMENT**

**FRANCHISE MANAGEMENT SOFTWARE LICENSE AGREEMENT**

Franchisor grants a renewable license ("License") to Licensee, upon the terms included in this Agreement and subject to all the terms of a Franchise Agreement between Franchisor and Licensee signed concurrently with this Agreement.

Licensee shall, during the term of this Agreement and upon the start of their Business, pay Franchisor a recurring usage/support/upgrade fee. The amount of this fee may change periodically at the discretion of Franchisor. Failure to make any payment shall result in the immediate termination of this License.

**TERMS AND CONDITIONS**

1. **License Grant:** Franchisor grants to Licensee a renewable License to use the Franchise Management Software System ("Product" or "Software"), and all subsequent upgrades, on Licensee's computer. This License does not extend to other parties, even if they use the same computer. Franchisor reserves the right to issue new modules, which may be separately licensed.

2. **Title:** Title to the Product shall remain with Franchisor.

3. **Term:** This License is a quarterly license. It shall automatically renew each quarter and shall remain in effect throughout the term of the Franchise Agreement between Franchisor and Licensee.

4. **Copies and Listings:** The Licensee shall not copy or reverse-engineer the Product in whole or in part, nor shall it permit other parties to do so.

5. **Protection of Product:** Licensee agrees not to make available to any party the Product or any of its parts. Licensee agrees to take appropriate action with its employees and any other parties to obtain assurances of non-disclosure consistent with this Agreement.

   Licensee recognizes that the Product is Franchisor's copyrighted property, represents a large investment of human and financial resources by Franchisor, is a trade secret of Franchisor, and is confidential information. Licensee agrees to keep the Product, and all related materials, confidential. Licensee will use its best efforts, including any reasonable security precautions as Franchisor may request, to ensure that the proprietary rights of Franchisor are preserved to the fullest extent possible under the law. In addition to the right to terminate this Agreement, Franchisor shall be entitled to seek appropriate injunctive relief in the event of any violation of the confidentiality of its copyrighted materials, and to bring an action at law where appropriate.

6. **Assignment and Sub-Licensing:** This License shall not be assigned or sub-licensed by Licensee, except with the prior, specific written consent of Franchisor.

7. **Warranty:** Franchisor warrants that the Product, when delivered to Licensee, shall be free from material defects and shall conform to the program documentation. Licensee



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acknowledges that the Product is of a complexity that it may have certain defects when delivered. Licensee agrees that the sole liability of Franchisor shall be to correct program errors in the Product, and not to correct problems due to the hardware upon which the Product is operated, interaction with other non- software, or incorrect handling or employment of the Product by Licensee. All warranties extend only to the Licensee.

THE ABOVE WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES, STATUTORY OR OTHERWISE, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

8. **Limitation of Liability; Limitation of Actions:** FRANCHISOR SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO LOST PROFITS FROM ANY CAUSE ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PRODUCT, NOR FOR ANY CLAIM OR DEMAND BY OR AGAINST LICENSEE. No action arising out of the transactions under this Agreement may be brought by either party more than one (1) year after the cause of action has occurred. Additionally, any cause of action for improper use, transfer, sub-licensing, or disclosure of the Product or materials may be brought within one (1) year of the date when Franchisor shall have actual knowledge thereof. In the event Franchisor must institute suit to enforce the terms and conditions of this Agreement, Licensee shall pay reasonable attorneys' fees and costs incurred by Franchisor.

9. **Termination by Franchisor:** The parties agree that any of the following events shall be considered to be a default under the terms of this Agreement, shall entitle Franchisor to terminate this Agreement, and shall authorize Franchisor to immediately terminate Licensee's access to the Product:

   a. Failure to maintain the Franchise Agreement between Franchisor and Licensee in good standing;

   b. Failure to make payments of any kind to Franchisor in full or on time;

   c. Failure to comply with any covenants or agreements herein;

   d. Licensee's disposing of, licensing, or transferring the Product, other than strictly in accordance with the terms of this Agreement.

   e. Upon termination of this Agreement, Licensee shall immediately deliver to Franchisor all Products, and copies of Products, and related materials in its possession, and shall not maintain any copies of any of these materials, in whole or part, for itself.

10. **Miscellaneous:** In the event that any part of this Agreement shall be found to be unenforceable, these findings shall not invalidate the other parts of this Agreement. This Agreement expresses the entire understanding of the parties with respect to the subject matter herein, all promises, undertakings, representations, agreements and arrangements with reference to the subject matter of this Agreement. This Agreement shall be construed in accordance with the laws of the State of Tennessee and shall be deemed to have been



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made in the State of Tennessee. This Agreement may not be modified, except by a written agreement signed by Franchisor and Licensee.

| **FRANCHISOR:** | **LICENSEE:** |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |



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**EXHIBIT C**
**TO THE FRANCHISE AGREEMENT**

**TELEPHONE AND OTHER LISTING AGREEMENT**

In accordance with the terms of the Franchise Agreement between FRANCHISOR and FRANCHISEE signed concurrently with this Agreement, under which FRANCHISOR granted FRANCHISEE the right to own and operate a franchised business (the "Franchised Business"), FRANCHISEE, for value received, hereby agrees with FRANCHISOR that all of FRANCHISEE'S right, title, and interest in and to those certain telephone numbers and regular, classified, or other telephone directory listings, domain names, internet directory listings or rights and/or URLs (collectively, the "Telephone Numbers and Listings") associated with FRANCHISOR'S trade and service marks and used periodically in connection with the operation of the Franchised Business, shall be promptly transferred to the FRANCHISOR, upon termination or expiration of the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), it is agreed and acknowledged that as between FRANCHISOR and FRANCHISEE, title or interest in the Telephone Numbers and Listings, directly or indirectly, will be assigned to the FRANCHISOR. Further, the FRANCHISEE will not seek to utilize, directly or indirectly, call forwarding messages of any nature, or otherwise seek to take advantage of the goodwill and/or marketing advantage associated with the Telephone Numbers and Listings. It is further agreed and understood, FRANCHISEE will remain liable to the telephone company or other vendor for all past due fees owing to the telephone company or other vendor on or before the effective date of the cancellation hereunder.

FRANCHISEE appoints FRANCHISOR as FRANCHISEE'S true and lawful attorney-in-fact to direct the Telephone Company or other vendor to assign the Telephone Number and Listings and sign any necessary documents and take any actions as may be necessary to effectuate the assumption.

The parties further agree that if the telephone company or other vendor requires that the parties sign any change forms or other documentation at the time of transfer, FRANCHISOR'S execution of the forms or documentation will effectuate FRANCHISEE'S consent and agreement to the change. The parties finally agree they will perform these acts and sign and deliver the documents as may be necessary to assist in or accomplish the transfer described herein, upon termination or expiration of the Franchise Agreement.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |



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**EXHIBIT D**
**TO THE FRANCHISE AGREEMENT**

**PERSONAL GUARANTY AND GUARANTY OF SPOUSES**

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

**ARTICLE I**
**PERSONAL GUARANTY**

The undersigned persons (individually and collectively "you") hereby represent to Chem-Dry, Inc. ("Franchisor") that you are all of the shareholders of, or all of the general partners of, or all of the members and managers of, or the spouse of any such shareholder, general partner, or member or manager of _____ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the Transfer Fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement, and all indemnification obligations of the Franchisee both during the term of the Franchise Agreement and any post-termination indemnification obligations.

**ARTICLE II**
**CONFIDENTIALITY**

During the term of this Agreement, you will receive information which Franchisor considers a trade secret and confidential information ("Confidential Information"). You will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, operating procedures, customer lists, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, any information contained in the Operations Manual, trade secrets, copyrighted materials, and other



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methods, techniques and know-how concerning the operation of the Franchised Business which may be communicated to you or of which you may be apprised by virtue of your relationship with Franchisee and role as a Guarantor of the Franchise Agreement.

## ARTICLE III
## NON-COMPETITION

1) **During the Term of the Franchise Agreement.** During the term of this Franchise Agreement, you shall not:

   a. Engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity in any other business offering in a business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services which may be specified from time to time which may be offered by Franchised Businesses that are the same as or similar to the services sold by the Franchised Business (except for other franchises or authorizations we enter into with you);

   b. Use our Confidential Information, System, owners' intranet website, Operations Manual, Marks, Customer lists, Customer Information, trade secrets, trade dress, proprietary knowledge, or know-how, or any colorable imitations, in the design, development, or operation of any business other than the Franchised Business franchised hereunder, unless specifically authorized by us; or

   c. Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated the Marks or the System.

2) **After the Term of the Franchise Agreement.** For a period of 18 months from the time of expiration or termination of this Agreement, you and your owners and, if applicable, your Designated General Manager, shall not: (a) engage as an owner, shareholder, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in any business offering in a business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services which may be specified from time to time, which may be offered by Franchised Businesses, (b) solicit business from Customers of your former Franchised Business or contact any of our supplies or vendors for any competitive business purpose, or (d) divert or attempt to divert any business or Customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System or engage in any business relationship with any contacts with Customers or former Customers of the Franchised Business, whether respect to collection of accounts receivable, or to provide them services, or for any other purpose



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whatever, within:

a. The Territory defined in the Franchise Agreement;

b. The geographic area encompassed by the Territories of any other franchisees, Company Stores, or any other Franchised Business operator, as of the date of the termination or expiration of the Franchise Agreement; or

c. A geographic area that is contained in a circle having a radius of 50 miles outward from the outside boundary of the Territory as defined in the Franchise Agreement.

3) **Intent and Enforcement**. It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor will be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III will be tolled during any default under this Personal Guaranty.

## ARTICLE IV
## DISPUTE RESOLUTION

1) **Acknowledgment**. You acknowledge that this Personal Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its system.

2) **Governing Law.** This Personal Guaranty will be deemed to have been made in and governed by the laws of the State of Tennessee without reference to its conflict of laws principals).

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first will survive the termination or expiration of this Agreement.

4) **Arbitration.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted to binding



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arbitration, in Nashville, Tennessee under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Arbitration Rules then in effect. Franchisor's rights to arbitrate, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of arbitration and the parties will share the cost of the arbitrator. This agreement to arbitrate will survive the termination or expiration of the Franchise Agreement.

a) The parties will not be required to first attempt to arbitrate a controversy, dispute, or claim through arbitration as set forth in this Section IV if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(1) Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;

(2) Any claims arising out of or pertaining to any warranty issued; or

(3) Any of the restrictive covenants contained in this agreement;

(4) Monetary sums where damages alleged are less than of $50,000.

5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Personal Guaranty, and the arbitration provisions contained herein, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by you.

6) **Injunctive Relief.** Nothing contained in this Personal Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any arbitration or judicial proceeding conducted hereunder.

7) **Jurisdiction and Venue.** With respect to any proceeding not subject to arbitration, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Davidson County, Tennessee and the jurisdiction and venue of the United States District Court for the Middle District of Tennessee.

8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

9) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential



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damages (including, without limitation, lost profits) that you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery will be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

10) **Limitation on Action.** You agree that no cause of action arising out of or under this Personal Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.

11) **Attorneys' Fees.** If either party institutes any mediation, arbitration, or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Personal Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Personal Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

13) **Severability.** The parties agree that if any provisions of this Personal Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Personal Guaranty will be construed according to fair meaning and not strictly construed against either party. The provisions of this Personal Guaranty are severable, and this Personal Guaranty will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Personal Guaranty will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Personal Guaranty.

14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Personal Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Personal Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Personal Guaranty



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refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

15) **Successors**. References to "Franchisor" or "the undersigned," or "you" include the respective parties' successors, assigns or transferees.

16) **No Personal Liability**. You agree that fulfillment of any and all of Franchisor's obligations written in this Personal Guaranty or in the Franchise Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee or you for any reason.

| Guarantor Name | Ownership Percentage |
|---|---|
| | |
| | |
| | |
| | |
| | |

**PERSONAL GUARANTOR(S)**

_____

**Name:**

**Address:**

**Phone Number:**

**Email:**

_____

**Name:**

**Address:**

**Phone Number:**

**Email:**

**SPOUSE(S)**

_____

**Name:**

**Address:**

**Phone Number:**

**Email:**

_____

**Name:**

**Address:**

**Phone Number:**

**Email:**



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**EXHIBIT E**
**TO THE FRANCHISE AGREEMENT**

## ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION

## AUTOMATIC DEBIT OF AMOUNT DUE TO FRANCHISOR

Chem-Dry, Inc. ("Franchisor") is hereby authorized to charge the below account, owned by the below identified Franchisee by way of Automated Clearing House ("ACH") debit for the amount due Franchisor by Franchisee pursuant to the terms of the Franchise Agreement signed by and between Franchisor and Franchisee, for the month or week, as applicable, preceding the debit (the "Due Date"). As the amount due Franchisor may vary on each Due Date, Franchisor is authorized to transfer amounts from Franchisee's Account, which amounts are subject to change, without prior notice to Franchisee.

Franchisee may terminate this authorization by giving notice not less than three (3) days' notice to Franchisor in writing to Chem-Dry, Inc., Attn: 3310 West End Avenue, Suite 620, Nashville, Tennessee 37203.

Both Franchisor and Franchisee agree to be bound by the operating rules of the National Automated Clearing House Association ("NACHA").

Franchisee Bank Information

| | |
|---|---|
| Bank Name | |
| Bank Address | |
| Account Name | |
| ABA Routing Number | |
| Account Number | |

**FRANCHISEE**
[Insert entity name]
By:_____ Date:_____
[insert name of signatory]



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## EXHIBIT F

## EQUIPMENT SALES AND SECURITY AGREEMENT

This Agreement is made and entered into as of The Effective Date by and between Franchisee and Chem-Dry, Inc. ("CDI") and relates to the Franchise Agreement between Franchisee and CDI for Franchisee's operation of a Chem-Dry® Carpet Cleaning business franchise (the "Business"). In consideration of the mutual promises and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which the parties mutually acknowledge, the parties mutually agree and intend to be legally bound as follows:

**EQUIPMENT PURCHASE**. Franchisee agrees to purchase from CDI and CDI agrees to sell to Franchisee the tangible equipment listed on Schedule 1 below, and on the payment terms set forth in the Schedule. The equipment purchased under this Agreement shall be referred to as the "Equipment." To secure Franchisee's obligations to pay CDI for the Equipment, in the event CDI financed any portion of the purchase of the Equipment, and to dispose of the Equipment in accordance with the Franchise Agreement, Franchisee has granted to CDI the security interest in the Equipment set forth herein.

**SHIPMENT, TITLE & RISK OF LOSS**. CDI will arrange for shipment of the Equipment on the Schedule to Franchisee. Risk of loss and title to the Equipment transfers to Franchisee upon delivery, subject to any security interest of CDI retained under this Agreement. Franchisee shall inspect each shipment promptly upon receipt and will be deemed to accept the Equipment as conforming to the Schedule unless any defects or deficiencies are noted to CDI within 2 business days after delivery. Franchisee agrees, if no defects or deficiencies are reported within this time period, all sales are final.

