

# FRANCHISE DISCLOSURE DOCUMENT

## FRESH AIRE FRANCHISE, LLC

An Oregon limited liability company  
19363 SW Willamette Drive #231  
West Linn, Oregon 97068  
877-650-8241  
[corporate@freshaire.com](mailto:corporate@freshaire.com)  
[www.FreshAire.com](http://www.FreshAire.com)  
[www.FreshAireFranchiseOpportunity.com](http://www.FreshAireFranchiseOpportunity.com)



We are *Fresh Aire Franchise, LLC*, an Oregon limited liability company. We offer franchises to qualified individuals and entities to own and operate a Fresh Aire office fragrance and deodorizer installation and service franchise under our service marks, trade names, programs, and systems using the names "*Fresh Aire*®", "*Fresh Aire Office Fragrancing and Deodorizing Service*" and the "*Fresh Aire*" logo. Our franchisees offer and sell high-quality deodorizers, air freshener fragrances and related installation and periodic service contracts and related products and services under the Service Marks and our programs and systems (the "Method of Operation").

The total investment necessary to begin operation of a Fresh Aire franchise is \$42,900 to \$131,900. This includes \$31,900 to \$36,900 that must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ed Winkler at 19363 SW Willamette Drive #231, West Linn, Oregon 97068, 877-650-8241.

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

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

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

**ISSUANCE DATE: January 1, 2023**

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About This Franchise

Certain states require that the following 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 Oregon. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Oregon than in your own state.
2. **Spousal Liability.** In community property states, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin, your spouse must sign a document that your spouse is liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. The guaranty will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

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

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We are **Fresh Aire Franchise, LLC** (called "We," "Us," or "Our"). We were incorporated in Oregon on June 10, 2009. We do business under the names "**Fresh Aire®**", "**Fresh Aire Office Fragrancing and Deodorizing Service**", and the **Fresh Aire** logos. We do not intend to do business under any other names. Fresh Aire Franchise, LLC is called "us" or "we" in this Franchise Disclosure Document. "You" means the prospective purchaser of a Fresh Aire franchise, and includes owners or partners of a corporation, partnership, or other legal entity that purchases a Fresh Aire franchise.

We are the franchisor of the Fresh Aire office fragrance and deodorizing franchise system. We license our franchisees in specified territories to own and to operate franchises under the names "Fresh Aire," "Fresh Aire Office Fragrancing and Deodorizing Service" and the Fresh Aire logos. We authorize our franchisees to promote, advertise, and sell quality deodorizer installation and service packages and equipment to the public and to use our method of Operation and our service marks in the operations of the franchisee's business through mobile onsite service.

Our principal office address is 19363 SW Willamette Drive #231, West Linn, Oregon 97068. Our telephone number is 877-650-8241. We have offered franchises since October 2009. We do not have any other business activities. Neither we nor our affiliate have ever offered franchises in any other line of business. We do not operate any businesses of the type being franchised. We may in the future produce and sell innovative advertising and sales promotion materials. We may attempt to negotiate group discount rates for the benefit of our franchisees for wholesale deodorizer and related products, supplies, and equipment.

Our registered agents for service of process are outlined in Exhibit F to this Disclosure Document.

Our only affiliate company is Fresh Aire, Inc. ("affiliate"). It was formed in Oregon in May, 2001 under the name Fresh Aire Air Fresheners, Inc., as a continuation since March of 1995 of the deodorizer sales and installation business operated by our founders. Its name was changed on July 23, 2013. Its principal address is 19363 SW Willamette Drive #231, West Linn, Oregon 97068. Since its inception, Fresh Aire, Inc. has operated deodorizer service businesses in Clackamas, Lane, Linn, Marion, Multnomah, Polk and Washington counties in Oregon. These mobile service operations offer deodorizer installation and service and air freshener parts and equipment similar to those offered by our franchisees.

We and our affiliate company retain the right to own or operate additional Fresh Aire businesses and franchises.

The market for store front and mobile commercial and residential air freshener installation and services is growing throughout the United States. The principal sources of direct competition for your franchise are similar businesses (some of which are large multiple unit businesses and others of which are part of existing franchise chains) that provide commercial or residential air freshener installation and service, deodorizer equipment sales and mobile deodorizer and cleaning services.

To our knowledge, there are no federal, state, or local laws pertaining specifically to the office fragrance and deodorizer service industry. Legal regulations that apply to all businesses generally may include:

Federal, state, and city, county, parish, borough, municipality or other local laws.

Federal. Examples of federal laws are wage and hour, occupational health and safety, equal

employment opportunity, hazardous materials communication to employees, hazardous waste and environmental, and the Americans with Disabilities Act.

State. State laws may cover the same topics as federal laws. Examples of state laws include environmental, occupational health and safety, fire, health, and vehicle and driving laws.

Local. Local laws may cover the same topics as federal and state laws. Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal.

COVID-19. In addition to full compliance with fluctuating and varied state and local rules related to Covid-19 shelter-in-place, business and essential services opening and operations restrictions, social distancing, disinfection, surface cleaning, hand washing, hand sanitation, and masking requirements, we have made and intend to continue the following changes to our business model to adapt to governmental or consumer demands during and post-COVID-19:

Fresh Aire franchisees have made a "Drop-off" service available for customers that have high risk clientele or employees. Examples of this are customers in the long-term care and multi-family housing industries. Franchisees have adopted a protocol of sanitizing the product and packaging it with instructions for on-site maintenance personnel to perform the service.

You must comply with all employment laws and regulations in respect to your employees and/or independent contractors. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You should investigate these and other laws applicable to your business with your own independent legal counsel before signing the Franchise Agreement and before opening for business.

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## 2. **BUSINESS EXPERIENCE**

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The following are the occupational histories for at least the last five years of our directors, principal officers and franchise sales agents.

### **ED WINKLER – Manager and Chief Executive Officer**

Mr. Winkler has served as our Manager and Chief Executive Officer since our inception in 2009. Since May 2001, he has been the founder and chief executive officer for our affiliate Fresh Aire, Inc. He has sold and serviced deodorizers in Portland, Oregon since 1995 (including through Winco Enterprises, Inc. from 1995 through 2001 and through our affiliate since 2001).

### **BRENDA WINKLER – Manager and Chief Operating Officer**

Mrs. Winkler has served as our Manager and Chief Operating Officer since our inception. Since May 2001, she has been Vice President and Secretary for our affiliate Fresh Aire, Inc. and has been actively managing Fresh Aire customer accounts and business operations since 1996.

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### **3. LITIGATION**

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No litigation is required to be disclosed in this Item

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### **4. BANKRUPTCY**

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No bankruptcy information is required to be disclosed in this Item.

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### **5. INITIAL FEES**

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Our franchisees make an Initial Franchise Fee payment of \$31,900. Contemporaneously with the execution of the Franchise Agreement, you pay to us one-half of the Initial Franchise Fee. The remaining one-half is paid on the earlier of 90 days after we sign the Franchise Agreement or when you schedule the mandatory training course described in Item 11, below. You can pay us an additional \$5,000 to purchase an additional 5 days of on-site sales support as outlined in Item 11, below.

The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of the Franchise Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others. In addition, once you have paid the Initial Franchise Fee in full, during the first nine months you operate your franchise, we will give you a credit of \$7,000 towards air freshener fragrances and diffusers and towards the retail price of other supplies of your choice and related shipping costs. These start-up products and services are fully paid by and included in the Initial Franchise Fee. We reserve the right to modify the quantities and types of these start-up products and services. Generally, these start-up products and services will include approximately the following:

- \$7,000 credit for fragrances, diffusers, and shipping to be used within nine months from the day you complete training in Portland. Diffusers must be purchased with this credit along with wafers of various fragrances and related parts and accessories
- Access to our proprietary, custom internet-based software to manage your business
- 500 business cards
- 500 business envelopes
- 300 labels for diffuser units
- 4 items of identity apparel
- 1 name badge for each owner

- 3 sets of shelving
- 24 large fragrance bins
- 8 small wafer bins
- A market expansion line for phone (will remain in our name)
- Locking Mailbox at a UPS Store or Similar – rental paid by us for the first year
- Web Hosting on our website, including server space for our web-based operational software for one year.
- Business Jump-start: Five days of sales support in your territory after completion of franchise training at corporate location.

If you do not pass the mandatory training course to our satisfaction, we may terminate the Franchise Agreement by refunding the Initial Franchise Fee.

You must open the franchise no later than **180** days after the effective date of the Franchise Agreement. This time requirement may be extended for multiple franchise purchases. If this obligation is not fulfilled, we may elect to terminate the Franchise Agreement upon refunding to you not less than one-half of the Initial Franchise Fee.

We may offer franchises at a reduced rate to prospective franchisees who in our opinion possess the knowledge and experience to conduct business with minimal assistance from us or who are purchasing multiple franchises. Occasionally, we may grant new franchises to certain selected top producing franchisees (such as for an award at a franchise system convention) and to our owners and employees and their family members with reduced or no initial fees.