**WARRANTIES**. All Equipment is warranted by its manufacturer only. CDI warrants only that the Equipment is delivered with good and merchantable title, free and clear of all liens, claims and encumbrances, and that the Equipment conforms to the requirements set by CDI under the Franchise Agreement. CDI offers other no warranty and assigns to Franchisee any and all rights to any express or implied warranty of each Equipment manufacturer. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES ON THE EQUIPMENT OFFERED, GIVEN OR PROVIDED BY CDI INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

**EQUIPMENT USAGE**. Franchisee agrees not to use the Equipment in any business or manner other than in the conduct of the Business pursuant to the Franchise Agreement. Franchisee acknowledges that the Equipment is proprietary to the Chem-Dry franchise system. The Equipment can only be used with Chem-Dry authorized cleaning solutions and consistent with all mixing, application and usage procedures. Any usage contrary to this provision shall be considered to be a breach of the Franchise Agreement and this Agreement. In such event, CDI may demand and shall have the right to repurchase and immediate return of the Equipment from Franchisee for the purchase price of $10.00.

**TRANSFER OF OWNERSHIP**. Franchisee acknowledges that the Franchise Agreement imposes restrictions and limitations on the resale of the Equipment. Franchisee acknowledges that



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the Equipment may not be sold, leased, or rented to or used by any other party, except under the conditions stated on the attached repurchase schedule, as provided in the Franchise Agreement, or as permitted in writing by CDI. The Equipment is proprietary and authorized for use only within the Chem-Dry® franchise network. Franchisee covenants that Franchisee will not transfer title to the Equipment except in one of these three ways:

Sell the Equipment to another Chem-Dry Franchisee in good standing under its franchise agreement at a mutually acceptable price. CDI has first right of refusal to purchase the Equipment and must approve any transaction. If CDI financed any portion of the purchase price of the Equipment, the transferee will pay the proceeds to CDI if there is any outstanding balance under the Schedule for the Equipment prior to transfer of the Equipment. At the time of transfer Franchisee's account with CDI must be current and the purchasing Franchisee may not have any pending default under any agreement with the proposed transferee.

If Franchisee is terminating or not renewing the Franchise Agreement and Franchisee owns another Chem-Dry franchise, the Equipment (and the liability for any amount owing on the purchase price of the Equipment) will be transferred to that franchise upon written request.

CDI will repurchase the Equipment in accordance with the table below. The percentages shown assume reasonable wear and tear and regular maintenance. If any components of the original piece of Equipment are missing, or there is damage or excessive wear and tear, CDI reserves the right to make a corresponding adjustment to the repurchase price. The original Total Equipment Price under its Schedule will be reduced to the applicable percentage in effect based on the time elapsed after original purchase.

| Time Elapsed After Original Purchase | Percentage of Total Equipment Price |
|---|---|
| Under 1 year | 65% |
| Under 2 Years | 50% |
| Under 3 Years | 35% |
| Under 4 Years | 20% |
| Under 5 Years | 15% |
| Over 5 Years | Offer After Inspection |

**RETURN OF EQUIPMENT**. Upon expiration or termination of the Franchise Agreement, Franchisee will cooperate with CDI to allow CDI to arrange for shipment of the Equipment to a location designated by CDI, with CDI paying the cost of freight for such shipment, unless Franchisee has arranged for the sale of the Equipment to another Chem Dry franchisee with the consent of CDI.

**COVENANTS OF FRANCHISEE**. Franchisee covenants with CDI to (i) use and maintain the Equipment in a lawful manner and so as not to violate any law or regulation of the



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state, city or other political subdivisions in which Franchisee uses the Equipment; (ii) return, pay and file when due all taxes, fees and similar charges, including without limitation sales or use tax, and ad valorem and personal property taxes, imposed on the ownership, possession or use of the Equipment; (iii) keep the Equipment free and clear of all liens, security interests, claims and encumbrances except for those incurred through the initial financing of the Equipment from a vendor approved by CDI; (iv) obtain and maintain property insurance on the Equipment covering loss, damage, theft, vandalism and casualty; (v) maintain the Equipment per the manufacturer's maintenance, repair and replacement instructions; (vi) maintain in place any notices, labels or other indicia provided by CDI to indicate that the Equipment is subject to this Agreement; (vii) operate the Business as required under the Franchise Agreement; and (viii) notify CDI when any party claims any interest in the Equipment.

**GRANT OF SECURITY INTEREST**. In the event Franchisee's purchase of the Equipment sold under the Schedule is financed by CDI, Franchisee hereby grants to CDI a continuing security interest in the Equipment sold to Franchisee, and any additions, accessions, accessories, attachments and replacements of such Equipment, any proceeds and products. The security interest shall continue for the term of this Agreement to secure Franchisee's obligations under this Agreement. Franchisee authorizes CDI to file a financing statement with regards to the Equipment without the necessity of obtaining an additional signature from Franchisee. The rights and remedies of CDI as a secured party under this Agreement and under applicable law are cumulative and non-exclusive. Franchisee agrees to entry for the benefit of CDI by any court of competent jurisdiction without prior notice or the posting of any bond of temporary and permanent injunctions and orders of specific performance to enforce this Agreement or any right or remedy available at law or in equity to CDI.

**TERM, DEFAULT AND TERMINATION**. The term of this Agreement shall commence on the effective date set forth above and shall continue in full force and effect until the Franchise Agreement terminates or expires, and all Equipment is subject to proper disposition as provided herein. If Franchisee shall fail to make any payment as and when due under the Schedule, or shall breach any other term or condition of this Agreement, and such failure shall continue for a period of 15 days after CDI gives Franchisee notice of default, then CDI may accelerate the payments due under the Schedule to be immediately due and payable without further notice or opportunity to cure, and may sue Franchisee for amounts owed by Franchisee without resort to any security or assertion of its rights as a secured party.

**ADDITIONAL TERMS. No cancellation, modification, amendment, deletion, addition or other change in this Agreement** or any provision hereof shall be effective for any purpose unless specifically set forth in a writing signed by both Parties. Neither Party's delay in exercising or such Party's acquiescence in or waiver of a breach of any term, provision or condition of this Agreement, shall be deemed or construed to operate as a waiver of such Party's rights hereunder, except for the specific instance of delay, failure, acquiescence, or waiver. This Agreement shall be executed in one or more counterparts, each of which shall be considered to be an enforceable original instrument. Franchisee shall not assign or delegate, directly or indirectly, its obligations and liabilities under this Agreement, except as part of a permitted transfer in compliance with the Franchise Agreement. Except for any payment obligation applicable to Franchisee hereunder, any delay or failure of either Party to perform its obligations shall be excused if it is caused by an extraordinary event or occurrence beyond the control of the



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nonperforming Party and without the nonperforming party's fault or negligence, such as acts of God, fires, floods, windstorms, explosions, natural disasters, wars and sabotage, and terrorism. Raw material or labor shortages are not force majeure events. Written notice of any anticipated delays in performance, including the anticipated duration of the delay must be given within 24 hours of the force majeure event.

**INCORPORATION OF TERMS**. This Agreement incorporates by this reference Section 17, paragraphs B through M, of the Franchise Agreement as integral terms, conditions, parts and provisions of this Agreement as if written herein.

**IN WITNESS WHEREOF**, the Franchisee and CDI have executed this Agreement effective as of the date first above written.

| **Chem-Dry, Inc.** | **Franchisee** |
|---|---|
| By: _____ | _____<br>Name |
| | _____<br>Title |
| | Date: _____ |



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## SCHEDULE 1 - EQUIPMENT PURCHASE.

1. Franchisee agrees to purchase and CDI agrees to sell the following Equipment:

| Item | Price |
|---|---|
| | $ |
| | $ |
| | $ |
| Equipment Total Price | $ |
| Taxes (due at time of order) | $ |
| Total Purchase Price | $ |

2. Payment Terms. Franchisee agrees to pay and CDI agrees to accept payment for the Equipment described on this Schedule on the following terms:

_____ 1) Payment in full at the time the Equipment is ordered; or

_____ 2) Payment in full is pending from CDI approved financing company.

Franchisee agrees to pay the Taxes when invoiced. In the event any portion of the Total Purchase Price is financed by CDI, outstanding balances will bear ____% simple interest. All amounts due and payable to CDI by Franchisee shall be subject to a one-time late fee of $100.00 and bear interest after their due date at the highest applicable legal rate for open account business credit in the state of Borrower's domicile, not to exceed one and one half percent (1.5%) per month.

Subject to Agreement. This Schedule is issued under and is subject to the Equipment Sales and Security Agreement to which it relates in all respects. In the event the Equipment purchased pursuant to this Schedule is not proprietary to CDI nor bears any insignia or color schemes associated with the Chem-Dry® brand, the requirements of paragraph 6 of the Equipment Sales and Security Agreement shall be waived for the Equipment.



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IN WITNESS WHEREOF, the Franchisee and CDI have executed this Schedule effective as of the date first above written.

| | |
|---|---|
| Chem-Dry, Inc. | Franchisee |
| By:_____ | _____ |
| Name | |



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## LENDER ADDENDUM

## TO EQUIPMENT SALES AND SECURITY AGREEMENT

This "Lender Addendum" is made and entered into as of the Effective Date by and among the undersigned lender ("Lender"), the Franchisee and CDI. This Lender Addendum supplements and amends that certain Equipment Sales and Security Agreement dated the Effective Date (the "Sales Agreement") between CDI and Franchisee. Defined terms from the Sales Agreement are incorporated into this Lender Addendum.

Background. CDI and Franchisee have entered into the Sale Agreement ancillary to the Franchisee's entry into the Franchise Agreement with CDI so that Franchisee may obtain certain equipment that is proprietary to CDI and that is necessary to perform Franchisee's obligations under the Franchise Agreement. Lender desires to finance the purchase of the Equipment by Franchisee and take a security interest in the Equipment as collateral for the financing. CDI has restricted the right of the Franchisee to resell and dispose of the Equipment as provided in Section 5 of the Sales Agreement. CDI will consent to the financing of the Equipment purchase by Lender and Franchisee's grant of a security interest in the Equipment subject to and conditioned upon Lender's undertakings as set forth in this Lender Addendum.

In consideration of the premises, the mutual promises herein set forth, and for other good and valuable consideration that the parties mutually acknowledge, the parties mutually agree and intend to be legally bound as follows:

1. Franchisee may grant a security interest to Lender in the Equipment and the proceeds, additions, replacements and accessories thereto, so long as Lender pays to CDI all amounts due and owing under the Sales Agreement at or before the time the security interest attaches to the Equipment. CDI will on Lender's request supply payoff amounts and instructions to Lender. Upon receipt of the payoff amount from Lender or Franchisee, CDI's security interest in the Equipment shall be subordinated to the security interest of Lender, and shall remain in effect for the duration of the Franchise Agreement term. Lender will notify CDI when Lender's financing has been repaid and its security interest released within 15 days after such event.

2. Lender's security interest shall be subject to, and Lender acknowledges that its rights and remedies with regard to the Equipment are limited to, the transfer restrictions set forth in Section 5 of the Sales Agreement. Lender covenants with CDI that Lender will not exercise any rights or remedies against the collateral that is inconsistent with the restrictions on disposition set forth in Section 5. Lender may, upon notice to CDI, marshal and assemble the Equipment for sale in accordance with Section 5 but shall make no use of the Equipment nor rent, lease, sell, lend or donate the Equipment. If Lender is unable to resell the Equipment to another franchisee of CDI within 60 days after first offering the Equipment for sale, then CDI will purchase the Equipment as provided in Section 5.

3. Lender may assign this Lender Addendum to any successor in interest to the financing of the Equipment only after CDI receives a written assumption of the Lender's obligations under this Lender Addendum acceptable to CDI.



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4. Lender will copy CDI on any notices of default, termination, foreclosure, marshaling, or similar exercises of the secured party's rights under its agreement with Franchisee. Franchisee consents to the unrestricted exchange of information about Franchisee and the status of its financing or franchise and the related agreements between Lender and CDI.

5. Until CDI is notified by Lender that it has taken possession or constructive possession of the Equipment, CDI may deal with Franchisee as the lawful possessor and operator of the Equipment, and Franchisee shall at all times remain obligated to comply with its obligations to maintain, insure, protect and service the Equipment under the Sales Agreement and to use the Equipment only in compliance with the Franchise Agreement.

6. All notices to Lender, CDI and Franchisee shall be sent to respective address set forth below.

7. Sections 8, 9, 10 and 11 of the Sales Agreement are incorporated by this reference into this Lender Addendum as integral parts hereof.

***Signature Page Follows***



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IN WITNESS WHEREOF, Lender, the Franchisee and CDI have executed this Lender Addendum effective as of the date first above written in one or more counterparts.

**Chem-Dry, Inc.:**

By: _____

Address:

**Franchisee:**

_____
Name:

By: _____

Title: _____

Date: _____

Address**:**

**LENDER:**

By: _____

Name: _____

Title: _____

Date: _____

Address:



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**EXHIBIT G**
**TO THE FRANCHISE AGREEMENT**

**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

**ADDENDUM TO THE FRANCHISE AGREEMENT AND OTHER AGREEMENTS**

**CALIFORNIA**

This Addendum relates to franchises sold in the state of California and is intended to comply with California Franchise Investment Act. In consideration of the execution of the Franchise Agreement (the "Franchise Agreement") the Promissory Note (the "Promissory Note"), the Equipment Sales and Security Agreement (the "Equipment Agreement"), and the Software License Agreement (the "SLA"), CDI and Franchisee agree to amend the agreements as follows:

1. The California Franchise Relations Act, Business and Professions Code Sections 20000 to 20043, provides you with certain rights on termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

2. California Corporations Code, Section 31125 requires us to give you a disclosure document approved by the Department of Corporations prior to solicitation of a proposed material modification of an existing franchise.

3. Our right to terminate pursuant to Section 12(A) of the Franchise Agreement if Franchisee commences bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. 101 et seq.).

4. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

6. Section 17.K. of the Franchise Agreement and the Promissory Note, the Equipment Agreement, and the SLA is amended by adding the following language:

"Nothing is this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you."

7. In all other respects, the Franchise Agreement, the Promissory Note, the Equipment Agreement, and the SLA will be construed and enforced according to its terms.

8. California law may not enforce the choice of Tennessee law provision in Section 17.H of the Franchise Agreement.

9. California Business and Professions Code Sections 20000 through 20043 ("CFRA") provide rights to the franchisee concerning termination and non-renewal of the franchise. If the Franchise Agreement is inconsistent with this law, the law will control.



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10. Notwithstanding any other provision of the Franchise Agreement to the contrary, we may terminate the Franchise Agreement without the right to cure as provided in Section 20021 of CFRA.

11. We reserve the right to notify you at the time we terminate the Franchise Agreement that we will not enforce the post-termination covenant in Section 16.D and will then have no obligation to purchase any inventory from you under Section 20022 of CFRA.

12. Notwithstanding any other provision of the Franchise Agreement to the contrary, we shall exercise the right to terminate the Franchise Agreement in accordance with CFRA Section 20020.

13. You acknowledge your obligation to provide us with notice of transfer, sale or assignment under CFRA Section 20029.

14. The Franchise Agreement requires you to execute a general release in certain circumstances. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). California Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043)

15. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of California.

16. You acknowledge that the Franchise Agreement and all related agreements between you and us are not consumer contracts and are not within the scope of California Civil Code Section 1632. You confirm and agree that all contract negotiations and discussions between us and you have been conducted in the English language and no other language.

| | |
|---|---|
| FRANCHISEE | CHEM-DRY, INC. |
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## ILLINOIS

This Addendum relates to franchises sold in the state of Illinois and is intended to comply with Illinois statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and Franchisee agree to amend the Agreement as follows:

1. Sections 11(A) and 12 of the Agreement regarding nonrenewal and termination is amended as follows:

The conditions under which your franchise may be terminated or not renewed may be affected by Illinois law, 815 ILCS §§ 705/19 and 705/20.

2. Section 15(H) of the Agreement is deleted in its entirety and replaced as follows:

This Agreement, the franchise, and the relationship of the parties will be governed by the internal laws of the state of Tennessee, except to the extent governed by the United States Trademark, Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et. seq.) and except for any claims arising out of the Illinois Franchise Disclosure Act of 1987 and except that all issues relating to arbitrability or the enforcement of interpretation of the agreement to arbitrate as described in Section 15F will be governed by the United States Arbitration act (9 U.SC. § 1 et. seq.) and the Federal common law relating to arbitration.

3. Section 17.H. of the Agreement is deleted in its entirety.

4. The first paragraph of Section 15.I. of the Agreement is deleted in its entirety and replaced as follows:

EXCEPT FOR FRANCHISEE'S OBLIGATION TO INDEMNIFY CDI FOR THIRD PARTY CLAIMS UNDER SECTION 7, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, CDI AND FRANCHISEE (AND FRANCHISEE'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN CDI AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

5. Section 15.K. of the Agreement is deleted in its entirety and replaced as follows:

Any and all claims, except claims for monies due CDI, arising out of or relating to this Agreement or the relationship among the parties hereto, excluding any claims arising under the Illinois Franchise Disclosure Act, shall be barred unless an action or legal or arbitration proceeding is commenced within one (1) year from the date FRANCHISEE or CDI knew or should have known of the facts giving rise to such claims.

6. The following language is added to the Agreement as the last paragraph in Section 15.N.:



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Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act is void.

7. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

8. In all other respects, the Agreement will be construed and enforced according to its terms.

| FRANCHISEE | CHEM-DRY, INC. |
|---|---|
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## MARYLAND

This Addendum relates to franchises sold in the state of Maryland and/or to residents of the state of Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and Franchisee agree to amend the Agreement as follows:

1. The Franchise Agreement is amended by the addition of the following language:

The representations hereunder are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland franchise Registration and Disclosure Law.

2. Our right to terminate pursuant to Section 15(15) of the Franchise Agreement if you commence bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. 101 et seq.).

3. The acknowledgements Section 1(a)(iii) of the Franchise Agreement and the following language from Section 18 (a) of the Franchise Agreement, are deleted: "By signing this Agreement, FRANCHISEE certifies that it has received and reviewed CDI's Franchise Disclosure Document along with its Exhibits and this Agreement and its Exhibits fourteen (14) calendar days, or a different period if applicable where FRANCHISEE is located, prior to signing this Agreement or prior to paying any monies to CDI or its affiliates."

4. Section 17 of the Franchise Agreement is amended by the addition of the following language:

Pursuant to the Maryland Franchise Registration and Disclosure Law, the Franchisee is permitted to bring a lawsuit in Maryland for claims arising under this Law.

5. Any general release required as a condition of renewal, sale, and/or assignment or transfer of the Store or the Franchise Agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

6. The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

7. Sections 13 and 14 of the Agreement is amended by the addition of the following language:

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.



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8. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

9. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. Maryland franchisees and/or those operating outlets within the State of Maryland are not to sign the Disclosure Questionnaire attached as Exhibit I.

11. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. We have secured a surety bond in the amount of $72,145, which is on file with the Commissioner.

12. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Maryland.

In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

| FRANCHISEE | CHEM-DRY, INC. |
|---|---|
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## MINNESOTA

This Addendum relates to franchises sold in the state of Minnesota and is intended to comply with Minnesota statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and FRANCHISEE agree to amend the Agreement as follows:

1. Section 4 of the Franchise Agreement is amended by adding the following language:

CDI will protect the FRANCHISEE'S right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the FRANCHISEE from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

2. Sections 14.B. and 15 of the Franchise Agreement are amended by adding the following language:

3. Nothing in the Franchise Agreement shall in any way abrogate or reduce any rights of Franchisee as provided for in the Minnesota Statutes, Chapter 80C. Minnesota Statutes §80C.14, subdivisions 3, 4 and 5 require that Franchisee be given at least 90 days written notice in advance of termination (with 60 days to cure) and 180 days written notice for non-renewal of the Franchise Agreement, except that the notice shall be effective immediately for certain grounds. Section 17 of the Agreement is amended by adding the following language:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J, prohibits CDI from requiring litigation, to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate, reduce or otherwise waive any of the Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or FRANCHISEE'S right to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. Section 17.J. of the Franchise Agreement is deleted in its entirety and replaced as follows:

EXCEPT FOR FRANCHISEE'S OBLIGATION TO INDEMNIFY CDI FOR THIRD PARTY CLAIMS UNDER SECTION 7, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, CDI AND FRANCHISEE (AND FRANCHISEE'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN CDI AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

5. Notwithstanding anything to the contrary in the Franchise Agreement, no release language in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.



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6. Any limitations on claims is amended to conform to Minnesota Statutes, Section 80C.12, subdivision 1(g).

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

8. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

| FRANCHISEE | CHEM-DRY, INC. |
|---|---|
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## NEW YORK

This Addendum relates to franchises sold in the state of New York and is intended to comply with New York statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and FRANCHISEE agree to amend the Agreement as follows:

1. Section 17.J of the Franchise Agreement are amended by adding the following sentence at the end of each Section:

"However, that all rights arising in Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Sections 687.4 and 687.5, be satisfied."

2. Section 17.H of the Franchise Agreement is amended by adding the following sentence at the end of the Section:

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

3. Notwithstanding anything to the contrary in the Franchise Agreement, you shall be permitted to terminate the Franchise Agreement upon any grounds available by law.

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

| | |
|---|---|
| FRANCHISEE | CHEM-DRY, INC. |
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## NORTH DAKOTA

This Addendum relates to franchises sold in the state of North Dakota and is intended to comply with North Dakota statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and Franchisee agree to amend the Agreement as follows:

1. North Dakota Century Code Section 9-08-06 states "Every contract by which anyone is restrained from exercising a lawful profession, trade, or business of any kind is to that extent void, except: 1) One who sells the goodwill of a business may agree with the buyer to refrain from carrying on a similar business within a specified county, city, or a part of either, so long as the buyer or any person deriving title to the goodwill from him carries on a like business therein and 2) Partners, upon or in anticipation of a dissolution of the partnership business has been transacted, or within a specified part thereof."

2. Any provision of the Franchise Agreement requiring the Franchisee to execute a release in a format designated by CDI is unenforceable with regard to claims arising under the North Dakota Franchise Investment Law.

3. Any provision of the Franchise Agreement requiring the Franchisee to consent to liquidated damages or termination penalties is hereby deleted.

4. Section 17 of the Franchise Agreement is amended by adding the following language:

A. Any provision of the Agreement which requires the Franchisee to consent to waiver of exemplary and punitive damages is unenforceable pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

B. Arbitration and mediation proceedings will be conducted at a site agreeable to all parties.

C. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

D. The venue of any litigation arising out of the franchise relationship between Franchisee and CDI will be within the state of North Dakota.

E. Both Franchisor and Franchisee will be allowed the option of a jury trial.

5. Section 17.J. of the Agreement is deleted in its entirety.

6. You acknowledge that your failure to pay the Initial Fee when due is a material default under the Franchise Agreement and the we can suspend providing services to you, and cause approved suppliers to suspend providing goods and services to you, until we receive the Initial Fee.



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7. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements, or Tennessee law if such provisions are in conflict with North Dakota law.

8. The (i) covenant not to compete in Section 16.D, and (ii) one year limitation period in Section 17.M of the Franchise Agreement are not enforceable in North Dakota.

9. Notwithstanding anything to the contrary in the Franchise Agreement, no release language in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota.

10. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

| FRANCHISEE | CHEM-DRY, INC. |
|---|---|
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## RHODE ISLAND

This Addendum relates to franchises sold in the state of Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 15.F of the Agreement is amended by adding the following language:

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 the Act.

2. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

| | |
|---|---|
| FRANCHISEE | CHEM-DRY, INC. |
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## VIRGINIA

This Addendum relates to franchises sold in the state of Virginia and is intended to comply with Virginia statutes and regulations. In consideration of the execution of the Franchise Agreement, Chem-Dry, Inc. ("CDI") and Franchisee agree to amend the Franchise Agreement as follows:

1. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

| | |
|---|---|
| FRANCHISEE | CHEM-DRY, INC. |
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## WASHINGTON

## WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

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

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.



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8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.



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As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

| | |
|---|---|
| _____ | _____ |
| Signature of Franchisor Representative | Signature of Franchisee Representative |
| _____ | _____ |
| Title of Franchisor Representative | Title of Franchisee Representative |



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## ADDENDUM TO THE FRANCHISE AGREEMENT

## WISCONSIN

This Addendum relates to franchises sold in the state of Wisconsin and is intended to comply with Wisconsin statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and Franchisee agree to amend the Franchise Agreement as follows:

1. The Wisconsin Fair Dealership Law supersedes any provisions of the Franchisee's Franchise Agreement inconsistent with that law.

2. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

| | |
|---|---|
| FRANCHISEE | CHEM-DRY, INC. |
| _____ | By: _____ |
| | Title: _____ |
| _____ | Date: _____ |



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## EXHIBIT H

## COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this "Assignment") is made, entered into and effective on _____ (the "Effective Date") by and between: (i) _____ (the "**Franchisor**"); and (ii) _____ (the "**Franchisee**").

### BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the "**Franchise Agreement**") dated as of _____ with the Franchisee, pursuant to which the Franchisee plans to own and operate a _____ franchised business (the "**Franchised Business**") located at _____ (the "**Site**"). In addition, pursuant to that certain Lease Agreement (the "**Lease**"), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from _____ (the "**Lessor**"). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

### OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

1. **Background Information**: The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.

2. **Incorporation of Terms**: Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.

3. **Indemnification of Franchisor**: Franchisee agrees to indemnify and hold Franchisor and its parents, affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee's breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

4. **Conditional Assignment**: Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory, equipment, and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee's rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of the Franchisee's breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor's option be deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in



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and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination**: Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies**: In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;

c) to exclude the Franchisee, its agents or employees from the Site;

d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and

g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide



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written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney**: Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies**: It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof but shall have the irrevocable right to do so.

9. **Binding Agreements**: This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control**. This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys' Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys' fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability**. If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.



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**IN WITNESS WHEREOF**, the Parties have caused this Assignment to be executed as of the day and year first above written.

| FRANCHISEE | FRANCHISOR |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.**

**LESSOR**

_____



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# EXHIBIT I

## PROMISSORY NOTE

FOR VALUE RECEIVED, _____ and _____ (collectively, the "Undersigned") promises to pay to the order of Chem-Dry, Inc., a Utah corporation, located at 3310 West End Avenue, Suite 620, Nashville, Tennessee 37203 (the "Holder"), the principal sum of $_____ together with interest at a rate of nine percent (9%). The principal and interest shall be paid in equal monthly installments as stated in the payment schedule attached to this Promissory Note as Exhibit "1", which is made a part of this Promissory Note. The first installment shall be due via Electronic Funds Transfer ("EFT") on the first of the month following the successful completion of the initial training, if required under the franchise agreement, between Holder and the Undersigned, and thereafter monthly installments will be due via EFT on the first day of each successive month until the principal and interest due under this Promissory Note have been paid in full. PROVIDED, HOWEVER, that the entire principal balance together with all accrued interest thereon shall be due and payable on or before 36 months following the payment of the first installment, anything here in this Agreement to the contrary notwithstanding. After maturity of this Promissory Note (whether by acceleration or otherwise), Holder shall have the right to collect all payments, together with all accrued interest and late fees, due.

Monthly installments shall be applied first upon interest and the balance upon principal. This Promissory Note may be prepaid in full at any time without restriction or penalty.

Should any monthly installment not be paid when due, then the Holder shall elect to either (a) require that the whole sum of the remaining principal and interest shall become due immediately and payable upon notice to the Undersigned or (b) charge a late fee of 5% or $50, per week, whichever sum is greater. All unpaid amounts owing on this Promissory Note shall immediately become due and payable at the option of Holder without notice or demand upon the occurrence of any of the following events of default: (i) the default of any provision of the Promissory Note; or (ii) the death, dissolution, insolvency (however expressed or indicated) or the filing of a petition in bankruptcy, reorganization or for the adjustment of debts for, by or against the Undersigned; (iii) the sale of substantially all of the Undersigned's stock or assets; (iv) the Undersigned's failure to permit Holder to collect amounts via EFT.

The Undersigned hereby waives presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise). In the event that the undersigned should default under this Promissory Note, and legal proceedings are commenced to collect the indebtedness evidenced hereby, the undersigned agrees to pay all costs and expenses, including reasonable attorney fees, incurred in the collection of this Promissory Note.

Should the undersigned transfer or assign their franchise rights to a third party prior to the pay-off of this Promissory Note, said Promissory Note must be paid in full before Holder will approve such transfer or assignment.

The validity, construction, interpretation and enforceability of the terms of this Promissory Note shall be determined and governed by the laws of the State of Tennessee.

The Undersigned hereby confirms that the proceeds of this Promissory Note will be used for the business purpose of starting up a Chem-Dry franchised business.

It is the parties' intent that the provisions of this Promissory Note be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the provisions contained here in this Promissory Note shall not render any other part unenforceable.



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Holder's failure to enforce any rights granted to it under this Promissory Note will not constitute a waiver of such rights.

This Promissory Note is binding upon and will insure to the benefit of the parties and their successors, heirs, and assigns.

The persons executing this Note on behalf of the Undersigned acknowledge their authority to do so.

**I HAVE READ THE ABOVE NOTE AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS NOTE IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

As provided in this Franchise Agreement this Promissory Note is personally guaranteed by _____.

**HOLDER:**

By: _____

Name: _____

Title: _____

Date: _____

**UNDERSIGNED:**
**[FRANCHISEE ENTITY NAME]**

By: _____

Name: _____

Title: _____

Date: _____

**[FRANCHISEE NAME]**

_____
[NAME], Individually



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**EXHIBIT A-2**
**TO THE FRANCHISE DISCLOSURE DOCUMENT**

## CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT

With respect to determining the feasibility of whether or not to purchase a Chem-Dry franchise, Chem-Dry, Inc. (the "Franchisor"), is prepared to provide you with certain financial, business, marketing, and operational information concerning the business operations of Franchisor.

We are able to provide you with your explicit understanding and agreement that you recognize and agree that this information is confidential and valuable, and that this information constitutes special and unique proprietary rights and assets of Franchisor.

The term "Confidential Information" shall mean and include any and all information disclosed by us to you relating to the Franchised Business and potential trade name and internet web names, whether copyrighted or patented. Provided; however, Confidential Information shall not include information which:

A. Is disclosed to you following the date of this Agreement by a third party who is not under an obligation to keep the information confidential;

B. Is or becomes publicly disclosed through no act or omission of yours; and/or

C. Information previously known by you prior to contact with us.

In accepting this Confidential Information, you agree that you will not disclose it to any third party or make use of it yourself, in any regard, with the exception that it may disclosed to an attorney, accountant or business consultant that you utilize as part of your due diligence process, provided you assure they are informed of and comply with all the terms of this Confidentiality and Non-Disclosure Agreement.