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## 6. OTHER FEES

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Name of Fee	Amount	Date Due	Remarks
Royalty Fee	\$0.80 for each air freshener based on the number of diffusers you actively serviced two months previous as captured in a report embedded in our operational software.	Payable by the 1 <sup>st</sup> day of each month as outlined in the Fresh Aire Operations Manual.	This fee is paid by check or through automatic debit processes as outlined in the Operations Manual.  The total Royalty Fees you pay to us each month will not be more than \$800 (adjusted quarterly to reflect any quarterly increase in the national Consumer Price Index published by the federal Bureau of Labor Statistics) regardless of the number of Fresh Aire franchises you directly and exclusively own.
Additional Training	\$500 per day and you must reimburse us for our reasonable out of pocket costs.	Before opening or after you open your franchise for business.	You must give us not less than <b>35</b> days' prior written notice of your desire to receive additional training. The duration of training is negotiable depending upon your needs. You will not receive any

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all your training.
Franchise Sales Support Visit	You must reimburse us for our actual out-of-pocket costs, plus pay the standard commission per sale published in the Operations Manual.	After you open your franchise for business.	You must give us not less than <b>35</b> days' prior written notice of your desire to receive a franchise sales support visit. We reserve the right to accept, modify or decline your request. The duration of visit is negotiable depending upon your needs. We may designate qualified franchisees or master franchisees to handle a sales support visit.
Software Upgrades	Prorata among all franchisees based upon each franchisee's number of deodorizers in service.	As Incurred	All franchisees will share the cost of necessary software upgrades.
Server Space for our web-based operational software	\$200 per year	October 1 annually	Included in Initial Franchise Fee for first year. Prorated from date franchise opens.  The cost of server maintenance and hosting fees, your listing on the franchise website in terms of contact and location and the costs to host the site and maintain it, and the day-to-day unlimited phone support are paid from the Royalty Fee.
Transfer Fee	\$4,000 plus 10% of the gross transfer price you receive if we find the transferee for you	Before transfer	This fee is paid by you to reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.
Renewal	None		You must pay the costs to prepare the renewal franchise document and for any retraining programs we require (currently 3-days at \$500 per day) and to upgrade your franchise premises.
Step-In Right Costs		As Incurred	You must reimburse us for our out-of-pocket expenses and costs we incur if we step-in to operate your franchise pursuant to Franchise Agreement.
Late Charge	1.5% per month	Each month that amounts owed remain	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law. For example, the

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
		unpaid	maximum interest rate in California is 10% per annum.
Relocation	You will reimburse us for our out-of-pocket costs concerning the relocation.	Prior to relocation	
Product Testing Costs		As incurred	You must reimburse us for our out-of-pocket expenses and costs we incur to test new products or sources you request for approval (See Item 8 and Franchise Agreement Section 5.1).
Audit	Our costs for the audit if you understate contributions or operations by more than 2% or fail to deliver to us required reports on time	Immediately upon demand	See notes below.
Convention and Trade Show	If you do not attend any convention, we will deliver to you and you will pay us for all training materials, documentation, handouts, training videos, and video recordings of the activities of the convention. The price for the training materials, documentation, handouts, and training videos for each annual convention will be established by us from time to time but will not be less than \$125 per day.	Immediately upon demand	You are required to attend our periodic convention and trade shows. We estimate that your costs for food and lodging to attend will be from \$900 to \$1,500. This is not a fee collected by us; these amounts are paid to third-party vendors. This estimate does not include air fares, which vary based on your franchise location.

\*All fees are imposed by and payable to us. All fees are non-refundable.

Taxes. You must pay any taxes imposed as a result of your payment to us of initial or ongoing fees.

Monthly Revenue and Inventory to Be Reported. You will deliver to us, as outlined in the Operations Manual, an itemized report of deodorizers you have placed with your customers and your monthly gross revenue from them. The report must be in the form we designate.

Audits. To verify your revenue and inventory reports and other operational requirements of the franchise agreement, we may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate your inventory or operational performance for any reported period or periods by more than

2 percent or unless you fail to deliver any required report or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law.

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## 7. ESTIMATED INITIAL INVESTMENT

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### YOUR ESTIMATED INITIAL INVESTMENT

<u>EXPENDITURE</u>	<u>AMOUNT</u>	<u>PAYMENT METHOD</u>	<u>WHEN DUE</u>	<u>TO WHOM</u>
Initial Franchise Fee	\$31,900	one-half down and balance within 90 days or when you schedule training	As outlined in Item 5, above.	Us
Advertising <sup>1</sup>	\$0 to \$3,000	Cash	As Incurred	Us or Suppliers
Business License	\$100 to \$250	As Incurred	Prior to Opening	Government Administrators
Utilities Deposits and Payments <sup>1</sup>	\$0 to \$250	As Incurred	As Incurred	Landlord, Utility Companies and Suppliers
Franchise Premises Rent <sup>1</sup>	\$0 to \$3,000 (@ \$0 to \$1,000 per month)	As Incurred	As Incurred	Landlord
Construction and Leasehold Improvements <sup>1</sup>	\$0 to \$5,000	As arranged	As incurred	Third parties
Inventory	Included in Initial Fee	As Incurred	Before opening and as incurred	Us or Suppliers
Office Set-up and furnishings/fixtures <sup>1</sup>	\$0 to \$5,250	As Incurred	Before Opening and as incurred	Suppliers
Equipment <sup>1</sup>	\$0 to \$3,000	As incurred	Before initial training	Third parties.
Décor and Branding <sup>1</sup>	\$0 to \$4,000	As arranged	As incurred	Third parties
Office	\$0 to \$3,000	As arranged	As incurred	Third parties

<u>EXPENDITURE</u>	<u>AMOUNT</u>	<u>PAYMENT METHOD</u>	<u>WHEN DUE</u>	<u>TO WHOM</u>
Equipment including Televisions, Cameras, and Office <sup>1</sup>				
Computer and POS <sup>1</sup>	\$0 to \$1,500	As arranged	As incurred	Third parties
Association Memberships <sup>2</sup>	\$0 to \$600	As arranged	As incurred	Third parties
Travel and Living Expenses While Training	\$500 to \$1,500	As Incurred	During Training	Airlines, Hotels, Restaurants, etc.
Cell Phone <sup>3</sup>	\$150 to \$300 (@\$50 to \$100 per month)	As Incurred	Before Starting Operations	Suppliers
Wages for Employees <sup>4</sup>	\$0 to \$600	As arranged	As incurred	Employees
Clothing and Uniforms <sup>5</sup>	\$0 to \$500	As Incurred	After Starting Operations	Suppliers
Car Signs <sup>6</sup>	\$0 to \$100 (per car)	As Incurred	Before Opening	Suppliers
Licenses and Bonds <sup>7</sup>	\$0 to \$150	As Incurred	Before Opening	Government agencies, etc.
Vehicle Purchase <sup>8</sup>	\$0 to \$35,000	As Incurred	Before Opening	Suppliers
Insurance	\$300 to \$1,000	As Incurred	Before Opening	Insurers
Attorneys and Accountants <sup>9</sup>	\$0 to \$1,000	As arranged	As incurred	Attorneys and accountants
Miscellaneous Opening Costs <sup>10</sup>	\$250 to \$1,000	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds –3 months <sup>11</sup>	\$10,000 to \$30,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
<b>TOTAL</b>	<b>\$42,900 to \$131,900</b>			

<sup>1</sup>You may elect whether and how much to advertise. Therefore, your expense could be as low as \$0.

If you elect to operate out of your home or other current space you occupy, using furnishings, fixtures, décor and branding, computers, communications, high speed internet, electronics, and equipment on hand, your expense could be as low as \$0.

<sup>2</sup>You may, but are not required to, join local professional and business associations. Therefore, your expense could be as low as \$0.

<sup>3</sup> You may use cell phones/office telephones that you currently have on hand. Therefore, your expense could be as low as \$0.

<sup>4</sup>We recommend that you do not hire employees to assist you during the initial phase of your operations, thus incurring no employment related costs, therefore, your expense could be as low as \$0..

<sup>5</sup>We provide four items of identity apparel to you. Therefore, your expense could be as low as \$0.

<sup>6</sup>We do not require that you attach Fresh Aire related signs to your vehicles. Therefore, your expense could be as low as \$0.

<sup>7</sup>Depending upon your local jurisdiction(s), you may be required to pay for business and specialty licenses, bonds, and registrations related to your franchise operations. These may not be required in your jurisdiction; therefore, your expense could be as low as \$0.

<sup>8</sup>We did not require that you have or use any specific type of automobile or mode of transportation in your franchise operations. You may use vehicles and modes already available to you. Therefore, your expense could be as low as \$0.

<sup>9</sup>You may, but are not required to, use legal and accounting professionals to help you set up and to administer your franchise operations. Therefore, your expense could be as low as \$0.

<sup>10</sup>Miscellaneous costs may include petty cash expenditures, sundries, advice and services from professionals and providers you deem important or helpful, and similar disbursements.

<sup>11</sup>The initial phase covered by the additional funds estimate is 3 months. The high and low range estimates are based on our owners' and our affiliates' experience in opening and operating mobile air freshener service businesses in Oregon since 1995. A minimum of \$10,000 working capital is strongly recommended. You should plan on other sources of income to cover your living expenses.

Except as provided in Section 5, above, any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

We do not finance any of these initial expenses. The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to you, lending institution policies concerning the type of business to be operated by you, and other comparable elements.

We require no other payments.

These tables estimate your initial start-up expenses. These figures represent our estimates based upon our experience and the experience of our licensees.

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

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## **8. RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES**

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We will lend to you a copy of the Operations Manual at the mandatory training course described in Section 11, below. We may amend the Operations Manual, including changes that may affect minimum

requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual as we amend it. You will carry out immediately all changes at your cost, unless we otherwise specify. We reasonably may designate minimum standards for operations and designate guidelines, as specified in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual contains the Fresh Aire office fragrance and deodorizing system and related specifications, standards, operating procedures, accounting and bookkeeping methods, marketing programs and ideas, advertising layouts, advertising guidelines, operation requirements, public relations guidelines, service guidelines and other rules that we may prescribe.

You must purchase all advertising materials from us or our approved suppliers to ensure uniformity and quality of the advertising. Any equipment, products, inventory, or other items that bear the Fresh Aire logo or have the words 'Fresh Aire' in them must be bought from us or an approved supplier.

You must purchase all equipment, inventory, and all other items used in your franchised business from us or from approved suppliers to ensure the quality and uniformity of services in the Fresh Aire franchise system.

All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will upon request provide them to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of our franchise system.

We and our affiliate Fresh Aire, Inc. are currently the only approved suppliers for advertising materials and equipment, products, inventory, and all other items that bear the Fresh Aire name or logo. Our officers Ed and Brenda Winkler have an ownership interest in our affiliate Fresh Aire, Inc.

We also have approved several unaffiliated product suppliers as outlined in the Operations Manual. We negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

With advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards. These specifications and standards will relate to quality, durability, value, cleanliness, composition, strength and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We may license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver Fresh Aire office fragrance and deodorizing products to you but to no other person. Our confidential requirements, systems and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements, and testing procedures; will maintain the confidentiality of the designs, systems, and formulas; and will adequately supply your reasonable needs. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of receiving written notice from you of your request for approval.

We or our agents may inspect any approved manufacturer, supplier or distributor facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier, or distributor. If we find from any inspection that a manufacturer, supplier, or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier, or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier, or distributor will no longer be approved.

We and our affiliate Fresh Aire, Inc. may derive revenue from providing products to you, including some products which do now, or may in the future, bear our names and services marks. In our fiscal year

ending September 30, 2022 we received approximately \$4,600 (3.3% of our total revenue of \$138,276) from franchisees' required purchases or leases of products, server maintenance, and software share-cost. In our fiscal year ending September 30, 2022 our affiliate received approximately \$34,057 gross revenue of this type (related to the sale of wafers, diffusers, and liquid scents to our franchisees), representing approximately 3.1% of its total revenue of approximately \$1,098,650. We estimate that approximately 5 to 10 percent of our and our affiliate's total revenues will be from products and equipment purchased from us and our affiliate by our licensees. We estimate that purchases from our affiliate or approved suppliers will be from 80 to 100 percent of the total purchases you make to establish your franchise, averaging about \$6,000 to \$8,000 to us or our affiliate (in part from the initial franchise fee you pay to us) and \$0 to \$1,000 to approved suppliers (for warehouse and office organization and convenience items). We estimate that purchases from us or our affiliate will be from 70 to 80 percent of the total purchases you make to operate your franchise (averaging about 20 to 30 percent of your gross revenue annually). We also estimate that annual purchases from approved suppliers will average about \$1,000 for every 100 diffusers you have in service.

We and our affiliate may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. As of September 30, 2022, we had received such funds in the approximate amount of \$0, which was approximately 0% of our total revenue as shown on our September 30, 2022 financial statements. Our affiliate received such funds in the approximate amount of \$0, which was approximately 0% of our affiliate's total revenues as of September 30, 2022.

We have established an accounting system based upon our website-based accounting computer software. You are required to use our accounting systems and a public accounting firm specified by us or otherwise approved by us in writing.

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers. Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business. Except as explained above, we will not derive revenue from your purchases or leases.

We currently provide material benefits to franchisees based on use of and purchases from designated or approved sources including the right to renew your franchise rights and to obtain additional franchises.

While they do not exist now, in the future, we hope to create and augment the effectiveness of purchasing and distribution cooperatives for the purchase of materials and the provision of advertising, for the benefit of the Fresh Aire franchise system.

You may not sell any products, services, or activities other than those specifically recognized and approved by us as part of our franchise system without our prior written approval.

You are required to obtain and keep in force by advance payment of premium appropriate liability insurance. The insurance will include, at a minimum, the following:

- A. Comprehensive general liability insurance, including products liability, completed operations, property damage, contractual liability, independent contractors' liability, owned and non-owned and hired automobile coverage, and personal injury coverage with a combined single limit of at least \$1,000,000, including umbrella coverage.
- B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.
- C. Employer Practice liability insurance.
- D. Automobile liability insurance, including owned, non-owned, leased, and hired vehicle coverage, with a combined single limit of at least \$1,000,000 for death, personal injury and property damage.

The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the

required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death, or property damage that may accrue due to your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming us as an additional named insured.

In addition to the computer equipment that we require you to purchase as disclosed in Item 7 above, in the future, we may require you to install and use accounting and business control computer systems approved by us. You must lease, purchase or otherwise acquire, from sources of your choice and at your expense, software, and hardware (including but not limited to programs, computer terminals and Internet) which strictly conform to our specifications as outlined in Item 11, below. Your total purchase costs for these additional computer systems could range from \$1,500 to \$5,000.

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## 9. FRANCHISEE'S OBLIGATIONS

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

<u>OBLIGATION</u>	<u>SECTION IN FRANCHISE AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
a. Site selection and acquisition or lease	Section 1.1 & 1.2	Items 6 & 12
b. Pre-opening purchases and leases	Sections 4.1, 5.1 & 8.2	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 1.3, 3.1, 4.1 & 5.1	Items 7, 8 & 12
d. Initial and ongoing training	Sections 3.1 & 3.2	Items 6 & 11
e. Opening	Sections 4.1 and 5.1	Item 11
f. Fees	Sections 2.1, 2.2, 2.3, 6.1, & 7.1	Items 5, 6 & 17
g. Compliance with standards & policies/ Operations Manual	Sections 5 & 6.3	Items 11 & 17
h. Trademarks and proprietary information	Sections 1.1, 5.1, 5.3, 5.4, 5.5, 5.8, 5.9, 6.5, 9.2 & 9.10	Items 13, 14 & 17
i. Restrictions on products and services offered	Sections 1.2, 1.5, 5.1, 5.2, 5.5, 5.6, 5.7, 5.9, 5.10, 6.3, 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	Sections 5.1, 5.2 & 5.5	Item 11
k. Territorial development and sales quotas	Section 1.1	Items 7 & 12

<u>OBLIGATION</u>	<u>SECTION IN FRANCHISE AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
I. Ongoing product & service purchases	Sections 2.8, 5.1, 5.2, 5.5, 5.9, 5.10 & 8.2	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	Sections 1.4, 5.1, 5.2, 5.5 & 6.5	Items 7, 11 & 17
n. Insurance	Section 8.2	Item 7
o. Advertising	Sections 1.5, 2.3, 2.5, 5.1, 5.2, 5.3, 5.4, 5.5 & 6.5	Items 6 & 11
p. Indemnification	Sections 6.7 & 8.1	Item 6
q. Owner's participation/management/ staffing	Sections 2.8, 3, 4.1, 5, 6.5, 6.8, 7, 9.3, 9.10, 9.12 & 9.14	Items 11, 15 & 17
r. Records and reports	Sections 2.7, 5.1, 5.2 & 5.5	Items 6, 11 & 17
s. Inspections and audits	Sections 2.8, 5.1, 5.2 & 5.5	Items 6, 11 & 17
t. Transfer	Section 7	Item 17
u. Renewal	Section 6.1	Item 17
v. Post-termination obligations	Sections 5.8, 5.9, 6.5, 6.6, 6.8, 9.9, 9.10	Item 17
w. Non-competition covenants	Sections 5.8, 5.9, 6.5, 6.6, 6.8, 9.9, 9.10	Item 17
x. Dispute resolution	Sections 9.7 & 9.8	Item 17

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## 10. FINANCING

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We do not offer direct or indirect financing. We do not guarantee your notes, leases, or obligations.

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

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

**Pre-Opening Obligations**

**Before you open your franchise, we will:**

- 1) Designate your Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed. (Franchise Agreement, Section 1.1)

- 2) Provide initial orientation and training to you and your required manager(s). (Franchise Agreement, Section 3.1).
- 3) Assist you in complying with local laws and regulations to enable you to operate your franchised business.
- 4) Provide the Operations Manual. (Franchise Agreement, Section 5.1).
- 5) Give you a list of any approved or designated suppliers. (Franchise Agreement, Section 5.1)

### **Time to Open**

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business can range from as little as about 30 days to as long as 5 or 6 months. You are expected to complete the mandatory training and commence your franchise business operations no later than 180 days after you sign the franchise agreement. This time requirement may be extended for multiple franchise purchases. Factors that may affect this time are finding and negotiating for the Franchise Premises, arranging for the training session, equipping the Franchise, obtaining initial inventory, financing and business permit requirements, and your personal operational needs. Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages, or other events beyond your reasonable control will be excused for a time that is reasonable under the circumstances.

If the commencement of operation obligation is not fulfilled, we may terminate the Franchise Agreement upon refunding not less than one-half of the Initial Franchise Fee. (Franchise Agreement, Section 4.1).

### **Operations Manual Table of Contents**

The Operations Manual is confidential and remains our property. It contains mandatory and suggested specifications, standards, and procedures. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in supplies, products, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. The current version of the Operations Manual consists of approximately 17 pages and includes:

#### **Table of Contents**

Introduction	Page 4
Corporate Culture	Page 4
Admin Fees	Page 5
Annual Convention	Page 5
Bank Accounts	Page 5
Binder for Old Route Sheets	Page 5
Credit Card Processing and Customer Checks	Page 6
Franchise Renewal	Page 6
Graphic Design & Printing	Page 6
Handling Referrals	Page 6
Hiring	Page 7
Informational Website	Page 7
Insurance	Page 7
Locking Mailbox	Page 7
Market Expansion Line/Cell Phone	Page 8
Message Greeting	Page 8
Negotiating Customer Pricing Across Multiple Franchises	Page 8
Software	Page 8
Payroll and Payroll Services	Page 13
Placing Orders	Page 13
QuickBooks	Page 14
Royalties and other Fees	Page 15
Territories	Page 16
Tracking Deposits and Weekly Check Counts	Page 16
Tradeshow and Association fees cost-split for Metro areas	Page 16
Wall Map	Page 17

## Training

We will give you an approximately **5**-day training and familiarization program before the start of your business at our headquarters, currently in West Linn, Oregon, or at one of our company-owned locations, or at another location that we designate. We will conduct approximately **5** days of training on-site in your Franchise Territory (Franchise Agreement, Section 3.1) and you can pay us an additional \$5,000 to purchase an additional 5 days of on-site sales support as outlined in Item 5, above. The initial training program is included in the Initial Franchise Fee. You pay for your accommodations, travel, room, board, and wage expenses during this and all other training. The training program must be completed by all franchisees, unless, at our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary. The current agenda for the initial training at our headquarters includes:

### **TRAINING PROGRAM**

Subject	Hours Of Class Room Training	Hours Of On The Job Training	Location
Introduction to System	1	0	West Linn, Oregon
Deodorizer installation and Service Processes	1	4	West Linn, Oregon
Computer Service and Applications	2	4	West Linn, Oregon
Employee Recruitment	1	1	West Linn, Oregon
Sales Promotion	1	4	West Linn, Oregon
Marketing	2	4	West Linn, Oregon
Estimating	2	4	West Linn, Oregon
Safety	1	1	West Linn, Oregon
Business Operations and Accounting	1	3	West Linn, Oregon
Computer Software and Reporting	1	1	West Linn, Oregon

\* The Training Schedule may be amended.