You further agree to maintain the confidentiality of any and all confidential information which has been provided to you in a manner using at least the same degree of care as the manner used to maintain the confidentiality of your most confidential information.

In the event that you do not purchase a Franchised Business, or upon our request at any time, you agree to return all materials furnished to you or to certify in writing that such information has been destroyed.

You further recognize that breach of this Confidentiality and Non-Disclosure Agreement by you will cause severe and irreparable damage to Franchisor, and that Franchisor may pursue all of its rights and remedies after any breach, including specific performance.

Please indicate that you agree to the conditions, as stated above, under which confidential information will be furnished to you by signing a copy of this letter in the space provided below.

**ACKNOWLEDGED**:

By: _____ Date: _____
Signature



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**EXHIBIT A-3**
**TO THE FRANCHISE DISCLOSURE DOCUMENT**

**GENERAL RELEASE(S)**

**GENERAL RELEASE – REQUIRED UPON RENEWAL**

**THIS SETTLEMENT AND RELEASE** is being made by and between Chem-Dry, Inc. ("FRANCHISOR") and [Name] (together referred to as the "FRANCHISE OWNER" and/or "you") resident of [State], and [Corp/LLC,] ("Franchisee") and shall be effective as of the date of the last signature below.

**W I T N E S S E T H:**

**WHEREAS**, FRANCHISOR and FRANCHISE OWNER(S) entered into Franchise Agreement on the [date] (the "Franchise Agreements") for the operation of a Franchised Business in a defined territory(s) in the state of [State] (the "Business"), which Franchise Agreements is being renewed;

**NOW, THEREFORE,** for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by and between each of the parties, it is agreed and understood as follows:

1. FRANCHISE OWNER(S) and FRANCHISOR have agreed upon new renewal Franchise Agreements, to be executed contemporaneously with this Mutual Release, which will replace your original Franchise Agreements, thus continuing FRANCHISE OWNER(S) rights to operate a Franchised Business within a Territory, as defined in the Franchise Agreement in the State of [State].

2. In reliance upon the execution of renewal Franchise Agreements, the parties agree to the following mutual releases:

A. FRANCHISE OWNER(S) and FRANCHISEE, for themselves and for their employees, agents, heirs, successor and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interest of FRANCHISE OWNER(S) and/or FRANCHISEE, hereby releases, acquits, and forever discharges FRANCHISOR and its directors, officers, shareholders, employees, agents, legal representatives, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses and suits whatsoever and of every conceivable kind, character, and nature, whether absolute or contingent, and whether known or unknown, which either party may have against the other, by reason of, or arising out of, or in any way related to any acts or omissions of the other party occurring prior to the date of this Release.

B. FRANCHISOR, for themselves and for their employees, agents, heirs, successor and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interest of FRANCHISOR, hereby releases, acquits, and forever discharges FRANCHISE OWNER(S) and/or FRANCHISEE and their directors, officers, shareholders, employees, agents, legal representatives, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses and suits



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whatsoever and of every conceivable kind, character, and nature, whether absolute or contingent, and whether known or unknown, which either party may have against the other, by reason of, or arising out of, or in any way related to any acts or omissions of the other party occurring prior to the date of this Release.

C. **[CALIFORNIA ONLY]** Except as set forth herein, FRANCHISOR, FRANCHISE OWNER(S) and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California ("Section 1542") and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, FRANCHISOR, FRANCHISE OWNER(S) and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which FRANCHISOR, FRANCHISE OWNER and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

3. Any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises made by the parties herein or with regard to the interpretation, formation, or breach of this Release, shall be litigated exclusively in the courts of general jurisdiction of Davidson County, Tennessee or the United States District Court presiding over Nashville, Tennessee.

4. Both parties acknowledge and agree that money damages will not be a sufficient remedy for any breach of this provision and that either party shall be entitled to specific performance as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy but shall be in addition to all other remedies available at law or equity to the party. In the event of any litigation to enforce any of the terms of this Mutual Release, the unsuccessful party shall pay the costs and attorneys' fees of the successful party.

5. Neither this Release nor any provision of this Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

6. All parties hereto do hereby acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

7. This Release may be signed in two (2) or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two (2) or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one (1) original document.



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8. The terms of this Mutual Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

9. This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

10. **[MARYLAND ONLY]** This Mutual Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

11. [**WASHINGTON ONLY]** This Mutual Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**IN WITNESS WHEREOF**, the parties have caused this Release to be executed as of the day and year written below.

**FRANCHISOR**

**_____ LLC**

By: _____

Name: _____

Title: _____

**FRANCHISEE**

**[FRANCHISEE ENTITY/NAME]**

By: _____

Name: _____

Title: _____

**FRANCHISE OWNER(S)**

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually



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## GENERAL RELEASE – REQUIRED UPON ASSIGNMENT

THIS SETTLEMENT AND RELEASE is being made by and between Chem-Dry, Inc. ("FRANCHISOR") and [Franchise Owner Name(s)] (together referred to as the "FRANCHISE OWNER(S)"), resident(s) of [State], and [Company] ("Franchisee") and shall be effective as of the date of the last signature below.

**W I T N E S S E T H:**

**WHEREAS,** FRANCHISOR and FRANCHISE OWNER(S) entered into a Franchise Agreement on the _____ day of _____, 20___ (the "Franchise Agreement(s)") for the operation of a Franchised Business in a defined territory(s) in the state of [State Name(s)], (the "Business");

**WHEREAS,** FRANCHISOR and FRANCHISE OWNER(S) have reached agreement that it is in the best interest of all parties for FRANCHISE OWNER(S) to discontinue operations and terminate the Franchise Agreement, upon the terms and conditions specified below, and for the parties to exchange mutual releases;

**NOW THEREFORE,** in consideration of the mutual covenants and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by and between each of the parties, it is agreed and understood as follows:

1. Effective as of the date last signed below, FRANCHISE OWNER(S) hereby transfers, sets over and assigns to FRANCHISOR all right, title and interest in and to the Franchise Agreement and agrees to abide by and observe all Post-Termination Obligations and Covenants Not to Compete as set forth in the Franchise Agreement.

2. FRANCHISOR hereby releases FRANCHISE OWNER(S) from any further duties and obligations thereunder except those continuing duties and obligations specifically set forth in Paragraph 1 of this Agreement.

3. The parties hereby agree to the following mutual releases:

A. Except for the obligations of the parties herein contained, FRANCHISE OWNER(S) and FRANCHISEE for themselves, and their employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interests of FRANCHISE OWNER(S) and/or FRANCHISEE, hereby releases, acquits, and forever discharges FRANCHISOR and it directors, officers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses, and suits whatsoever and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISE OWNER(S) and/or FRANCHISEE has, has had or may ever have against FRANCHISOR, by reason of, or arising out of, or in any way related to any acts or omissions of the other party prior to the date of this Agreement.

B. Except for the obligations of the parties herein contained, FRANCHISOR for themselves, and their employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interests of FRANCHISOR, hereby releases, acquits, and forever discharges FRANCHISE OWNER(S) and FRANCHISEE and it directors, officers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other



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person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses, and suits whatsoever and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISOR has, has had or may ever have against FRANCHISE OWNER(S) and/or FRANCHISEE, by reason of, or arising out of, or in any way related to any acts or omissions of the other party prior to the date of this Agreement.

C. **[CALIFORNIA – for use in CA only]** Except as set forth herein, FRANCHISOR, FRANCHISE OWNER(S) and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California ("Section 1542"), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, FRANCHISOR, FRANCHISE OWNER(S) and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which FRANCHISOR, FRANCHISE OWNER(S) and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

4. Any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises made by the parties herein or with regard to the interpretation, formation, or breach of this Release, shall be litigated exclusively in the courts of general jurisdiction of Davidson County, Tennessee or the United States District Court presiding over Nashville, Tennessee.

5. Neither this Mutual Release nor any provision of this Mutual Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

6. All parties hereto do hereby acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Mutual Release, and that they have executed this Mutual Release with the consent and upon the advice of said independent counsel.

7. This Mutual Release may be signed in two (2) or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two (2) or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one (1) original document.

8. The terms of this Mutual Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

9. This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

10. **[MARYLAND – for use in MD only]** This Mutual Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.



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11. **[WASHINGTON ONLY]** This Mutual Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

12. **[TRANSFERS – WHEN BUYER IS PAYING IN INSTALLMENTS]** FRANCHISE OWNER(S) and Franchisee acknowledge and agree (i) that they negotiated the sale of their franchise to Buyer Company without the assistance, or any other involvement of the Franchisor; (ii) that the purchase price for such sale (the "Purchase Price") will not be paid in full at closing, but will be paid over a period of time after closing, and (iii) that they are assuming the full risk of nonpayment of the Purchase Price, FRANCHISE OWNER(S) and Franchisee further agree that they will not, in any manner, at any time, under any set of circumstances, seek payment of any portion of the Purchase Price from Franchisor, and/or any of its directors, officers, members, shareholders, employees, agents, representatives, heirs, successors or assigns.

IN WITNESS WHEREOF, the parties have caused this Release to be executed as of the day and year written below.

**FRANCHISOR**

**_____ LLC**

By: _____

Name: _____

Title: _____

**FRANCHISEE**

**[FRANCHISEE ENTITY/NAME]**

By: _____

Name: _____

Title: _____

**FRANCHISE OWNER(S)**

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually



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**EXHIBIT B**
**TO FRANCHISE DISCLOSURE DOCUMENT**

# FINANCIAL STATEMENTS



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# BFG Holdco, Inc.

Consolidated Financial Report
Years Ended December 31, 2024, 2023, and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Docusign Envelope ID: 0718BC6F-8F86-4305-AEDD-9AE7B94E21D9

# GUARANTEE OF PERFORMANCE

For value received, BFG Holdco, Inc., a Delaware corporation (the "Guarantor"), located at 3310 West End Avenue, Suite 620, Nashville, TN 37203, absolutely and unconditionally guarantees to assume the duties and obligations of Chem-Dry, Inc., NHance, Inc., 1-800 Water Damage International, LLC, Hoodz International, LLC, Ductz International, LLC, Patch Boys International, LLC, Plumberz International, LLC, Packoutz International, LLC, Safer Home Services International, LLC, Cool Binz International, LLC, Redbox+ International, LLC and JunkCo+ International, LLC, under their franchise registrations in each state where the franchises are registered, and under its Franchise Agreement identified in their Franchise Disclosure Documents issued March 28, 2025 (individually, each, a "Franchisor"), and as the Franchise Agreements may be entered into with all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding, notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor Executes this guarantee at Nashville, Tennessee, on 3/21/2025.

Guarantor:

BFG Holdco, Inc.

Signed by:
Janette Sims
53636D487169405...

Janette Sims
Chief Financial Officer

# BFG Holdco, Inc.

Consolidated Financial Statements
Years Ended December 31, 2024, 2023, and 2022

# BFG Holdco, Inc.

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Tel: 248-362-2100
Fax: 248-362-4459
www.bdo.com

2600 West Big Beaver, Suite 600
Troy, MI 48084

# Independent Auditor's Report

Board of Directors
BFG Holdco, Inc.

## *Opinion*

We have audited the consolidated financial statements of BFG Holdco, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2024, and the related statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying 2024 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Other Matter*

The 2023 and 2022 consolidated financial statements of the Company were audited by other auditors, whose report dated March 22, 2024 expressed an unmodified opinion on those statements with emphasis of matters related to the restatement of 2022 financial statements to correct a misstatement and an impairment loss to goodwill during 2023. Neither of these emphasis of matters modified the predecessor auditor opinion.

## *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

BDO USA, P.C.

March 19, 2025

# BFG Holdco, Inc.

## Consolidated Balance Sheets
## (dollars in thousands)

| *December 31,* | **2024** | 2023 | 2022 (as restated) |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash | **$ 1,242** | $ 3,701 | $ 1,372 |
| Restricted cash | **1,310** | 781 | 345 |
| Accounts receivable, net | **2,728** | 2,338 | 3,074 |
| Inventory (Note 6) | **8,673** | 5,683 | 4,393 |
| Notes receivable, current portion net of allowance (Note 7) | **578** | 639 | 1,661 |
| Prepaid expenses and other current assets | **454** | 625 | 346 |
| **Total Current Assets** | **14,985** | 13,767 | 11,191 |
| **Right-of-Use Assets, Net** | **2,036** | 3,098 | 1,379 |
| **Property and Equipment, Net** (Note 8) | **1,675** | 2,220 | 1,701 |
| **Goodwill** (Note 9) | **-** | 10,519 | 56,056 |
| **Intangible Assets, Net** (Note 9) | **23,789** | 28,264 | 32,566 |
| **Other Assets** | | | |
| Notes receivable - net of current portion and allowance (Note 7) | **793** | 1,336 | 2,747 |
| Amounts due from related parties (Note 14) | **27,182** | 24,688 | 23,843 |
| Deferred commissions | **649** | 871 | 1,155 |
| Other noncurrent assets | **347** | 216 | 331 |
| **Total Assets** | **$ 71,456** | $ 84,979 | $ 130,969 |
| **Liabilities and Stockholders' Equity** | | | |
| **Current Liabilities** | | | |
| Accounts payable | **$ 812** | $ 203 | $ 855 |
| Operating lease obligation, current portion (Note 10) | **1,087** | 1,002 | 1,145 |
| Deferred revenue, current portion | **1,945** | 1,305 | 2,050 |
| Accrued and other current liabilities: | | | |
| Accrued compensation | **580** | 1,201 | 1,256 |
| Other accrued liabilities | **1,147** | 2,251 | 1,678 |
| **Total Current Liabilities** | **5,571** | 5,962 | 6,984 |
| **Operating Lease Obligation,** net of current portion (Note 10) | **1,087** | 2,166 | 425 |
| **Other Long-Term Liabilities** | | | |
| Deferred revenue, net of current portion | **1,900** | 3,202 | 4,864 |
| Deferred tax liabilities (Note 11) | **3,623** | 3,266 | 3,001 |
| **Total Liabilities** | **12,181** | 14,596 | 15,274 |
| **Stockholders' Equity** | **59,275** | 70,383 | 115,695 |
| **Total Liabilities and Stockholders' Equity** | **$ 71,456** | $ 84,979 | $ 130,969 |

*See notes to consolidated financial statements.*

# BFG Holdco, Inc.

## Consolidated Statements of Operations
## (dollars in thousands)

| *Year ended December 31,* | **2024** | 2023 | 2022 (as restated) |
|---|---|---|---|
| **Net Revenue** | **$ 29,538** | $ 31,072 | $ 33,483 |
| **Cost of Revenue** | **10,816** | 9,613 | 9,055 |
| **Gross Profit** | **18,722** | 21,459 | 24,428 |
| **Operating Expenses,** before impairment | **19,569** | 20,604 | 27,789 |
| **Impairment of Goodwill** | **10,519** | 45,537 | 1,266 |
| **Impairment of Intangible Assets** | **-** | - | 4,952 |
| **Operating Loss** | **(11,366)** | (44,682) | (9,579) |
| **Non-Operating Income** | | | |
| Interest income | **336** | 496 | 1,112 |
| Other income | **404** | 386 | 268 |
| **Total Non-Operating Income** | **740** | 882 | 1,380 |
| **Loss,** before income taxes | **(10,626)** | (43,800) | (8,199) |
| **Income Tax Expense (Recovery)** (Note 11) | **482** | 477 | (1,869) |
| **Consolidated Net Loss** | **$ (11,108)** | $ (44,277) | $ (6,330) |