Our trainers are Ed Winkler and Brenda Winkler. Mr. Winkler has served as our Manager and Chief Executive Officer since our inception in 2009. Since May 2001, he has been the founder and chief executive officer for our affiliate Fresh Aire, Inc. He has sold and serviced deodorizers in Portland, Oregon since 1995 (including through Winco Enterprises, Inc. from 1995 through 2001 and through our affiliate since 2001). Mrs. Winkler has served as our Manager and Chief Operating Officer since our inception. Since May 2001, she has been Vice President and Secretary for our affiliate Fresh Aire, Inc. and has been actively managing Fresh Aire customer accounts and business operations since 1996. Our office staff and local franchisees may assist in the training under the direction of Ed and Brenda Winkler.

We use the Operations Manual for instructional material.

You must request to schedule a training session for you or the manager at least 35 days before the session is to start. Training is scheduled and held on an "as needed" basis depending on the number of franchisees requesting training in a particular time frame and the franchisor's training personnel's availability. The training session must be completed no later than 2 weeks before the scheduled date of the opening of the franchise.

You or any designated full-time manager must complete the initial mandatory training program to our satisfaction or we may terminate the Franchise Agreement upon refunding the Initial Franchise Fee. You are encouraged to attend the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our satisfaction.

If you desire to have more than two individuals receive initial training, these additional individuals will be accommodated at our convenience. We reserve the right to charge a reasonable fee for the provision of the training regardless of when and where the individuals participate in initial training.

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior, poor attendance, or other reasons. Upon that notice, our obligations to train that individual will be deemed to have been discharged.

If the franchise is managed by any persons other than you, you must notify us of the identity of the managers. Each manager as hired must successfully complete the mandatory training program within one month after being hired. You will pay for this training at our then current fee.

When you are ready to open the Franchise for business and upon not less than 35 days prior written notice to us, we will provide the full-time services of a trainer at the Franchise Territory for up to 5 work days to assist with employee training, form use, deodorizer installation and maintenance, sales assistance, and use of the Operations Manual. We will bear the trainer's expenses for this assistance.

Although not required by agreement, we may, at our discretion or upon your request, provide other supervision, assistance, and services before the opening of your business; such as literature, advertising materials, displays, flyers, additional training assistance and a selection of inventory and supplies.

## **B. Our Obligations DURING the Operation of Your Franchise Business**

After you open your franchise, we will:

- 1) At your option and upon not less than thirty-five days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates. This additional training consists of visits to our franchises, work experience and observation of franchise operations. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. (Franchise Agreement, Section 3.2).

- 2) We may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise will be required to attend up to **20** hours of programs and seminars, depending upon program and seminar availability. In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees at your franchise location. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manual in the future. We may charge a reasonable Training Fee for these additional training sessions. (Franchise Agreement, Section 3.2)
- 3) Administer our sales, promotional and advertising programs and formulate and conduct national and regional promotion programs.
- 4) Inspect the Franchise and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout our franchise system. (Franchise Agreement, Sections 2.8 and 5).
- 5) Inspect the facilities of suggested and approved manufacturers, suppliers and distributors and notify you and the manufacturers, suppliers, and distributors in writing of any failure to meet our specifications and standards. (Franchise Agreement, Sections 2.8 and 5).
- 6) We may provide other supervision, assistance, or services although we are not bound by the Franchise Agreement or any related agreement to do so. These may include, among other things, advertising materials, literature, additional assistance in training, promotional materials, bulletins on new products or services, and new sales and marketing developments and techniques.

## **Advertising**

Pursuant to the franchise agreement, we promote our franchises through word of mouth, direct contact marketing and sales programs, and print, internet, and direct mail media. We provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts. Currently, we have not established and you are not required to participate in any local or regional advertising cooperative, advertising fund, or franchisee advertising council. We may use in-house advertising departments and may use regional advertising agencies.

## **Advertising Funds**

We currently do not assess advertising fees nor do we require you to spend specified amounts for advertising in your territory. Pursuant to the franchise agreement, we direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement, and allocation of advertising expenses. We maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we, in our sole discretion, deem proper. We are under no obligation to conduct any advertising or to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising.

## **Promotional Materials**

You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it. You specifically acknowledge and agree that any web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval and restrictions and requirements outlined in the Operations Manual. (The term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.)

## **COMPUTER SYSTEMS:**

We require you to have a computer system with accounting and business control capacities. You must lease, purchase or otherwise acquire, from sources of your choice and at your expense, software, and hardware which strictly conform to our specifications. You may use appropriate computer software and hardware you already have on hand, so we estimate your cost for these to be from \$0 to \$1,500. We estimate the annual cost to maintain or upgrade the required computer system to be from \$0 to \$500.

You must use our proprietary software and reporting systems. To ensure consistency throughout the franchise system, you will be required to follow our requirements for all purposes. (Franchise Agreement, Section 5.8)

We suggest that you have a lap top computer for mobile servicing purposes. Your lap top should have wireless internet connectivity. We require that your computer and communications systems include the following hardware and software:

### Minimum Hardware:

- Pentium 4 or better PC
- 512 MB RAM
- 80 GB hard drive
- High Speed CD ROM RW Drive
- High Speed Internet Connection
- 12" Monitor
- Printer

### Minimum Software:

- Microsoft Office or Open Office, including Windows operating system; QuickBooks

### Other

- Internet access
- ISP service

In the future, we may require you to use an information processing and communication system that is fully compatible with any program or system which we, in our sole discretion, may employ. If we require, you must record and transmit all financial information using this system and our designated ISP or other communication vendors. We may at our discretion change standards for reporting to provide effective technology for the entire system. We will have full ability to poll your data, system, and related information by means of direct access whether in person, or by telephone/modem. We will have access to all your data and there will be no contractual limitation on our right to access your information or data. We will not implement any electronic system that will disrupt or damage your electronic system.

Apart from our proprietary software and reporting system, none of this hardware or software is proprietary to us. Any hardware and software that is functionally equivalent and fully compatible to that listed may be used. We have no contractual obligation to maintain, repair, update, or upgrade your computer systems.

You are obligated to update and upgrade hardware and software during the term of the franchise agreement. This hardware and software are used for communications, accounting and record keeping. We do not now have, but may in the future require, independent access to and use of the information and data on your computer systems. There are no contractual limits on such access and use. Currently, there are no contractual or Operations Manual obligations related to how and how often and at what cost you maintain, repair, update, or upgrade your computer systems.

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## 12. TERRITORY

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### Franchise Territory

You will be given a specific territory within which you will operate your franchised business (the "Franchise Territory" or "Territory"). A typical franchise territory consists of approximately **150,000** to **250,000** persons of population. The Franchise Territory is identified in Section 1.1 of the Franchise Agreement. Before the Franchise Agreement is signed, the geographical boundaries of the Franchise Territory will be described in the Franchise Agreement. The area within which the Franchise may be placed will be identified using geographical or political boundaries. The exact determination of the Franchise Territory will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies. Among the factors we consider to determine the feasibility of possible franchise territory locations are population demographics and other businesses in the area pursuant to census and chamber of commerce information.

During the term of this Agreement, we agree not to establish, or license anyone else to establish, any business using our service marks or method of operation within your franchise territory, without your prior written consent, however, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

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. However, so long as the Franchise Agreement is in force, and you are not in default in any material provision of the Agreement, we will not establish or allow others to establish a Fresh Aire business within your Franchise Territory. You may not establish or operate any other Fresh Aire establishment without executing a separate franchise agreement for that facility.

You agree not to conduct the business outside the Franchise Territory without our prior written consent.

### Relocation

You must receive our written permission before you relocate your franchise. Any relocation will be at your sole expense. You must satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

### First Right of Purchase and Right of First Refusal

You do not receive the right and you have no options, rights of first refusal or similar rights to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories. There are no minimum sales quotas.

### Our Use of the Service Marks and Fresh Aire Products and Services

We retain all rights not specifically granted to you in the Franchise Agreement. This includes our right to use or license the use of our service marks and trademarks to others. Neither we nor our affiliates are restricted from participating in other distribution methods, whether within the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels, catalogues, telemarketing, direct marketing, under service marks and product configurations the same as and different

than those offered through your franchise and without compensation to you.

We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee web site be accessed only through our home page. Subject to the terms of use on our web site, we may gather, develop, and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees, or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

We have not established and do not intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name or trademark.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

#### **Your Use of the Service Marks and Fresh Aire Products and Services**

Except with our prior written permission, you will not place under any circumstances advertisements using the Service Marks in or originating from any area other than the Franchise Territory.

Except as otherwise provided in the Franchise Agreement or the Operations Manual, you may not directly market to, solicit or service customers whose place of business is outside the Franchise Territory. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. All Internet marketing is part of our marketing programs described in the Operations Manual and defined in the Franchise Agreement, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not solicit or accept orders outside your Franchise Territory under other channels of distribution (such as the Internet, other forms of media now or in the future developed, wholesale and mail order channels) without our prior written approval.

Only we may place national or regional advertising.

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## **13. TRADEMARKS**

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We have federal trademark registrations on the Principle Register of the U.S. Patent and Trademark Office for our logo and for our name "Fresh Aire®":



<b>Mark:</b>	Fresh Aire Logo (sun and palm trees)
<b>Registration Number:</b>	<b>3,760,735</b>
<b>Registration Date:</b>	March 16, 2010
<b>Mark:</b>	Fresh Aire®
<b>Registration Number:</b>	<b>6,146,830</b>
<b>Registration Date:</b>	September 8, 2020
<b>Description of Use:</b>	Advertising, marketing, and promotion services in the field of air freshening, fragrance and deodorizer dispenser units and related installation, products and services.
<b>Mark:</b>	Fresh Aire®
<b>Registration Number:</b>	<b>6,609,892</b>
<b>Registration Date:</b>	January 4, 2022
<b>Description of Use:</b>	Dispensing units for air fresheners, electric dispensers for air fresheners, electric dispensers for air fresheners and deodorizers to be plugged into wall outlets.

We registered the mark "Fresh Aire" with the state of Oregon on August 18, 2009 (registration #T40975) and renewed that registration on November 26, 2019.

We and our affiliate also claim common law rights to the names and marks "Fresh Aire®" and "Fresh Aire Office Fragrancing and Deodorizing Service" and the following logo:



We will allow you to use these and all other trade names, trademarks, service marks, and logos we now own or may in the future develop for our franchise system. We refer to all these commercial symbols as the "trademarks."

The trademarks are our and our affiliate's exclusive property. You will immediately notify us of any infringement of, or challenge to, your use of the trademarks. We and our affiliate will have sole discretion to take or not to take action, as we deem appropriate. You must follow our rules when you use the trademarks. You may not use the trademarks in any manner we have not authorized in writing.

All goodwill associated with the trademarks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our and our affiliate's benefit, except as otherwise provided by applicable law.

You may not use or give others permission to use the trademarks, or any colorable imitation of them, combined with any other words or phrases.

We may change or modify any part of the trademarks at our sole discretion. You will accept, use, and protect, for the purposes of the franchise, all changes and modifications as if they were a part of the trademarks at the time the franchise agreement is executed. You will bear all costs and expenses that may be reasonably necessary because of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

There are no presently effective determinations of the Patent Office, the trademark administrator of any state or any court, any pending interference, opposition, or cancellation proceeding and any pending material litigation involving the trademarks in any state.

There are no agreements that concern our rights to use or license the use of the trademarks. We know of no infringing uses that could materially affect your use of the trademarks.

While we are aware of several companies in the air freshener installation and service business that use names that include the words "fresh" or "air" and we are aware of one company that combines them in the same name.

We claim common law rights to the trademarks and any other marks used by us in interstate commerce in the United States. This claim is based upon our widespread use of the names in interstate commerce.

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## **14. PATENTS, COPYRIGHT & PROPRIETARY INFORMATION**

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We do not own or license any patent or copyright or related application or registration that are material to your franchise. There are no determinations, agreements, infringements or obligations currently affecting any such patent or copyright.

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

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We recommend, but do not require, that you (or one of your owners if you are a corporation or partnership), participate fully in the actual day-to-day operation of the franchise business. You may designate a manager to assume responsibility for day-to-day operations. Any managers you employ to help you to operate the franchise must successfully complete the mandatory training program described in Item 11. Your managers are not required to have an equity interest in the franchise business. The manager and all your owners must agree to be bound by the confidentiality and non-competition provisions of the franchise agreement.

Each of your owners must assume and agree to discharge all your obligations under the franchise agreement.

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## 16.

# RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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We require that you use, offer, and sell only those products and services that we approve in writing. You must offer all products and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify, delete and add to the authorized products and services.

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## 17.

# RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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## THE FRANCHISE RELATIONSHIP

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

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Term of Franchise	Section 1.1	5 years
b. Renewal or Extension of Term	Section 6.1	If you are in good standing, you may renew for periods of 5 years under the terms of our then current franchise agreement forms that may have materially different terms and conditions than your original contract.
c. Requirements for Renewal	Section 6.1	“Renewal” means that you, upon the expiration of the original term of the franchise agreement, have the right to enter into a new agreement according to our then-current franchise agreement forms that may have materially different terms and conditions than your

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		original contract. You must give notice at least three and not more than 6 months before expiration of the initial term; faithfully perform under the initial agreement; refurbish the Franchise and replace obsolete equipment; sign general release; sign a new agreement; pay for premises upgrades; and go through retraining (currently 3-days at \$500 per day).
d. Termination by You	Section 6.2	You may terminate the Franchise Agreement if you comply with the terms of the Franchise Agreement and if we substantially breach any material provision of the Agreement and fail to cure or reasonably to begin to cure that breach within <b>30</b> days after receipt of written notice specifying the breach. Termination will be effective <b>10</b> days after you deliver to us written notice of termination for our failure to cure within the allowed period.
e. Termination by Us Without Cause	None	
f. Termination by Us with Cause	Section 6.3	We can terminate only if you default.
g. "Cause" Defined – Curable	Section 6.3(A)	You have <b>30</b> days to cure any default not listed in Section 6.3.
h. "Cause" Defined – Non-curable	Section 6.3(B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, non-payment of fees, disclosure of information.
i. Your Duties and Obligations on Termination or Nonrenewal.	Section 6.5 & 6.8	De-identification, return of manuals, release of phone numbers and listings, de-identification of your franchise

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		equipment and premises, payment of sums owed, confidentiality, and non-competition.
j. Assignment of Contract by Us	Section 7.1	There are no restrictions on our right to transfer.
k. "Transfer" by You – Definition	Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or control of you.
l. Our Approval of Your Transfer	Section 7.1	We have the right to approve all transfers.
m. Conditions for Our Approval of Transfer	Section 7.1	The transferee must qualify as a franchisee and must assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, the current assignment fee you pay to us is \$4,000 plus 10 percent of the proposed purchase price for the Business if we find the purchaser for you, plus applicable taxes, the transferee must sign a new franchise agreement on our then current terms, and you must release us.
n. Our Right of First Refusal to Acquire Your Business	Section 7.3	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, 30-day notice and right to decide.
o. Our Option to Purchase Your Business	Section 7.3	You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		elect to exercise our option to purchase within <b>30</b> business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to a third party to comply with all criteria outlined in the paragraphs related to First Right of Refusal.
p. Your Death or Disability	Section 7.2	Within 180 days, your heirs, beneficiaries, devisees, or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest.
q. Non-Competition Covenants During the Term of the Franchise	Sections 5.8 & 5.9	You may not disclose confidential information or compete.
r. Non-Competition Covenants After the Franchise is Terminated or Expires	Sections 5.9 & 6.8	You may never disclose confidential information. No competition is allowed for <b>720</b> days within the Territory, within a 100-mile radius of the Territory, within a 100-mile radius of any location where we operate or have granted the franchise to operate a Fresh Aire business, and within the United States of America.
s. Modification of the Agreement	Sections 5.5 and 9.7	We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.
t. Integration/Merger Clause	Section 9.7	Only the terms of the Franchise Agreement and Operations Manual are binding. Any other promises may not be enforceable. Notwithstanding the forgoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		amendments.
u. Dispute Resolution by Arbitration or Mediation	Section 9.8	All disputes are subject to at least 8 hours of mediation in the county where we are then headquartered (currently Clackamas, Oregon).
v. Choice of Forum	Section 9.8	Subject to applicable state law, litigation must be in the county in which we are then headquartered (currently Clackamas, Oregon), except as stated in State Addenda to this offering circular.
w. Choice of Law	Section 9.8	Subject to applicable state law, Oregon law applies except as otherwise provided in the Franchise Agreement and except in those states whose franchise laws require exclusive application and except to the extent governed by the United States Trademark Act.

See State Law Addendum for state-specific disclosures.

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## 18. PUBLIC FIGURES

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No public figure is involved in our franchise program.

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## 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may only be given if: (1) a franchisor provides the

actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ed Winkler 19363 SW Willamette Drive #231, West Linn, Oregon 97068, (503) 624.7807, corporate@freshaire.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

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## 20. OUTLETS AND FRANCHISEE INFORMATION

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Table No. 1  
SYSTEM WIDE OUTLET SUMMARY  
As of September 30, 2020, 2021 & 2022

<u>Column 1</u> <u>Outlet Type</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the</u> <u>Start of the Year</u>	<u>Column 4</u> <u>Outlets at the</u> <u>End of the Year</u>	<u>Column 5</u> <u>Net Change</u>
Franchised	Sept 2020	23	26	+3
	Sept 2021	26	28	+2
	Sept 2022	28	30	+1
Company/Affiliate*	Sept 2020	4	4	0
	Sept 2021	4	4	0
	Sept 2022	4	3	-1
<b>Total Outlets</b>	<b>Sept 2020</b>	<b>27</b>	<b>30</b>	<b>+3</b>
	<b>Sept 2021</b>	<b>30</b>	<b>32</b>	<b>+2</b>
	<b>Sept 2022</b>	<b>32</b>	<b>33</b>	<b>+1</b>

\* These outlets are owned by Fresh Aire, Inc., which is owned by persons listed in Item 1 and Item 2, above. This company has converted its existing locations to Fresh Aire franchises.