*See notes to consolidated financial statements.*

# BFG Holdco, Inc.

## Consolidated Statements of Stockholders' Equity
## (dollars in thousands)

| | Common Stock | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Total |
|---|---|---|---|---|
| **Balance,** January 1, 2022 | $ 5 | $ 114,238 | $ 7,782 | $ 122,025 |
| Consolidated net loss | - | - | (6,330) | (6,330) |
| **Balance,** December 31, 2022 (as restated) | 5 | 114,238 | 1,452 | 115,695 |
| Cumulative effect of change in accounting principle (Note 4) | - | - | (1,035) | (1,035) |
| Consolidated net loss | - | - | (44,277) | (44,277) |
| **Balance,** December 31, 2023 | 5 | 114,238 | (43,860) | 70,383 |
| Consolidated net loss | - | - | (11,108) | (11,108) |
| **Balance,** December 31, 2024 | $ 5 | $ 114,238 | $ (54,968) | $ 59,275 |

*See notes to consolidated financial statements.*

# BFG Holdco, Inc.

## Consolidated Statements of Cash Flows
## (dollars in thousands)

| *Year ended December 31,* | **2024** | 2023 | 2022 (as restated) |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Consolidated net loss | **$ (11,108)** | $ (44,277) | $ (6,330) |
| Adjustments to reconcile consolidated net loss to net cash (used in) provided by operating activities: | | | |
| Depreciation | **505** | 591 | 490 |
| Amortization of intangible assets | **4,380** | 4,380 | 5,169 |
| Credit (recovery) loss | **(296)** | 627 | 6,949 |
| Loss on disposal of property and equipment | **781** | - | - |
| Impairment of goodwill | **10,519** | 45,537 | 1,266 |
| Impairment of intangible assets | **-** | - | 4,952 |
| Deferred income taxes | **357** | 265 | (2,595) |
| Noncash lease expense | **67** | (121) | (44) |
| Changes in operating assets and liabilities that provide (use) cash: | | | |
| Accounts receivable | **(459)** | 1 | (3,560) |
| Inventory | **(2,619)** | (1,289) | (1,523) |
| Notes receivable | **970** | 1,506 | 3,607 |
| Prepaid expenses and other assets | **40** | (166) | 473 |
| Deferred commissions | **223** | 284 | (92) |
| Related party | **(2,864)** | (845) | (7,126) |
| Accounts payable | **609** | (652) | (191) |
| Accrued and other current liabilities | **(1,284)** | 518 | (534) |
| Deferred revenue | **(1,104)** | (2,407) | (2,282) |
| **Net Cash (Used in) Provided by Operating Activities** | **(1,283)** | 3,952 | (1,371) |
| **Cash Flows from Investing Activities** | | | |
| Purchases of property and equipment | **(593)** | (1,109) | (581) |
| Payments made for patents and trade names | **(54)** | (78) | (170) |
| **Net Cash Used in Investing Activities** | **(647)** | (1,187) | (751) |
| **Net (Decrease) Increase in Cash** | **(1,930)** | 2,765 | (2,122) |
| **Cash**, beginning of year | **4,482** | 1,717 | 3,839 |
| **Cash**, end of year | **$ 2,552** | $ 4,482 | $ 1,717 |
| **Classification of Cash** | | | |
| Cash | **$ 1,242** | $ 3,701 | $ 1,372 |
| Restricted cash | **1,310** | 781 | 345 |
| **Total Cash** | **$ 2,552** | $ 4,482 | $ 1,717 |
| **Supplemental Cash Flow Information** | | | |
| Cash paid for taxes | **$ 139** | $ 185 | $ 161 |
| **Significant Non-Cash Transactions** | | | |
| Leases entered into | **$ -** | $ 2,731 | $ - |

*See notes to consolidated financial statements.*

## 1. Nature of Business

BFG Holdco, Inc., with its wholly owned subsidiaries, Chem-Dry, Inc. (Chem-Dry); NHance, Inc. (NHance); Delta Disaster Services, LLC d/b/a Delta Restoration Services (DRS); Delta Development Group, LLC (DDG); and Delta Asset Management, LLC (DAM) (together with DRS and DDG, Delta) (collectively, the Company), is a wholly owned subsidiary of Belfor USA Group, Inc. BFG Holdco, Inc. was formerly known as HRI Holdings, Inc. until February 13, 2023, when its name was changed to BFG Holdco, Inc. Chem-Dry, Inc. was formerly known as Harris Research, Inc. until February 13, 2023, when its name was changed to Chem-Dry, Inc.

A summary of the Company's operations, which are headquartered in Nashville, Tennessee, is as follows:

- *Chem-Dry* - Markets and services Chem-Dry carpet and upholstery cleaning franchises and provides training, equipment, solutions, and products to its franchisees throughout the United States of America and Canada.
- *Devere International, Inc. (Devere), a wholly owned subsidiary of BFG Holdco, Inc.* - Sells area franchise rights for specific geographic locations throughout the world (excluding the United States of America) and provides training, equipment, and cleaning supplies to the respective area franchisees.
- *Chem-Dry Corporate Services (CDCS), a division of BFG Holdco, Inc.* - Secures commercial and insurance work for franchisees in the United States and Canada.
- *N-Hance* - Markets and services N-Hance wood cleaning, coating, protection, and renewal franchises, including providing training, equipment, and solutions and products to franchise owners in the United States and Canada.

The Company had the following active franchises throughout the world:

| *December 31,* | **2024** | 2023 | 2022 |
|---|---|---|---|
| Chem-Dry carpet upholstery cleaning franchises | **1,057** | 1,240 | 1,388 |
| Chem-Dry Canada franchises | **42** | 44 | 49 |
| Devere area franchise rights | **22** | 22 | 46 |
| N-Hance wood renewal franchises | **255** | 296 | 317 |

On November 21, 2024, the Company sold its TruckMount manufacturing inventory to a third party in exchange for $764. Of the $764 purchase price the Company received $152 in 2024 and will receive the remaining $612 during 2025.

## 2. Significant Accounting Policies

### *Basis of Accounting*

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the results of the Company for the years ended December 31, 2024, 2023, and 2022.

***Principles of Consolidation***

The accompanying consolidated financial statements reflect the consolidated financial position, operations, stockholders' equity, and cash flows of BFG Holdco, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

***Revenue and Cost Recognition***

Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Sales-based taxes are excluded from revenue. Goods and services may be transferred to customers either at a point in time or over time, as discussed below. Of the $29,538 of revenue recognized from contracts with customers for the year ended December 31, 2024, revenue recognized over time amounted to $10,454, while the remainder was recognized at a point in time. Of the $31,072 of revenue recognized from contracts with customers for the year ended December 31, 2023, revenue recognized over time amounted to $11,642, while the remainder was recognized at a point in time. Of the $33,483 of revenue recognized from contracts with customers for the year ended December 31, 2022, revenue recognized over time amounted to $13,455, while the remainder was recognized at a point in time.

*Nature of Promises to Transfer*

The Company’s revenue streams are described below:

Franchise Rights, Royalties, Monthly Franchise Fees, and Other Support Fees

The Company sells individual franchises that grant the right to service customers within a defined territory using the franchise name. The initial term of franchise agreements is typically 5 to 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid. Additionally, the Company sells master franchises rights in foreign countries with an initial term of typically ten years, with an option to renew for a fee or transfer the right. The Company has performance obligations to provide franchisees with the franchise rights to service customers, as well as provide customized software, for which a technology fee is charged. Initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement from the date the agreement is entered. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized at the time the transfer occurs. Royalty income and monthly franchise fee income is recognized over the term of the respective franchise agreement as the underlying sales occur. The Company also provides other services for a fee, as outlined in the franchise agreement. The Company has concluded these represent separate single performance obligations. Therefore, revenue is recognized when the support services are performed.

Merchandise Revenue

The Company recognizes revenue from the sale of products, net of sales taxes, when the customer takes ownership of the products sold and assumes the risk of loss. The customer takes ownership and assumes risk of loss at the point of shipping for products other than equipment. Equipment is typically shipped “FOB Destination,” and, as such, ownership and risk of loss remain with the Company until the equipment is delivered.

Corporate Services

This includes services in connection with securing residential, commercial, and insurance work for franchisees through CDCS through national account relationships in the United States and Canada. Revenue is recognized at the point in time the franchisee completes the work. The Company is the agent in this relationship and recognizes revenue on a net basis.

*Significant Payment Terms*

Each contract dictates the timing of billing and payments. Initial franchise, renewal, and transfer fees are due and typically paid when a franchise agreement is entered into and are nonrefundable. Royalties, technology fees, and other support fees are paid on a monthly basis based upon amounts defined within the franchise agreement. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing deferred revenue contract liabilities. Refer to the Notes Receivable section for information about financing provided to franchisees. Amounts that are expected to be recognized as revenue within one year are classified as current deferred revenue in the consolidated balance sheet.

Merchandise revenue billings occur upon shipment and are either prepaid or are typically due within 30 days. For corporate services revenue, billing is handled by either the national account or the Company (CDCS) and occurs when the services have been performed. Payment for goods and services performed by the Company is typically in the form of a prepayment or due within 30 days after an invoice is sent to the customer. The Company does not offer discounts if the customer pays some or all of an invoiced amount prior to the due date.

*Determining and Allocating the Transaction Price*

The transaction price of a contract is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes). For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in underlying contracts and that the agreements will not be canceled, renewed, or modified.

Most of the Company's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash; The Company's franchise agreements with franchisees have transaction prices that contain fixed and/or variable components. Variable consideration includes royalty revenue, as the transaction price is based on the franchisee's sales. The variable consideration is recognized based on the actual amounts incurred each month.

*Costs to Obtain a Franchise Agreement*

The Company typically incurs commission expenses or third-party broker and referral fees to obtain franchise agreements with franchisees. These charges are related to franchise fee revenue, which is recognized over time. As a result, these charges are capitalized as deferred expenses and are expensed over the term of the respective franchise agreement. For the years ended December 31, 2024, 2023, and 2022, the amounts expensed related to costs to obtain a franchise agreement were approximately $206, $232, and $237, respectively.

***Restricted Cash***

Restricted cash represents amounts received from franchisees that are restricted for certain advertising activities.

***Accounts Receivable***

Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Company collectively evaluates trade receivables to determine the allowance for credit losses. The Company calculates the allowance using an expected loss model that considers the Company's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Company considers unemployment and consumer spending data when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

***Notes Receivable***

Notes receivable are issued upon the sale of a franchise or area franchise rights; in conjunction with the sale of equipment; or, in some cases, to refinance a franchise's overall obligations. Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to the terms of the specific notes. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the notes receivable. The Company collectively evaluates notes receivable to determine the allowance for credit losses. The Company calculates the allowance using an expected loss model that considers the Company's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Company considers unemployment and consumer spending data when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Notes are considered delinquent if the repayment terms are not met. As of December 31, 2024, $128 of notes receivable were considered past due.

***Fair Value of Financial Instruments***

Financial instruments consist of accounts receivable, notes receivable, accounts payable, and debt. The carrying amount of accounts receivable, accounts payable, and debt approximates fair value due to either the short maturity or the existence of variable interest rates that approximate prevailing market rates. The fair value of notes receivable is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The discount rates range from 4.0% to 12.0% and approximate rates currently observed in publicly traded debt markets for debt of similar terms to individuals with comparable credit risk. As of December 31, 2024, 2023, and 2022 the carrying value of notes receivable approximates fair value.

***Inventory***

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method.

***Property and Equipment***

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

***Goodwill***

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized but rather is assessed at least on an annual basis for impairment.

During 2024, management determined that the carrying amount of the Company exceeded fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of $10,519 was recognized in 2024, which is included within operating expenses on the consolidated statement of operations. The impairment loss is attributable in part to deteriorating economic conditions impacting the Company and elimination of the TruckMount manufacturing; furthermore, strategic shifts undertaken by management to improve the overall health of the business, including ongoing efforts to reduce the overall size of its franchise network in order to resolve a host of franchisee-related matters of noncompliance, adversely impacted expected future cash inflows as well.

During 2023, management determined that the carrying amount of the Company exceeded fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of $45,537 was recognized in 2023, which is included within operating expenses on the consolidated statement of operations. The impairment loss is attributable in part to deteriorating economic conditions impacting the Company, including rising interest rates and the overall cost of accessible debt necessary to fuel investment; furthermore, strategic shifts undertaken by management to improve the overall health of the business, including ongoing efforts to reduce the overall size of its franchise network in order to resolve a host of franchisee-related matters of noncompliance, adversely impacted expected future cash inflows as well. The remaining goodwill was determined not to be impaired, as the carrying value of the remaining company exceeded the fair value.

During 2022, Delta ceased operations, and, as a result, management determined that the carrying amount of Delta exceeded fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of $1,266 was recognized in 2022, specifically related to Delta ceasing operations, which is included within operating expenses on the consolidated statement of operations.

***Intangible Assets***

Intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to

amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

During 2022, the Company determined that, based on estimated future cash flows, the carrying amount of the Delta trade name and franchise agreements exceeded their fair value; accordingly, impairment losses in the amount of $787 and $4,165, respectively, were recognized and included in operating expenses. No impairment charge was recognized in 2024 or 2023.

***Right-of-Use Assets and Lease Liabilities***

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use (ROU) assets at lease inception, as follows:

- *ROU Assets* – The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.
- *Lease Liabilities* – At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Company has elected to combine lease and non-lease components. In calculating the present value of lease payments, the Company elected to use the Prime Rate at the lease commencement date for property leases. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

***Other Accrued Liabilities***

Other accrued liabilities are composed of invoice accruals, tax accruals, credit card payables, and other miscellaneous accrued liabilities.

***Advertising Expense***

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the years ended December 31, 2024, 2023, and 2022 was $2,680, $3,027, and $3,806, respectively.

***Income Taxes***

The Company joins in filing a consolidated federal income tax return with its parent. Current and deferred tax obligations or benefits are allocated to members of the consolidated group as if each were a separate taxpayer.

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting. A valuation allowance is recognized if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. No valuation allowance was recorded at December 31, 2024, 2023, or 2022.

The Company classifies interest and penalties associated with tax liabilities as income taxes in the accompanying financial statements.

***Use of Estimates***

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

***Subsequent Events***

The consolidated financial statements and related disclosures include evaluation of events up through and including March 19, 2025, which is the date the consolidated financial statements were available to be issued.

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## 3. Prior Period Adjustment

The financial statements for 2022 have been restated to correct an error relating to unidentified impairment of the Delta trade name and franchise agreement intangible assets made in 2022. Retained earnings at the beginning of 2023 have been adjusted for the effects of the restatement on 2022. The following financial statement line items for fiscal year 2022 were affected by the change.