Table No. 2  
TRANSFERS FROM FRANCHISEES TO NEW OWNERS  
(Other than the Franchisor)  
As of September 30, 2020, 2021 & 2022

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Number of</u> <u>Transfers</u>
Oregon	Sept 2020	1
	Sept 2021	1

<u>Column 1 State</u>	<u>Column 2 Year</u>	<u>Column 3 Number of Transfers</u>
	Sept 2022	2
Utah	Sept 2020	0
	Sept 2021	0
	Sept 2022	1
Washington	Sept 2020	0
	Sept 2021	0
	Sept 2022	0
Other States	Sept 2020	0
	Sept 2021	0
	Sept 2022	0
<b>Totals</b>	<b>Sept 2020</b>	<b>1</b>
	<b>Sept 2021</b>	<b>1</b>
	<b>Sept 2022</b>	<b>3</b>

**Table No. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**As of September 30, 2020, 2021 & 2022**

<u>Column 1 State</u>	<u>Column 2 Year</u>	<u>Column 3 Outlets at the Start of the Year</u>	<u>Column 4 Outlets Opened</u>	<u>Column 5 Terminations</u>	<u>Column 6 Non- Renewals</u>	<u>Column 7 Reacquired by Franchisor</u>	<u>Column 8 Ceased Operations – Other Reasons</u>	<u>Column 9 Outlets at End of Year</u>
Arizona	Sept 2020	1	0	0	0	0	0	1
	Sept 2021	1	0	0	0	0	0	1
	Sept 2022	1	0	0	0	0	0	1
Colorado	Sept 2020	3	0	0	0	0	0	3
	Sept 2021	3	1	0	0	0	0	4
	Sept 2022	4	0	0	0	0	0	4
Florida	Sept 2020	3	2	0	0	0	0	5
	Sept 2021	5	0	0	0	0	0	5
	Sept 2022	5	0	0	0	0	0	5
Idaho	Sept 2020	1	0	0	0	0	0	1
	Sept 2021	1	0	0	0	0	0	1
	Sept 2022	1	0	0	0	0	0	1
Montana	Sept 2020	2	0	0	0	0	0	2
	Sept 2021	2	0	0	0	0	0	2
	Sept 2022	2	0	0	0	0	0	2
Oregon	Sept 2020	6	1	0	0	0	0	7
	Sept 2021	7	1	0	0	0	0	8
	Sept 2022	8	2	0	0	0	0	10
Texas	Sept 2020	2	0	0	0	0	0	2
	Sept 2021	2	0	0	0	0	0	2

<u>Column 1 State</u>	<u>Column 2 Year</u>	<u>Column 3 Outlets at the Start of the Year</u>	<u>Column 4 Outlets Opened</u>	<u>Column 5 Terminations</u>	<u>Column 6 Non- Renewals</u>	<u>Column 7 Reacquired by Franchisor</u>	<u>Column 8 Ceased Operations – Other Reasons</u>	<u>Column 9 Outlets at End of Year</u>
	Sept 2022	2	0	0	0	0	0	2
Utah	Sept 2020	4	0	0	0	0	0	4
	Sept 2021	4	0	0	0	0	0	4
	Sept 2022	4	0	0	0	0	0	4
Washington	Sept 2020	1	0	0	0	0	0	1
	Sept 2021	1	0	0	0	0	0	1
	Sept 2022	1	0	0	0	0	0	1
Totals	Sept 2020	23	3	0	0	0	0	26
	Sept 2021	26	2	0	0	0	0	28
	Sept 2022	28	2	0	0	0	0	30

**Table No. 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**As of September 30, 2020, 2021 & 2022**

<u>Column 1 State</u>	<u>Column 2 Year</u>	<u>Column 3 Outlets at the Start of the Year</u>	<u>Column 4 Outlets Opened</u>	<u>Column 5 Outlets Reacquired from Franchisees</u>	<u>Column 6 Outlets Closed</u>	<u>Column 7 Outlets Sold to Franchisees</u>	<u>Column 8 Outlets at End of Year</u>
Oregon	Sept 2020	3	0	0	0	0	3
	Sept 2021	3	0	0	0	0	3
	Sept 2022	3	0	0	0	1	2
Washington	Sept 2020	1	0	0	0	0	1
	Sept 2021	1	0	0	0	0	1
	Sept 2022	1	0	0	0	0	1
Totals	Sept 2020	4	0	0	0	0	4
	Sept 2021	4	0	0	0	0	4
	Sept 2022	4	0	0	0	1	3

\* These outlets are owned by Fresh Aire, Inc., which is owned by persons listed in Item 1 and Item 2, above. This company has converted its existing locations to Fresh Aire franchises.

**Table No. 5**  
**PROJECTED OPENINGS AS OF SEPTEMBER 30, 2022**

<u>Column 1 State</u>	<u>Column 2 Franchise Agreements Signed but Outlet Not Opened</u>	<u>Column 3 Projected New Franchised Outlets in the Next Fiscal Year</u>	<u>Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year</u>
Colorado	0	0	0

Florida	0	0	0
Idaho	0	0	0
Oregon	0	0	0
Washington	0	1	0
<b>TOTALS</b>	<b>0</b>	<b>1</b>	<b>0</b>

\* NOTE: These are projections of the number of new franchises we expect will open in the next fiscal year. It is, however, only a projection. The chart shows those states which we consider priority states; however, we do not plan to sell franchises in all those states in the upcoming year. We continue to look for new franchisees throughout the United States and will open locations in any state in which we find qualified purchasers. Therefore, the actual number of new franchisees in any state that open in the next fiscal year could vary from the number described above.

The following is a complete listing of all our current franchisees, including those locations owned by Fresh Aire, Inc., and the addresses and telephone numbers of all their operations as of **September 30, 2021**:

### Arizona

**Phoenix - Fresh Aire of Phoenix**  
 3324 E Ray Rd #1  
 Higley, AZ 85236  
 623.432.5859  
 Marlo & Eric Jensen  
 Phoenix@FreshAire.com

### Colorado

**Northern Colorado**  
 1140 US Highway 287, Suite 400, #309  
 Broomfield, CO 80020  
 970.823.7374  
 Miranda & Anthony Rossi

**Colorado Springs - Fresh Aire of Colorado Springs**  
 590 Highway 105 #173  
 Monument, CO 80132  
 719.219.8161  
 Susan & Thor Evans  
 colosprings@FreshAire.com

**Denver – Fresh Aire of Denver North**  
 200 South Wilcox Street #247  
 Castle Rock, Co 80205  
 720-800-9393  
 Patti & Kevin Pyfer

**Denver - Fresh Aire of Denver South**  
 4833 Front St B-102  
 Castle Rock, CO 80104-7901  
 303.660.5452  
 Susan & Thor Evans  
 denversouth@FreshAire.com

### Florida

**Fort Walton Beach - Emerald Coast Aire Care, Inc.**  
 1512 East John Sims Pkwy #344  
 Niceville Florida 32548  
 850.226.5345

Kristy & Mark Souto  
emeraldcoast@FreshAire.com

**Jacksonville (Northeast Florida** - OlenBrit, Inc dba Fresh Aire of Northeast Florida  
19720 Old St Augustine Rd Ste 8-257  
Jacksonville, FL 32257  
904.204.9004  
Brittany G. Tolentino  
NortheastFI@FreshAire.com

**Miami (South Florida)**  
15476 NW 77 Court #185  
Miami Lakes, FL 33016  
786.796.2006  
Nicole Vargas  
SouthFL@FreshAire.com

**Orlando** -  
3208 E. Colonial Dr. C-239  
Orlando, FL 32803,  
407-214-7272,  
Justin Gelinas,  
GreaterOrlando@FreshAire.com

**Tampa Bay** - Fresh Aire of Tampa Bay  
3837 Northdale Blvd #198  
Tampa, FL 33624  
813.792.4870  
Gary & Mae Gelinas  
tampabay@FreshAire.com

### **Idaho**

**Idaho Falls** – Fresh Aire of Eastern Idaho  
2184 Channing Way #431  
Idaho Falls, Idaho 83404  
208.516.5105  
Kimmie & Kimber Martin  
easternidaho@FreshAire.com

### **Montana**

**Billings** – Fresh Aire of Yellowstone County  
3031 Grand Avenue #161  
Billings, MT 59102  
406.281.7500  
Brittany & Eric Jacobsen  
billings@freshaire.com

**Bozeman** - Business Scents, LLC  
12311 Churchill Rd  
Manhattan, MT 59741  
406.586.2125  
Kent & Tosha Bos

bozeman@FreshAire.com

**Oregon**

**Central Oregon** - Fresh Aire of Central Oregon  
320 SW Century Drive, Ste. 405/295  
Bend, OR 97702  
541.923.3147  
Nick & Caitlin Collier  
CentralOregon@FreshAire.com

**Eugene** - Fresh Aire of Eugene  
1430 Willamette St #559  
Eugene, OR 97401-4049  
541.868.0056  
Ryann Winkler  
eugene@FreshAire.com

**Hillsboro** - Fresh Aire of Hillsboro  
2459 SE Tualatin Valley Hwy #228  
Hillsboro, OR 97123  
503.640.7555  
Dan Markasky  
hillsboro@FreshAire.com

**Southern Oregon** - Fresh Aire of Southern Oregon  
711 Medford Center No. 211  
Medford, OR  
541.500.3535  
Karri Davis  
SouthernOregon@FreshAire.com

**Newberg/McMinnville** - Fresh Aire of Yamhill County  
1271 NE Hwy 99W #195  
McMinnville, OR 97128  
503.472.3300  
Matt & Shawna Rinne  
yamhillcounty@FreshAire.com

**Portland** - Fresh Aire, Inc.\*  
19363 SW Willamette Dr #231  
West Linn, OR 97068  
503.624.7807  
Ed & Brenda Winkler  
corporate@freshaire.com

**Portland (North Portland)**  
4784 N Lombard St. Ste B #110  
Portland, OR 97203,  
971.350.3044,  
Carlos Baca,  
NorthPDX@FreshAire.com

**Portland (South)**  
19363 Willamette Drive #236  
West Linn, OR 97068

971.377.7717  
Julie & Randy Eggen  
SouthPDX@FreshAire.com

**Roseburg** - Fresh Aire of Douglas County  
1612 NE Vine Street #102  
Roseburg, OR 97470  
541.672.6311  
Mark & Stacy Church  
DouglasCounty@FreshAire.com

**Salem/Keizer** - Fresh Aire of the Willamette Valley  
4676 Commercial St SE, #73  
Salem, OR 97302  
503.850.7374  
Liz & Kevin Mangels  
WillametteValley@FreshAire.com

**Tigard** - MSR, Inc  
11575 SW Pacific Hwy #171  
Tigard, OR 97223  
971.250.8000  
Matt & Shawna Rinne  
matt@FreshAire.com

**Willamette Valley** - Fresh Aire of the Willamette Valley  
4676 Commercial Street SE, #73  
Salem, Or 97302  
503.850.7374  
Liz & Kevin Mangels  
willamettevalley@FreshAire.com

### Texas

**Galveston** – Fresh Aire of Galveston County  
2951 Marina Bay Drive, Ste 130-176  
League City, TX 77573  
346.358.8800  
Doyle Williams III  
galvestoncounty@FreshAire.com

**San Antonio** – Fresh Aire of San Antonio West  
10730 Potranco Road, Ste 122 #170  
San Antonio, TX 78251  
210.361.1991  
Mellissa & Kaden Evan  
sanantonio@FreshAire.com

### Utah

**Northern Utah** - Fresh Aire of Northern Utah  
3267 E 3300 S #138  
SLC, UT 84109  
801.889.2233  
Jillian & Michael Dean  
NorthernUtah@FreshAire.com

**Utah County** - Fresh Aire of Utah County  
881 West State Street Suite 140-410  
Pleasant Grove, UT 84062  
801.877.5888  
Molly & Doug Anjewierden  
UtahCounty@FreshAire.com

**Salt Lake** - Fresh Aire of Salt Lake City  
3267 E 3300 S #138  
SLC, UT 84109  
801.889.2233  
Jillian & Michael Dean  
SaltLake@FreshAire.com

**Southern Utah** – Southern Utah Fresh Aire  
250 N Redcliffs Drive, 4B#525  
St. George, UT 84790  
435.319.8900  
Molly & Douglas Anjewierden  
SouthernUtah@FreshAire.com

### **Washington**

**Bellevue** - Fresh Aire, Inc.\*  
(Available for purchase)  
6513 132nd Ave #159  
Kirkland, WA 98033  
425.429.7879  
Ed & Brenda Winkler  
bellevue@FreshAire.com

**Vancouver** - Fresh Aire of Vancouver  
6400 NE Hwy 99 #G-108  
Vancouver, WA 98665  
360.833.2300  
Marcus & Alyssa Wyckoff  
SWWashington@FreshAire.com

\*These outlets are owned by Fresh Aire, Inc. Fresh Aire, Inc. is owned by persons listed in Item 1 and Item 2, above.

The following is a list of the name, city and state, and the current telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within **10** weeks of the 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. **None**.

Our standard franchise agreement, all renewal and transfer agreements, and all agreements to settle disputes with franchisees, generally contain confidentiality clauses. Thus, most of our franchisees have signed a confidentiality clause with us within the past three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us and the Fresh Aire system. 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. However, during the last three fiscal years, we have not signed confidentiality clauses with any of our current or former franchisees, which restrict such franchisees from communicating with prospective franchisees concerning their experience in the franchise system. However, we sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

The following is a list, to the extent known by us, of the names, addresses, telephone numbers, email address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed: **None**.

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document: **None**.

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## **21. FINANCIAL STATEMENTS**

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Attached to this Disclosure Document are our audited financial statements as of September 30, 2022, 2021, and 2020.

Our fiscal year-end is September 30.

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## **22. CONTRACTS**

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Attached are copies of the Franchise Agreement, the State Law Addendum and all other related agreements you may have to sign when you purchase your franchise. The standard form release agreement that you will be required to sign in certain instances, such as for a transfer or renewal, is found in section 9.9 of the Franchise Agreement.

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## **23. RECEIPTS**

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Attached to this Disclosure Document are two Receipt pages. They that evidence your receipt of this Disclosure Document – the first is to be retained by you, the other by us (Exhibit I).

**REMAINDER OF PAGE LEFT BLANK INTENTIONALLY**

**EXHIBIT A**  
**TO**  
**FRESH AIRE FRANCHISE, LLC**  
**DISCLOSURE DOCUMENT**

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**FINANCIAL STATEMENTS**

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**FRESH AIRE FRANCHISE, LLC**  
**September 30, 2022, 2021, & 2020 Audited Financial Statements**

**FRESH AIRE FRANCHISE, LLC**  
**INDEPENDENT AUDITORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022, 2021 AND 2020**

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Certified Public Accountants

1800 Blankenship Rd., Suite 450  
West Linn, OR 97068-4198  
503-723-7600 503-723-5100

#### **INDEPENDENT AUDITORS' REPORT**

To the Members  
Fresh Aire Franchise, LLC  
West Linn, Oregon

##### **Opinion**

We have audited the accompanying financial statements of Fresh Aire Franchise, LLC, which comprise the balance sheets as of December 31, 2022, 2021 and 2020, and the related statements of income and members' equity and cash flows for the three years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fresh Aire Franchise, LLC as of December 31, 2022, 2021 and 2020 and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

##### **Basis for Opinion**

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

##### **Responsibilities of Management for the Financial Statements**

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

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

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



Certified Public Accountants

1800 Blankenship Rd., Suite 450  
West Linn, OR 97068-4198  
503-723-7600 503-723-5100 fax

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

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

*Jarrard Seibert Pollard & Co.*

JARRARD, SEIBERT, POLLARD & COMPANY, LLC  
Certified Public Accountants

December 28, 2022

FRESH AIRE FRANCHISE, LLC  
 BALANCE SHEETS  
 SEPTEMBER 30, 2022, 2021 AND 2020

	2022	2021	2020
ASSETS			
<b>CURRENT ASSETS:</b>			
Cash	\$ 113,925	\$ 111,665	\$ 85,201
Deposits	<u>4,261</u>	<u>1,958</u>	<u>1,958</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>118,186</u></b>	<b><u>113,623</u></b>	<b><u>87,159</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 118,186</u></b>	<b><u>\$ 113,623</u></b>	<b><u>\$ 87,159</u></b>
LIABILITIES AND MEMBERS' EQUITY			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 5,461	\$ 2,513	\$ 347
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>5,461</u></b>	<b><u>2,513</u></b>	<b><u>347</u></b>
<b>MEMBERS' EQUITY</b>	<b><u>112,725</u></b>	<b><u>111,110</u></b>	<b><u>86,812</u></b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>112,725</u></b>	<b><u>111,110</u></b>	<b><u>86,812</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 118,186</u></b>	<b><u>\$ 113,623</u></b>	<b><u>\$ 87,159</u></b>

See accompanying notes to financial statements

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**FRESH AIRE FRANCHISE, LLC**  
**STATEMENTS OF INCOME AND MEMBERS' EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022, 2021, AND 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES:</b>			
Initial franchise fees	\$ 24,900	\$ 21,900	\$ 40,000
Royalty income	129,476	119,882	95,475
Transfer fees	12,000	4,000	-
Training fees	5,000	5,000	-
Server maintenance fees	4,800	4,666	3,600
Other income	-	5,351	-
<b>TOTAL REVENUES</b>	<b>176,176</b>	<b>160,799</b>	<b>139,075</b>
<b>EXPENSES:</b>			
Management, training and sales support	146,900	115,900	125,000
Salaries	2,400	2,400	2,378
Payroll taxes	347	346	316
Payroll fees	434	571	578
Bank fees	934	156	85
Legal	13,992	8,938	8,820
Audit fees	7,295	6,000	5,700
Office expenses	2,049	1,622	1,044
Taxes and licenses	150	150	150
Miscellaneous expense	60	418	164
<b>TOTAL EXPENSES</b>	<b>174,561</b>	<b>136,501</b>	<b>144,235</b>
<b>NET INCOME (LOSS)</b>	<b>1,615</b>	<b>24,298</b>	<b>(5,160)</b>
<b>MEMBERS' EQUITY, BEGINNING OF YEAR</b>	<b>111,110</b>	<b>86,812</b>	<b>91,972</b>
<b>MEMBERS' EQUITY, END OF YEAR</b>	<b>\$ 112,725</b>	<b>\$ 111,110</b>	<b>\$ 86,812</b>

See accompanying notes to financial statements

**FRESH AIRE FRANCHISE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022, 2021 AND 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 1,615	\$ 24,298	\$ (5,160)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Decrease in prepaid legal fees	-	-	592
Increase in deposits	(2,303)	-	-
(Increase) decrease in accounts payable	2,948	2,166	(1,268)
Total adjustments	645	2,166	(676)
Net cash provided by operating activities	2,260	26,464	(5,836)
 <b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>			
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	2,260	26,464	(5,836)
 <b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>			
CASH AND EQUIVALENTS, BEGINNING OF YEAR	111,665	85,201	91,037
 <b>CASH AND EQUIVALENTS, END OF YEAR</b>			
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 113,925</u>	<u>\$ 111,665</u>	<u>\$ 85,201</u>

See accompanying notes to financial statements

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**FRESH AIRE FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022, 2021 AND 2020**

**NOTE A – Nature of Operations and Summary of Significant Accounting Policies:**

**Organization and Nature of Operations** – Fresh Aire Franchise, LLC ("Company") was formed in June 2009 as a limited liability company in accordance with the Limited Liability Company Act of the State of Oregon. The company has elected to be taxed as an "S" corporation. The company is located in West Linn, Oregon and the members formed the Company to sell air freshener service franchises to qualified entrepreneurs located throughout the United States.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Cash and Equivalents** - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Franchise and Royalty Revenue** – The Company's franchise agreements provide for the payment of an initial franchise fee for each new franchised air freshener operation. Initial franchise fees, for which the standard is \$31,900 during the calendar year 2022 and 2021 and \$26,900 during the calendar year 2020, are recognized when substantially all services or conditions relating to the franchise sale have been satisfied by the Company. Immediately following the sale of an initial franchise, the Company contracts with, and makes full payment to, its commonly owned company (see Note B) to provide assistance for the new franchisee in site selection, personnel training, and implementation of an accounting and quality control system. Various products and supplies will also be provided by the commonly owned company to the franchisee under the agreement. The Company immediately satisfies all service requirements and conditions relating to the franchise sale in this manner, recognizing all franchise sale revenue at that time. When initial franchise fees are collected over an extended period of time and no reasonable basis for estimating collectability exists, equal amounts of fees revenue and expenses are recognized when fees are collected, and profit is recognized only after costs have been recovered.

Franchisees pay a monthly royalty fee of \$0.80, or an amount based on the franchisee's agreement in effect, for each air freshener they have placed with customers. Franchise agreements are for a five-year period. If not in breach of the franchise agreement a franchisee may renew for periods of five years, for no fee, under the terms of then-current franchise agreement forms. Monthly royalty fees are recognized as time passes on a monthly basis.

During the year ended September 30, 2022, one new franchise was sold and three franchises were transferred to new franchises. Thirty-three franchises, which includes three commonly owned company franchises, were operating on September 30, 2022.