***Statement of Operations***

*Year ended December 31, 2022*

| | As Previously Reported | As Restated | Effect of Change |
|---|---|---|---|
| **Net Revenue** | $ 33,483 | $ 33,483 | $ - |
| **Cost of Revenue** | 9,055 | 9,055 | - |
| **Gross Profit** | 24,428 | 24,428 | - |
| **Operating Expenses,** before impairment | 29,842 | 27,789 | (2,053) |
| **Impairment of Goodwill** | - | 1,266 | 1,266 |
| **Impairment of Intangible Assets** | - | 4,952 | 4,952 |
| **Operating Loss** | (5,414) | (9,579) | (4,165) |
| **Total Non-Operating Income** | 1,380 | 1,380 | - |
| **Loss,** before income taxes | (4,034) | (8,199) | (4,165) |
| Less: income tax recovery | (810) | (1,869) | (1,059) |
| **Net Loss** | $ (3,224) | $ (6,330) | $ (3,106) |

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*Balance Sheet*

*December 31, 2022*

| | As Previously Reported | As Restated | Effect of Change |
|---|---|---|---|
| **Total Current Assets** | $ 11,191 | $ 11,191 | $ - |
| **Right-of-Use Assets, Net** | 1,379 | 1,379 | - |
| **Property and Equipment, Net** | 1,701 | 1,701 | - |
| **Goodwill** | 56,056 | 56,056 | - |
| **Intangible Assets, Net** | 36,731 | 32,566 | (4,165) |
| **Other Assets** | 28,076 | 28,076 | - |
| **Total Assets** | $ 135,134 | $ 130,969 | $ (4,165) |
| **Current Liabilities** | $ 6,984 | $ 6,984 | $ - |
| **Operating Lease Obligation,** net of current portion | 425 | 425 | - |
| **Deferred Revenue,** net of current portion | 4,864 | 4,864 | - |
| **Deferred Tax Liabilities** | 4,060 | 3,001 | (1,059) |
| **Total Liabilities** | 16,333 | 15,274 | (1,059) |
| **Stockholders' Equity** | 118,801 | 115,695 | (3,106) |
| **Total Stockholders' Equity** | 118,801 | 115,695 | (3,106) |
| **Total Liabilities and Stockholders' Equity** | $ 135,134 | $ 130,969 | $ (4,165) |

As a result of the prior period adjustment, retained earnings as of December 31, 2022 decreased from $4,558, as originally reported, to $1,452.

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## 4. Adoption of New Accounting Pronouncement

As of January 1, 2023, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable and notes receivable. The amendments in this ASU reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The Company adopted the ASU using the modified retrospective method as of January 1, 2023. As a result of the accounting change, retained earnings as of January 1, 2023 decreased from $1,452 to $417.

The following financial statement line items for fiscal years 2023 were affected by the change in accounting principle.

***Statement of Operations***

*Year ended December 31, 2023*

| | As Computed Under Previous Standard | As Reported Under New Standard | Effect of Change |
|---|---|---|---|
| **Net Revenue** | $ 31,072 | $ 31,072 | $ - |
| **Cost of Revenue** | 9,613 | 9,613 | - |
| **Gross Profit** | 21,459 | 21,459 | - |
| **Operating Expenses,** before impairment | 19,371 | 20,604 | 1,233 |
| **Impairment of Goodwill** | 45,537 | 45,537 | - |
| **Operating Loss** | (43,449) | (44,682) | (1,233) |
| **Non-Operating Income** | 882 | 882 | - |
| **Loss,** before income taxes | (42,567) | (43,800) | (1,233) |
| Less: income tax expense | 477 | 477 | - |
| **Consolidated Net Loss** | $ (43,044) | $ (44,277) | $ (1,233) |

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***Balance Sheet***

*December 31, 2023*

| | As Computed Under Previous Standard | As Reported Under New Standard | Effect of Change |
|---|---|---|---|
| **Current Assets** | | | |
| Cash | $ 3,701 | $ 3,701 | $ - |
| Restricted cash | 781 | 781 | - |
| Accounts receivable, net | 2,841 | 2,338 | (503) |
| Inventory | 5,683 | 5,683 | - |
| Notes receivable, current portion net of allowance | 875 | 639 | (236) |
| Prepaid expenses and other current assets | 625 | 625 | - |
| **Total Current Assets** | 14,506 | 13,767 | (739) |
| **Right-of-Use Assets, Net** | 3,098 | 3,098 | - |
| **Property and Equipment, Net** | 2,220 | 2,220 | - |
| **Goodwill** | 10,519 | 10,519 | - |
| **Intangible Assets, Net** | 28,264 | 28,264 | - |
| **Other Assets** | | | |
| Notes receivable, net of current portion and allowance | 1,830 | 1,336 | (494) |
| Amounts due from related parties | 24,688 | 24,688 | - |
| Deferred commissions | 871 | 871 | - |
| Other non-current assets | 216 | 216 | - |
| **Total Assets** | $ 86,212 | $ 84,979 | $ (1,233) |
| **Total Liabilities** | $ 14,596 | $ 14,596 | $ - |
| **Stockholders' Equity** | 71,616 | 70,383 | (1,233) |
| **Total Liabilities and Stockholders' Equity** | $ 86,212 | $ 84,979 | $ (1,233) |

## 5. Accounts Receivable

The following is the detail of accounts receivable:

| *December 31,* | **2024** | 2023 | 2022 |
|---|---|---|---|
| Trade receivables | **$ 2,627** | $ 2,880 | $ 5,231 |
| Other | **979** | 431 | 432 |
| Less: allowance for credit losses | **878** | 973 | 4,589 |
| **Net Accounts Receivable** | **$ 2,728** | $ 2,338 | $ 3,074 |

The activity in the allowance for credit losses is as follows:

| | **2024** | 2023* |
|---|---|---|
| **Balance,** January 1, | **$ 973** | $ 2,990 |
| Additions charged to expense | **508** | 634 |
| Deductions (write-offs) | **(603)** | (2,651) |
| **Balance,** December 31, | **$ 878** | $ 973 |

* As disclosed in Note 4, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments in 2023.*

## 6. Inventory

Inventory consists of equipment, cleaning supplies, chemicals, and mixed cleaning solutions. Inventory, net of reserve, consists of the following:

| *December 31,* | **2024** | 2023 | 2022 |
|---|---|---|---|
| Raw materials | **$ 900** | $ 1,797 | $ 2,000 |
| Finished goods | **7,773** | 3,886 | 2,393 |
| **Total** | **$ 8,673** | $ 5,683 | $ 4,393 |

*The remainder of this page intentionally left blank.*

## 7. Notes Receivable

Notes receivable are as follows:

| *December 31,* | **2024** | 2023 | 2022 |
|---|---|---|---|
| Amounts due from the sale of franchises and area franchise rights and refinanced obligations, due in monthly payments, with imputed interest from 4.0% to 12.0%, collateralized by the franchise, equipment, and personal guarantees | **$ 2,428** | $ 3,070 | $ 5,478 |
| Amounts due from the sale of equipment to franchises, due in monthly payments, with imputed interest between 8.5% and 10.5%, collateralized by the equipment | **157** | 20 | 41 |
| **Total Gross Notes Receivable** | **2,585** | 3,090 | 5,519 |
| Less: allowance for credit losses | **(1,214)** | (1,115) | (1,112) |
| Less: current portion | **578** | 1,027 | 1,972 |
| **Long-Term Portion** | **$ 793** | $ 948 | $ 2,435 |

The activity in the allowance for credit losses is as follows:

| | **2024** | 2023* |
|---|---|---|
| **Balance,** January 1, | **$ 1,115** | $ 1,746 |
| Additions charged to expense | **358** | 292 |
| Deductions (write-offs) | **(259)** | (923) |
| **Balance,** December 31, | **$ 1,214** | $ 1,115 |

* As disclosed in Note 4, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments in 2023*.

*The remainder of this page intentionally left blank.*

## 8. Property and Equipment

Property and equipment are summarized as follows:

| *December 31,* | **2024** | 2023 | 2022 | Depreciable Life (Years) |
|---|---|---|---|---|
| Machinery and equipment | **$ 861** | $ 844 | $ 762 | 5-7 |
| Vehicles | **276** | 222 | 102 | 6 |
| Furniture and Fixtures | **191** | 191 | 126 | 7 |
| Office and computer equipment | **1,823** | 1,442 | 1,253 | 3-7 |
| Leasehold Improvements | **445** | 441 | 431 | 1-5 |
| Construction in progress | **488** | 1,005 | 362 | - |
| **Total Cost** | **4,084** | 4,145 | 3,036 | |
| Less: accumulated depreciation | **2,409** | 1,925 | 1,335 | |
| **Net Property and Equipment** | **$ 1,675** | $ 2,220 | $ 1,701 | |

*The remainder of this page intentionally left blank.*

## 9. Intangible Assets and Goodwill

Intangible assets and goodwill of the Company are summarized as follows:

*December 31,*

| | 2024 | | 2023 | | 2022 (as restated) | |
|---|---|---|---|---|---|---|
| | **Gross Carrying Amount** | **Accumulated Amortization** | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| **Amortized Intangible Assets** | | | | | | |
| Franchise agreements | **$ 32,215** | **$ 13,629** | $ 32,215 | $ 11,151 | $ 32,215 | $ 8,684 |
| Patented technology | **7,685** | **5,994** | 7,600 | 4,886 | 7,650 | 3,801 |
| Trade names | **7,400** | **4,125** | 7,400 | 3,375 | 7,503 | 2,655 |
| Internal software | **1,700** | **1,700** | 1,818 | 1,766 | 1,818 | 1,745 |
| Patents and trademarks | **384** | **147** | 514 | 105 | 297 | 32 |
| **Total Amortized Intangible Assets** | **$ 49,384** | **$ 25,595** | $ 49,547 | $ 21,283 | $ 49,483 | $ 16,917 |
| **Goodwill** | **$ -** | **$ -** | $ 10,519 | $ - | $ 56,056 | $ - |

*The remainder of this page intentionally left blank.*

Amortization expense for intangible assets totaled $4,380, $4,380, and $5,169 for the years ended December 31, 2024, 2023, and 2022, respectively.

Estimated amortization expense for intangible assets is as follows:

| *Year ending December 31,* | | |
|---|---|---|
| 2025 | $ | 4,354 |
| 2026 | | 3,808 |
| 2027 | | 3,261 |
| 2028 | | 2,990 |
| 2029 | | 2,722 |
| Thereafter | | 6,654 |
| **Total** | $ | 23,789 |

## 10. Leases

The Company is obligated under operating leases primarily for facilities, expiring at various dates through December 2026, taking into consideration lease renewal options and termination provisions. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 3.25% to 8.50%. The weighted-average remaining lease term at December 31, 2024 is 23 months. The weighted-average discount rate used at December 31, 2024 is 7.95%. Some of the leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense (presented in operating expenses) under these leases was approximately $1,267, $1,051, and $1,103 for the years ended December 31, 2024, 2023, and 2022, respectively. Total cash paid for operating leases, excluding any variable payments, was $1,187 for the year ended December 31, 2024.

Future minimum annual commitments under these operating leases are as follows:

| *Year ending December 31,* | | |
|---|---|---|
| 2025 | $ | 1,213 |
| 2026 | | 1,127 |
| **Total** | | 2,340 |
| Less: amount representing interest | | 166 |
| **Present Value of Net Minimum Lease Payments** | | 2,174 |
| Less: current obligations | | 1,087 |
| **Long-Term Obligations Under Operating leases** | $ | 1,087 |

The Company subleases certain facilities. As of December 31, 2024, there are $138 of sublease rentals to be received in future periods through 2026. Rental income (included in operating expense) under the sublease was $403, $385, and $268 for the years ended December 31, 2024, 2023, and 2022, respectively.

## 11. Income Taxes

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows:

| *December 31,* | **2024** | 2023 | 2022 (as restated) |
|---|---|---|---|
| Current income tax expense | **$ 126** | $ 212 | $ 726 |
| Deferred income tax expense (recovery) | **356** | 265 | (2,595) |
| **Total Income Tax Expense (Recovery)** | **$ 482** | $ 477 | $ (1,869) |

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to income before taxes is as follows:

| *December 31,* | **2024** | 2023 | 2022 (as restated) |
|---|---|---|---|
| **Provision for Income Taxes** | | | |
| Income tax recovery, computed at 21% of pretax income | **$ (2,220)** | $ (9,416) | $ (830) |
| Permanent differences | **2,215** | 9,568 | - |
| State income tax expense (recovery) | **95** | 168 | (42) |
| Return to provision | **315** | - | - |
| Other | **77** | 157 | (997) |
| **Total Provision for Income Taxes** | **$ 482** | $ 477 | $ (1,869) |

*The remainder of this page intentionally left blank.*

The details of the net deferred tax assets (liabilities) are as follows:

| *December 31,* | **2024** | 2023 | 2022 (as restated) |
|---|---|---|---|
| **Deferred Tax Assets** | | | |
| Allowance for credit losses | **$ 500** | $ 531 | $ 941 |
| Deferred revenue | **895** | 1,259 | 1,759 |
| Notes receivable | **-** | 52 | 156 |
| Interest limitation carryforward | **813** | 1,029 | 872 |
| Accrued liabilities | **75** | 210 | 231 |
| Lease liability | **528** | 806 | 399 |
| R&D capitalization | **318** | 255 | - |
| Inventory capitalization | **-** | 494 | - |
| Other | **118** | 125 | 882 |
| **Gross Deferred Tax Assets** | **3,247** | 4,761 | 5,240 |
| **Deferred Tax Liabilities** | | | |
| Intangibles | **(5,613)** | (6,836) | (7,493) |
| Inventory capitalization | **(522)** | - | - |
| Property and equipment | **(138)** | (244) | (309) |
| Prepaid expenses | **(109)** | (159) | (88) |
| Right-of-use asset | **(488)** | (788) | (351) |
| **Gross Deferred Tax Liabilities** | **(6,870)** | (8,027) | (8,241) |
| **Net Deferred Tax Assets (Liabilities)** | **$ (3,623)** | $ (3,266) | $ (3,001) |

## 12. Common Stock

Common stock consists of 5,000 authorized shares of $1 par value stock. As of December 31, 2024, 2023, and 2022, there were 5,000 shares issued and outstanding.

## 13. Contingencies

The Company is party to an agreement with an unrelated financial institution where the Company guarantees a portion of the losses resulting from equipment-related financing arrangements made between the financial institution and certain of the Company's franchisees. In the event of a default by a franchisee, the Company guarantees the financial institution's losses, including proceeds received from the sale of collateralized equipment as follows: 30% on equipment and between 30% and 100% on non-equipment. As of December 31, 2024, 2023, and 2022 the financial institution provided cumulative aggregate financing arrangements for certain of the Company's franchisees totaling approximately $8,170, $8,170, and $8,140 with open financed amounts totaling approximately $147, $849, and $1,774, respectively. Payments made under this guarantee during the years ended December 31, 2024, 2023, and 2022 were approximately $3, $0, and $178, respectively, and the Company has recorded the estimated present value of this contingent liability as of December 31, 2024, 2023, and 2022 of approximately $10, $13, and $68, respectively, which is included in accrued liabilities in the accompanying consolidated balance sheet.

## 14. Related Party Transactions

The following is a description of transactions between the Company and related parties:

***Amounts Due from Related Parties***

At December 31, 2024, 2023, and 2022, the Company had accounts receivable from Belfor USA Group, Inc. totaling $27,667, $24,688, and $23,843, respectively, which relates to amounts advanced for working capital purposes and amounts due for expenses incurred by the Company on behalf of related parties.

***Guarantee***

The Company has guaranteed balances outstanding on the term loan and line of credit issued to Belfor Holdings, Inc. and other entities related through common ownership. In the event of a default by the affiliates, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2024, the affiliates' outstanding borrowings under the loans and the maximum potential future obligation under this guarantee totaled approximately $1,410 and $1,740, respectively. The term loan is payable through November 2030, and the line of credit expires in November 2028. In the event the Company is required to make payments under this guarantee, the Company could seek to recover those amounts from the affiliate; however, the Company does not hold specific recourse or collateral rights in connection with the guarantee.

***Guarantee of Performance***

The Company is listed as the guarantor of performance within the franchise disclosure documents of various franchisors within Belfor Franchise Group, LLC. In the event the Company is required to make payments under this guarantee, the Company could seek to recover those amounts from the affiliate; however, the Company does not hold specific recourse or collateral rights in connection with the guarantee.

## 15. Retirement Plans

The Company sponsors a 401(k) plan for substantially all employees. The plan provides for the Company to make a required matching contribution. The Company may also make additional discretionary contributions to the plan. Contributions to the plan totaled $181, $212 and $244 for the years ended December 31, 2024, 2023, and 2022 respectively.

# EXHIBIT C
# TO FRANCHISE DISCLOSURE DOCUMENT

## STATE ADMINISTRATORS
## AND AGENTS FOR SERVICE OF PROCESS

| State | State Administrator |
|---|---|
| CALIFORNIA | Commissioner of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, CA 90013<br>213.576.7500 or Toll Free 866.275.2677 |
| CONNECTICUT | The Banking Commissioner<br>The Department of Banking, Securities and Business Investment Division<br>260 Constitution Plaza, Hartford, CT 06103-1800<br>(860) 240-8299 |
| HAWAII | Business Registration Division<br>Department of Commerce and Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>808.586.2722 |
| ILLINOIS | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>217.782.1090 |
| INDIANA | Indiana Secretary of State<br>Securities Division<br>Franchise Section, Room E-111<br>302 West Washington Street<br>Indianapolis, IN 46204<br>317.232.6681 |
| MARYLAND | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>410.576.6360 |
| MICHIGAN | Michigan Department of Attorney General<br>Division of Securities<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>517.373.7117 |
| MINNESOTA | Minnesota Department of Commerce |



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| State | State Administrator |
|---|---|
| | 85 7th Place East, Suite 280<br>St. Paul, MN 55101<br>651-539-1600 |
| NEW YORK | New York State Department of Law<br>Investor Protection Bureau, 28 Liberty Street, 21st Floor, New York, NY 10005<br>212.416.8222 |
| NORTH DAKOTA | North Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capital, Fifth Floor Dept. 414<br>Bismarck, ND 58505-0510<br>701-328-4712 |
| OREGON | Department of Consumer and Business Services<br>Division of Finance and Corporate Securities<br>350 Winter Street, N.E. #410<br>Salem, OR 97310<br>503.378.4387 |
| RHODE ISLAND | Department of Business Regulation<br>Division of Securities<br>1151 Pontiac Avenue Building 69-1<br>Cranston, RI 02920<br>401.222.3048 |
| SOUTH DAKOTA | Department of Labor and Regulation<br>Division of Insurance<br>Securities Regulation<br>124 S. Euclid, Suite 104<br>Pierre, SD 57501<br>605.773.3563 |
| VIRGINIA | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, VA 23219<br>804.371.9051 |
| WASHINGTON | Director of Dept. of Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, WA 98504360.902.8760 |
| WISCONSIN | Wisconsin Securities Commissioner<br>Department of Financial Institutions<br>201 W. Washington Avenue, 3rd Floor<br>P.O. Box 1768<br>Madison, WI 53703<br>608.261.9555 |



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| State | Agent for Service of Process |
|---|---|
| CALIFORNIA | California Commissioner of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, CA 90013<br>213.576.7500 or Toll Free 866.275.2677 |
| CONNECTICUT | The Banking Commissioner<br>The Department of Banking, Securities and Business Investment Division<br>260 Constitution Plaza, Hartford, CT 06103-1800<br>(860) 240-8299 |
| HAWAII | Commissioner of Securities of the State of Hawaii<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>808.586.2722 |
| ILLINOIS | Illinois Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>217.782.1090 |
| INDIANA | Indiana Secretary of State<br>201 State House<br>Indianapolis, IN 46204<br>317.232.6681 |
| MARYLAND | Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>410.576.6360 |
| MICHIGAN | Michigan Department of Commerce, Corporations and Securities Bureau<br>670 Law Building<br>Lansing, MI 48913<br>517.373.7117 |
| MINNESOTA | Minnesota Commissioner of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101<br>651-539-1600 |
| NEW YORK | Secretary of State, New York<br>One Commerce Plaza<br>99 Washington Avenue, 6th floor<br>Albany, NY 12231 |
| NORTH DAKOTA | North Dakota Securities Commissioner<br>600 East Boulevard Avenue<br>State Capital, Fifth Floor Dept. 414<br>Bismarck, ND 58505-0510<br>701.328.4712 |



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| State | Agent for Service of Process |
|---|---|
| OREGON | Director of Oregon Department of Insurance and Finance<br>350 Winter Street, N.E. #410<br>Salem, OR 97310<br>503.378.4387 |
| RHODE ISLAND | Director of Rhode Island Department of Business Regulation<br>1151 Pontiac Avenue Building 69-1<br>Cranston, RI 02920<br>401.222.3048 |
| SOUTH DAKOTA | Division of Insurance<br>Securities Regulation<br>124 S. Euclid, Suite 104<br>Pierre, SD 57501<br>605.773.3563 |
| VIRGINIA | Clerk of State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219<br>804.371.9051 |
| WASHINGTON | Director of Dept. of Financial Institutions<br>Securities Division<br>150 Israel Rd SW<br>Tumwater, WA 98501<br>360.902.8760 |
| WISCONSIN | Commissioner of Securities of Wisconsin<br>Department of Financial Institutions<br>201 W. Washington Avenue, 3rd Floor<br>P.O. Box 1768<br>Madison, WI 53703<br>608.261.9555 |



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**EXHIBIT D**
**TO FRANCHISE DISCLOSURE DOCUMENT**

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**EXHIBIT E**
**TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

**THE FTC COVER SHEET OF THIS FDD IS AMENDED TO INCLUDE THE STATE COVER SHEETS THAT BEGIN ON THE NEXT PAGE:**

## CALIFORNIA

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA 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.

See the cover page of the Disclosure Document for our URL address. A. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AND COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.DBO.CA.GOV.

1. The following statement is added to Item 3:

Neither Franchisor nor any other person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. The following statements are added to Item 17:

California Business & Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

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

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at Nashville, Tennessee with the costs being borne by equally by the parties.



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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 of the State of California.

The Franchise Agreement requires you to sign a general release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The Franchise Agreement requires application of the laws of the State of Tennessee. This provision may not be enforceable under California law.



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**HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY

BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

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



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## ILLINOIS

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Illinois:

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.



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**MARYLAND**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Maryland. This also applies to non-residents of Maryland who will operate a Chem-Dry franchise in the State of Maryland.

1. Item 17 is amended to provide that:

    a. The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

    b. The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

    c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

    d. 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.).

2. You may request and we will provide, within a reasonable amount of time, an accounting of the advertising fund, including a summary of revenue and disbursements. Any such accounting will be strictly confidential.

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



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**MINNESOTA**

Minnesota statute §80C14 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise 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 jurisdiction.

Minnesota statute §80C14 provides: It shall be deemed unfair and inequitable for any person to:

(A) Terminate or cancel a franchise without first giving written notice setting forth all the reasons for the termination or cancellation to the Franchisee at least 90 days in advance of termination or cancellation, and the recipient of a notice fails to correct the reasons stated for cancellation or termination within 60 days within receipt of the notice, except that the notice shall be effective immediately upon receipt where the alleged grounds are:

(i) Voluntary abandonment of the franchise relationship by the Franchisee;

(ii) The conviction of the Franchisee of an offense directly related to the business conducted pursuant to the franchise; or

(iii) Failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the Franchisor's trade name, Trademark, service mark, logotype or other commercial symbol after the Franchisee has received written notice to cure of at least 24 hours in advance thereof;

(B) Terminate or cancel a franchise except for good cause. "Good cause" shall be failure by the Franchisee substantially to comply with reasonable requirements imposed upon him by the franchise including, but not limited to:

(i) The bankruptcy or insolvency of the Franchisee;

(ii) Assignment for the benefit of creditors or similar disposition of the assets of the franchise business;

(iii) Voluntary abandonment of the franchise business;

(iv) Conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or

(v) Any act by, or conduct of, the Franchisee which materially impairs the goodwill associated with the Franchisor's Trademark, trade name, service mark, logotype or other commercial symbol.

(C) Unless the failure to renew the franchise is for good cause as defined in clause (B), Franchisor may not fail to renew a franchise unless (i) the Franchisee has been given written notice of the intention not to renew at least 180 days in advance thereof and (ii) has been given an opportunity to operate the franchise over a sufficient period of time to enable the franchisee to recover the fair market value of the franchise as a going concern measured from the date of the failure to renew. No franchisor may refuse to renew a franchise if the refusal is for the purpose of converting the franchisee's business premises



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to an operation that will be owned by the franchisor for its own account.

A franchisor may not unreasonably withhold consent to an assignment, transfer, or sale of the franchise where the assignee meets the present qualifications and standards required of other franchisees.

Item 13 is modified as follows: The Minnesota Department of Commerce requires that a Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Trademark infringes Trademark rights of the third party. The Company does not indemnify against the consequences of the Franchisee's use of the Company's Trademark except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, the Franchisee must provide notice to the Company of any such claim within 10 days and tender the defense of the claim to the Company. If the Company accepts the tender of defense, the Company has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Item 17 is amended to provide that you shall not be required to assent to a general release, and that liquidated damages are generally not permitted under Minnesota law.

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



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**NEW YORK**

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

   SPECIAL RISK FACTOR. Information comparing franchisors is available. Call the state administrators listed in Exhibit I or your public library for sources of information. Registration of this franchise by New York State does not mean that the State recommends it or has verified the information in this Franchise Disclosure Document. If you learn that anything in this Franchise Disclosure Document is untrue, contact the Federal Trade Commission and the appropriate State or provincial authority. The franchisor may, if it chooses, negotiate with you about the items covered in the Franchise Disclosure Document. However, the franchisor cannot use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in this Franchise Disclosure Document.

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

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

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

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

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

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



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agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

4. The following language replaces the "Summary" section of Item 17(d), titled

   1. "Termination by franchisee (you)":

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

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

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



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## NORTH DAKOTA

The following statements are added to Item 17:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void.

Arbitration proceedings may take place at a location mutually agreed between the parties that is not remote from your Territory.

You are not required to release any claims you might have against us under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreements are generally not enforceable in the State of North Dakota, except in certain instances as provided by law.



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**RHODE ISLAND**

The following statement is added to Item 17:

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 the Act.



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## VIRGINIA

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Virginia:

1. The following is added to the Special Risks to Consider:

   **Spousal Liability**. Your spouse may be asked to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

2. The following is added to Item 17(h):

   Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act (the "Virginia Act"), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement and/or the Development Agreement do not constitute reasonable cause, as that term may be defined in the Virginia Act or the laws of Virginia, that provision may not be enforceable.

3. The proposed agreements described in Item 22, including all agreements that a franchisee must sign, are accurately presented in this Disclosure Document.



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## WASHINGTON

The following statements are added to the Disclosure Document:

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 will prevail.

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

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed according to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitation period for claims under the Act, rights or remedies under the Act, such as rights to jury trial might not be enforceable.

To the extent required by the Act, transfer fees are collectible to the extent they reflect our reasonable estimated or actual costs in effecting a transfer.

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

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

Franchisees who receive financial incentives to refer franchise prospects to Franchisors may be required



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to register as franchise brokers under the laws of Washington State.

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



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**WISCONSIN**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Wisconsin.

1. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.

2. The following applies to Franchise Agreements in the State of Wisconsin:

   (a) The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 (the Act), shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.

   (b) The Act's requirements that Franchisor must provide franchisee at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. This notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that franchisee has 60 days in which to cure any claimed deficiency. If the deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, franchisee will have 10 days to cure the deficiency.



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**EXHIBIT F**
**TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**
**AS OF DECEMBER 31, 2024**

| Primary Contact | Street 1 | City | State/ Province | Bus Phone |
|---|---|---|---|---|
| ALABAMA | | | | |
| Christopher S. Harris | 615 Opelika Road | Auburn | AL | 334-741-3930 |
| Tomberlin, David | 5608 Clifford Circle Ste A | BIRMINGHAM | AL | 205-595-0100 |
| David Tomberlin | 5608 Clifford Circle Suite A | Birmingham | AL | 205-870-1692 |
| Tomberlin, David | 5608 Clifford Circle, Ste. A | BIRMINGHAM | AL | 205-870-1692 |
| David Tomberlin | 5608 Clifford Circle, Ste. A | BIRMINGHAM | AL | 205-870-1692 |
| David Tomberlin | 5608 Clifford Circle, Ste. A | BIRMINGHAM | AL | 205-870-1692 |
| Tomberlin, David | 5608 Clifford Circle Ste A | BIRMINGHAM | AL | 205-553-6334 |
| Tomberlin, David | 5608 Clifford Circle Ste A | BIRMINGHAM | AL | 205-981-0035 |
| David Tomberlin | 5608 Clifford Circle Ste A | BIRMINGHAM | AL | 205-981-0035 |
| David Tomberlin | 5608 CLIFFORD CIRCLE, STE A | BIRMINGHAM | AL | 205-640-0255 |
| David Tomberlin | 5608 Clifford Circle, Ste. A | BIRMINGHAM | AL | 205-870-1692 |
| David Tomberlin | 5608 Clifford Circle, Ste. A | BIRMINGHAM | AL | 205-870-1692 |
| Fred Brereton | 2835 S. Pine Street | Foley | AL | 251-942-7101 |
| Brereton, Fred & Janet | 2835 SO. PINE STREET | FOLEY | AL | 251-955-1238 |
| Brereton, Fred & Janet | 2835 SO. PINE STREET | FOLEY | AL | 251-955-1238 |
| James Michael Biggs | 5909 Live Oak Ct | Mobile | AL | 251-450-4447 |
| John A. Nielsen | 3926 Hall Mill Road | Mobile | AL | 251-660-2151 |
| Welch, Janet | PO BOX 230116 | MONTGOMERY | AL | 334-286-9271 |
| Janet Welch | PO BOX 230116 | Montgomery | AL | 334-286-9271 |
| Janet Welch | PO BOX 230116 | Montgomery | AL | 334-286-9271 |
| Tara Outson | 200 Brook Court | Smyrna | TN | 256-929-8925 |
| Tara Outson | 200 Brook Court | Smyrna | TN | 615-557-5231 |
| Tara Outson | 200 Brook Court | Smyrna | TN | 256-929-8925 |
| ARIZONA | | | | |
| Rachel Marie Hoyt | 3161 NORTH MOUNTAIN VIEW DRIVE | PRESCOTT VALLEY | AZ | 928-772-1730 |
| Kevin Burns | 4898 W. Mayan Drive | Golden Valley | AZ | 928-727-0505 |
| John Shaff | 1642 McCulloch Blvd. North | Lake Havasu City | AZ | 928-854-4576 |
| Michael Court | 20 West Baseline Rd | Mesa | AZ | 480-649-3663 |
| Michael Court | ATTN: Stephen and Susan Court | Mesa | AZ | 480-649-3663 |
| Nicholas Rosin | 10202 East Sphere Avenue | Mesa | AZ | 480-588-0661 |
| Nicholas Rosin | 10202 East Sphere Drive | Mesa | AZ | 480-588-0661 |
| Zachary C. Price | 693 W. Calle Alta Loma | Oro Valley | AZ | 520-885-1389 |
| Matthew R. Barclay | PO Box 1195 | Pinedale | AZ | 928-368-7701 |
| Matthew R. Barclay | PO Box 1195 | Pinedale | AZ | 928-368-7701 |
| Rachel Marie Hoyt | 3161 N Mountain View Dr. | Prescott Valley | AZ | 928-772-1730 |
| Rachel Marie Hoyt | 3161 NORTH MOUNTAINVIEW DRIVE | PRESCOTT VALLEY | AZ | 928-772-1730 |
| Rachel Marie Hoyt | 3161 N. Mountain View Drive | Prescott Valley | AZ | 928-772-1730 |
| Jorge Ochoa | 28500 N Desert Hills Dr | San Tan Valley | AZ | 623-400-6641 |



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| | | | | |
|---|---|---|---|---|
| Ochoa, Jorge | 28500 N Desert Hills Dr | San Tan Valley | AZ | 623-400-6641 |
| David Gaulden | 14610 E Peak View Rd | Scottsdale | AZ | 602-773-1198 |
| Tom McGeorge | 6617 E Calle Redondo | Scottsdale | AZ | 602-996-8059 |
| David Gaulden | 7607 E Green Way Rd | Scottsdale | AZ | 602-773-1198 |
| David Gaulden | 14610 East Peak View Rd. | Scottsdale | AZ | 480-991-2277 |
| David Gaulden | 14610 East Peak View Rd. | Scottsdale | AZ | 602-773-1198 |
| David Gaulden | 14610 East Peak View Rd. | Scottsdale | AZ | 602-773-1198 |
| William Garrity | 3434 E Kleindale Road, Suite D | Tucson | AZ | 520-296-0052 |
| Brandon Merrill | PO BOX 32573 | Tucson | AZ | 520-881-1263 |
| Mark Smith | 7570 E. Speedway Blvd | Tucson | AZ | 520-447-4292 |
| Smith, Mark | 7570 E. Speedway Blvd | Tucson | AZ | 520-447-4292 |
| ARKANSAS | | | | |
| Maria G. Reyes | 1533 North Greenwood Avenue | Fort Smith | AR | 479-646-8800 |
| Maria G. Reyes | 1533 North Greenwood Avenue | Fort Smith | AR | 479-646-8800 |
| Maria G. Reyes | 1533 North Greenwood Avenue | Fort Smith | AR | 479-646-8800 |
| CALIFORNIA | | | | |
| Mike Johnson | PO Box 682 | Atwater | CA | 209-357-4448 |
| Tom McGeorge | 1510 Marion Drive | Bakersfield | CA | 661-366-9061 |
| McGeorge, Tom & Lou | 1510 MARION DRIVE | BAKERSFIELD | CA | 661-366-9061 |
| McGeorge, Tom & Lou | 1510 MARION DRIVE | BAKERSFIELD | CA | 661-366-9061 |
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| Dada M. Ojeisekhoba | 34923 Miller Place | Beaumont | CA | 951-338-9119 |
| Dada M. Ojeisekhoba | 34923 Miller Place | Beaumont | CA | 951-338-9119 |
| Madden, Michael | 101 Industrial Rd. #5 | Belmont | CA | 415-584-2466 |
| Michael Madden | 101 Industrial Rd. #5 | Belmont | CA | 650-592-7110 |
| Michael Goff | 101 Industrial Rd. #9 | Belmont | CA | 650-347-6972 |
| John Davis | P.O. Box 1707 | Boulder Creek | CA | 831-704-6287 |
| John Davis | P.O. Box 1707 | Boulder Creek | CA | 831-704-6287 |
| Robert Rodriguez | 272 Gemini Ave. | Brea | CA | 562-697-7399 |
| Robert Rodriguez | 272 Gemini Ave. | Brea | CA | 714-671-9466 |
| Robert Rodriguez | 272 Gemini Ave. | Brea | CA | 714-671-9466 |
| Alfredo Gelacio, Jr. | 98 Carlyn Avenue | Campbell | CA | 831-688-4858 |
| Alfredo Gelacio, Jr. | 98 Carlyn Avenue | Campbell | CA | 408-370-7847 |
| Alfredo Gelacio, Jr. | 98 Carlyn Avenue | Campbell | CA | 831-462-6600 |
| Alfredo Gelacio, Jr. | 98 Carlyn Avenue | Campbell | CA | 831-346-2335 |
| Ed & Veronica Ramia | 8132 Deering Ave. | Canoga Park | CA | 818-885-5501 |
| Edward Ramia | 8132 Deering Ave. | Canoga Park | CA | 818-885-5501 |
| Edward Ramia | 8132 Deering Ave. | Canoga Park | CA | 818-885-5501 |
| Ramia, Edward | 8132 Deering Ave. | Canoga Park | CA | 310-459-2380 |
| Ramia, Edward & Veronica | 8132 Deering Ave. | Canoga Park | CA | 661-222-7160 |
| Brooks Blaquera | 20230 Summit View Dr. | Canyon Country | CA | 661-251-6051 |
| Rod Van Rijckevorsel | 4005 Manzanita Ave | Carmichael | CA | 916-641-0144 |
| Roderick A. Van Rijckevorsel | 4005 Manzanita Ave. | Carmichael | CA | 916-685-5856 |
| Troy Goodman | 10952 Noble Street | Cherry Valley | CA | 951-849-0498 |
| Goodman, Troy | 10952 NOBLE STREET | CHERRY VALLEY | CA | 951-849-0498 |
| Jacob and Anna Lopez | 14465 Avenue 18 1/2 | Chowchilla | CA | 559-871-6199 |
| Jacob Lopez | 14465 Avenue 18 1/2 | Chowchilla | CA | 559-871-6199 |



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| | | | | |
|---|---|---|---|---|
| Jacob Lopez | 14465 Avenue 18 1/2 | Chowchilla | CA | 559-661-8246 |
| Mario Edwin Cortez | 1765 Sierra Verde Rd. | Chula Vista | CA | 619-892-7061 |
| Don Steffens | 7333 Woodruff Way | Citrus Heights | CA | 916-983-1144 |
| Don Steffens | 7333 Woodruff Way | Citrus Heights | CA | 530-889-1144 |
| Robert Levy | 1175 Shaw Ave. | Clovis | CA | 559-292-9070 |
| Richard (Guy) Comer | 464 West Lester Ave. | Clovis | CA | 559-785-3107 |
| Ronnie Gonzalez | 1736 Via Santiago | Corona | CA | 909-501-5375 |
| Tim Peiffer | 818 Donovan Court | Davis | CA | 916-486-8802 |
| Francisco Moreno | 12818 Shorthorn Drive | Eastvale | CA | 951-427-0709 |
| Francisco Moreno | 12818 Shorthorn Drive | Eastvale | CA | 951-427-0709 |
| Rafael Martinez | 1318 York Avenue | Escondido | CA | 858-274-4513 |
| Ryan Sanborn | 2255 Myrtle Avenue Unit C | Eureka | CA | 707-443-9969 |
| Ryan Sanborn | 2255 Myrtle Avenue Unit C | Eureka | CA | 707-443-9969 |
| Timothy Walsh | PO Box 1378 | Felton | CA | 707-939-9495 |
| Walsh, Timothy Sean | PO Box 1378 | Felton | CA | 707-939-9495 |
| Abed M. Saad | 1109 W. 190TH ST STE I | Gardena | CA | 562-420-9711 |
| Saad, Abed M. | 1109 W 190th Street, Suite I | Gardena | CA | 562-420-9711 |
| Saad, Abed M. | 1109 W. 190TH ST. UNIT I | GARDENA | CA | 310-559-5613 |
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| Juan Perez | 5171 W. Jaycie Court | Salt Lake City | UT | 801-905-1627 |
| Qualls, Johnathan D. | 3224 CHATEAU VIEW CIR | SOUTH JORDAN | UT | 801-547-1200 |
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| John and Kristy Qualls | 3224 Chateau View Circle | South Jordan | UT | 801-229-2000 |
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| Scot Pyne | 41 W 400 North | Tooele | UT | 435-882-1601 |
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| Kyle Irvine | 162 North Star Dr | Whitehorse | YT | 867-332-1444 |

## FRANCHISEES WHO HAVE SIGNED FRANCHISE AGREEMENTS, BUT NOT OPENED AS OF OCTOBER 31, 2024

*None.*



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**EXHIBIT G**
**TO FRANCHISE DISCLOSURE DOCUMENT**

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**AS OF DECEMBER 31, 2024**

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| Jacob Lopez | 14465 Avenue 18 1/2 | Chowchilla | CA | 559-871-6199 |
| Guy and Heather Comer | 464 West Lester Ave. | Clovis | CA | 559-785-3107 |
| James LaFontaine | 3599 Halifax Way | CONCORD | CA | 925-356-2300 |
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| Joshua Duggan | 921 Applegate Road | Madison | WI | 608-355-5050 |



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| Don Kado | 14650 E. Hampden Pl. | Aurura | CO | 303-888-7879 |
| Wallace Eugene & Brenda J. Power | 1535 Spring Hills Dr. | Spring | TX | 281-732-3700 |

*Some franchisees terminated, transferred or ceased operating more than one franchise license



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**EXHIBIT H-1**
**TO THE FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE ORGANIZATIONS**

As of the date of this Disclosure Document, we have not created any Franchise Organizations.

**EXHIBIT H-2**
**TO THE FRANCHISE DISCLOSURE DOCUMENT**

**INDEPENDENT FRANCHISEE ASSOCIATIONS**

As of the date of this Disclosure Document, to our knowledge, there are no Independent Franchise Associations.



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**EXHIBIT I**
**TO FRANCHISE DISCLOSURE DOCUMENT**

# DISCLOSURE ACKNOWLEDGEMENT QUESTIONNAIRE

*To be completed by each signatory to the Franchise Agreement.*

## FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Chem-Dry, Inc. and you are preparing to enter into a Franchise Agreement for the operation of a franchise. Please review each of the following questions carefully and provide honest responses to each question. Please do not sign this Questionnaire if the franchisee is a Maryland or Washington resident or if the franchised business will be located in the State of Maryland or Washington.

1. Have you received and personally reviewed the Franchise Disclosure Document and each exhibit we provided to you? Yes_____ No_____

2. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? Yes_____ No_____

3. Have you discussed operating a franchise with an attorney, accountant or other professional advisor? Yes_____ No_____

4. Do you understand the success or failure of your franchise will depend on many factors including your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace? Yes_____ No_____

5. Has any employee or other person speaking on behalf of us made any statement or promise regarding the amount of money you may earn in operating the franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes_____ No_____

6. Has any employee or other person speaking on behalf of us made any statement or promise concerning the total amount of revenue the franchise will generate that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes____ No_____

7. Has any employee or other person speaking on behalf of us made any statement or promise regarding the costs involved in operating the franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
   Yes_____ No_____

8. Has any employee or other person speaking on behalf of us made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating a franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes_____ No_____

9. Has any employee or other person speaking on behalf of us made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes____ No_____



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10. If you have answered "Yes" to any of the questions 7 through 11, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following space blank.

| |
|---|
| |

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

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

Maryland sales/Maryland residents: The representations, acknowledgements and affirmations in this Exhibit are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Act.

Washington sales/Washington residents: This Franchisee Disclosure Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

_____
FRANCHISE APPLICANT

_____, 20__



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## EXHIBIT J

## State Effective Dates

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

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

| State | Effective Date |
|---|---|
| California | pending |
| Florida | pending |
| Hawaii | pending |
| Illinois | pending |
| Indiana | pending |
| Maryland | pending |
| Michigan | pending |
| Minnesota | pending |
| New York | pending |
| North Dakota | pending |
| Rhode Island | pending |
| South Dakota | pending |
| Utah | pending |
| Virginia | pending |
| Washington | pending |
| Wisconsin | pending |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



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# EXHIBIT K
# TO FRANCHISE DISCLOSURE DOCUMENT

## RECEIPTS



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## RECEIPTS

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Chem-Dry, Inc., offers you a franchise, it must provide the Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Chem-Dry, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this Disclosure Document at least ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.

Date of Issuance: March 28, 2025.

See Exhibit C for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 28, 2025, that included the following Exhibits:

Exhibit A – Agreements:
A-1 - Franchise Agreement and Addenda
A-2 - Promissory Note
A-3 - Confidentiality / Non-Disclosure Agreement
A-4 - General Release(s)
A-5 - Equipment Sales and Security Agreement
Exhibit B – Financial Statements
Exhibit C – State Administrators / Agents for Service of Process
Exhibit D – Manual Table of Contents
Exhibit E – State Addenda to Disclosure Document
Exhibit F – List of Franchisees
Exhibit G – List of Former Franchisees
Exhibit H-1 – Franchise Organizations
Exhibit H-2 – Independent Franchisee Associations
Exhibit I – Disclosure Acknowledgement Questionnaire
Exhibit J - State Effective Dates Page
Exhibit K - Receipts

The franchise seller is Chem-Dry, Inc., 310 West End Ave., Suite 620, Nashville, TN 37203, (800) 841-6583. Any additional individual franchise sellers involved in offering the franchises are:

( )Doug Smith ( ) D'Wayne Tanner ( ) ( ) Other _____.

**Date Received**:_____

_____ _____
Signature of Prospective Franchisee Print Name

_____
Entity Name (if applicable)

_____ _____
Signature of Prospective Franchisee Print Name

_____
Entity Name (if applicable)

You should return one copy of the signed receipt by signing, dating, and emailing it to your sales representative or mailing it to us at 3310 West End Ave., Suite 620, Nashville, TN 37203. You may keep the second copy for your records.



©2025 Chem-Dry, Inc.

## RECEIPTS

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Chem-Dry, Inc. offers you a franchise, it must provide the Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

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Date of Issuance: March 28, 2025.

See Exhibit C for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 28, 2025, that included the following Exhibits:

The franchise seller is Chem-Dry, Inc., located at 3310 West End Ave., Suite 620, Nashville, TN 37203, (800) 841-6583. Any additional individual franchise sellers involved in offering the franchises are:

Exhibit A – Agreements:
A-1 - Franchise Agreement and Addenda
A-2 - Promissory Note
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Exhibit H-2 – Independent Franchisee Associations
Exhibit I – Disclosure Acknowledgement Questionnaire
Exhibit J - State Effective Dates Page
Exhibit K - Receipts

( )Doug Smith ( ) D'Wayne Tanner ( ) ( ) Other _____
**Date Received**:_____

_____ _____
Signature of Prospective Franchisee Print Name

_____
Entity Name (if applicable)

_____ _____
Signature of Prospective Franchisee Print Name

_____
Entity Name (if applicable)

You should return one copy of the signed receipt by signing, dating, and emailing it to your sales representative or mailing it to us at 3310 West End Ave., Suite 620, Nashville, TN 37203. You may keep the second copy for your records.



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