During the year ended September 30, 2021, one new franchise was sold and the commonly owned company (see Note B) transferred a portion of one of its franchises to a new franchisee. Thirty-two franchises, which includes four commonly owned company franchises, were operating on September 30, 2021.

During the year ended September 30, 2020, two new franchises were sold for \$20,000 each to existing franchise owners to expand their territories and to fold two additional family members into their territory holdings, the commonly owned company (see Note B) transferred a portion of one of

**FRESH AIRE FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022, 2021 AND 2020**

**NOTE A – Nature of Operations and Summary of Significant Accounting Policies (continued):**

its franchises to a new franchisee. Thirty franchises, which includes four commonly owned company franchises, were operating on September 30, 2020.

**Income Taxes** – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed as an S corporation. Under those provisions, the Company does not pay federal or state income tax. Instead the members are taxed on their proportionate share of the Company's taxable income. Current tax law requires the Company to deposit with the Internal Revenue Service (IRS) an amount essentially equal to the tax due on the deferral period income (October 1 to December 31). The Company has \$4,261, \$1,958 and \$1,958 on deposit with the IRS on September 30, 2022, 2021 and 2020, respectively.

Management has analyzed the Company's tax positions taken on its federal tax returns for all open tax years and has concluded that, as of September 30, 2022, no provision for income tax, interest or penalties would be required in the Company's financial statements. The Company would recognize accrued interest and penalties with uncertain tax provisions, if any, as part of the income tax provision. The Company's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three-year statute of limitations.

**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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncement** - The Company has adopted Financial Accounting Standards Board (FASB) Topic 606, *Revenue from Contracts with Customers*. Topic 606 provides a five-step model for recognizing revenue from contracts – (i) identify the contract with the customer; (ii) identify the performance obligations within the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the performance obligations are satisfied. As allowed under Topic 606 for franchisors the Company recognizes the satisfaction of all service requirements and conditions relating to the franchise sale as a single performance obligation, which it immediately meets by transferring this obligation to its commonly owned company.

The Company adopted the new standard effective October 1, 2020, the first day of the Company's fiscal year using the modified retrospective approach and has determined that there is no cumulative effect to retained earnings as of October 1, 2020 that was required to be disclosed as a result of adopting FASB Topic 606.

**NOTE B – Related Party Activity:**

The members of the Company own 100% of a commonly-owned company Fresh Aire, Inc. (INC) which provides management, training, and sales support for the Company and operates four

**FRESH AIRE FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022, 2021 AND 2020**

**NOTE B – Related Party Activity (Continued):**

franchises that market and sell products identical to the products of the other franchisees. All franchisees are required to purchase their product from INC, with the profit margin from those sales remaining with INC.

The Company had the following related party transactions with INC:

- The Company received a total of \$9,600, \$9,600 and \$8,600 annual royalty income from the commonly owned franchises operated by INC during the years ended September 30, 2022, 2021 and 2020, respectively, which is included on the Statement of Income in revenue titled Royalty Income. The Company received the \$4,000 transfer fee from INC during each of the years ended September 30, 2022 and 2021. No amount is due from INC on September 30, 2022, 2021 or 2020.
- The Company paid a total of \$146,900, \$115,900 and \$125,000 reimbursement to INC for goods and services received during the years ended September 30, 2021, 2020 and 2019, respectively, which is included on the Statement of Income in the expense titled Management, Training and Sales Support. No amount is due to INC on September 30, 2022, 2021 or 2020.

One franchise is operated by a daughter of the Company's members. Royalty income of \$1,984, \$949 and \$1,406 was received from this franchisee during the years ended September 30, 2022, 2021 and 2020, respectively. No amount is due from this franchisee on September 30, 2022, 2021 or 2020.

**NOTE C – Subsequent Events:**

Management has evaluated subsequent events through December 28, 2022, the date on which the financial statements were available to be issued. Subsequent to year-end the Company paid \$110,000 for Management, Training and Sales Support to a commonly owned company for support services provided during the Fiscal Year ended September 30, 2022. Management is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

**NOTE D – Contingencies:**

Due to national and international concerns, current social and economic events related to the COVID-19 virus, the Company has modified its sales and service methodologies beginning in the early months of calendar year 2020.

The Company has provided the ability for its personnel to work remotely using available technology, when necessary.

The estimated losses of unrealized royalty revenue due to the COVID-19 virus was \$27,000 during the fiscal year ended September 30, 2020. There were no similar estimated losses during the fiscal year ended September 30, 2022 or 2021. Ultimately, the future financial ramifications of the COVID-19 virus for the Company are not determinable.



## FRANCHISE AGREEMENT

***FRESH AIRE FRANCHISE, LLC***

19363 SW WILLAMETTE DRIVE #231  
WEST LINN, OREGON 97068

877-650-8241

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## **10 SIGNATURES**

# **FRANCHISE AGREEMENT**

THIS AGREEMENT has been entered this \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_\_. It is by and between **FRESH AIRE FRANCHISE, LLC**, limited liability company, and our successors and assigns ("we, us") and \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_ (jointly and severally "you").

For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity. "You" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to "**Fresh Aire®**" and "**Fresh Aire Office Fragrancing and Deodorizing Service**" (the "Service Marks"). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These relate to the operation, promotion, and advertising of businesses that offer office fragrance and deodorizer installation and related products and services to businesses under the Service Marks (the "Method of Operation").

You desire us to train you and to authorize you to operate a high-caliber Fresh Aire franchise to offer and sell high-quality deodorizers, air freshener fragrances and related installation and periodic service contracts and related products and service and to use our Method of Operation and Service Marks. We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

## **1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY**

1.1 **Grant of Franchise and Franchise Territory.** We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for 5 years from the date of this Agreement (the "Franchise"). This grant solely is for the operation by you of one Fresh Aire franchise in the geographical territory identified in the attached Exhibit 1 ("the Franchise Territory").

If the location for your franchised operations has not been determined when this Agreement is executed, you are responsible for selecting the site for your franchise within the area designated in Exhibit 1. The Franchise Territory must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria. We will analyze your market area, to help you determine site feasibility and to help you in selection of the franchise location. In analyzing a proposed site, we examine its general location, size, physical characteristics, proximity to competing businesses, economic profile, population density and accessibility. The exact determination of the location for the Franchise Territory will depend upon our approval and your and our market analysis, market penetration plans and franchise placement strategies and existing franchise commitments.

During the term of this Agreement, we agree not to establish, or license anyone else to establish, any business using the Service Marks or the Method of Operation within the Franchise Territory, without your prior written consent, however, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

1.2 **One Location.** You will operate the Franchise only within the Franchise Territory.

1.3 **Relocation of the Franchise Territory.** You will not relocate the Franchise Territory without our prior written approval. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise Territory. You may decide to relocate the Franchise Territory for the following reasons:

- in your and our judgment there is a change in character of the location of the Franchise Territory sufficiently detrimental to your business potential to warrant its relocation, or
- you reasonably decide to relocate the Franchise Territory for cause.

If so, you may relocate the Franchise Territory to another site, if:

- A. you are not in breach of this Agreement;
- B. you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
- C. you pay all reasonable out-of-pocket expenses we incur because of the relocation. The term "Franchise Territory" will include the relocated business site; and
- D. you satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

1.4 **Advertising and Servicing Customers Outside Territory.** Except with our prior written permission, you will not place, under any circumstances, advertisements using the Service Marks in or originating from any area other than the Franchise Territory.

Except as otherwise provided in the Operations Manual, you may not directly market to, solicit or service customers whose place of business is outside the Franchise Territory. If we permit you to service customers outside your Territory, and if we grant a new franchise for a territory that encompasses such customers, then you may be required to transfer such customers to the new franchisee (consistent with any relevant requirements in our Operations Manual).

Only we may place national or regional advertising.

1.5 **Rights We Reserve.** We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

- A. to use or license the use of the Service Marks or any other trademarks, service marks, logos, or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement. We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis for use in preparing products that will not carry a Fresh Aire brand.
- B. to operate and grant to others the right to operate Fresh Aire businesses outside the Franchise Territory on such terms and conditions as we deem appropriate.
- C. to sell products or services anywhere, including within the Franchise Territory through channels of distribution other than the Fresh Aire retail business

currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.

D. to establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory.

## 2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

2.1 **Initial Franchise Fee.** The Initial Franchise Fee is **\$31,900**. Contemporaneously with the execution of this Agreement, you will pay to us **one-half** of the Initial Franchise Fee. The remaining **one-half** is paid on the earlier of **90** days after we sign the Franchise Agreement or when you schedule the mandatory training course described in Section 3.1 below. The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

You have elected to [mark appropriate blank]  pay  not pay us an additional \$5,000 to purchase an additional 5 days of on-site sales support in your Franchise Territory.

Once you have paid the Initial Franchise Fee in full, we will deliver certain start-up products and services to you which are fully paid by and included in the Initial Franchise Fee. We reserve the right to modify the quantities and types of these start-up products and services. Generally, these start-up products and services will include approximately the following:

- \$7,000 credit for fragrances, diffusers, and shipping to be used within nine months from the day you complete training in Portland. Diffusers must be purchased with this credit along with wafers of various fragrances and related wicks and cups
- Access to our proprietary, custom internet-based software to manage your business
- 500 business cards
- 500 business envelopes
- 300 labels for diffuser units
- 4 items of identity apparel
- 1 name badge for each owner
- 3 sets of shelving
- 24 large fragrance bins
- 8 small wafer bins
- A market expansion line for phone (will remain in our name)
- Locking Mailbox at a UPS Store or Similar – rental paid by us for the first year
- Web Hosting on our website, including server space for our web-based operational software for one year.
- Business Jump-start: Five days of sales support in your territory after completion of franchise training at corporate location.

Except as provided in Sections 3.1 and 4.1 below, none of the Initial Franchise Fee is refundable.

2.2 **Monthly Royalty Fee.** You will pay to us a Royalty Fee equal to **\$0.80** for each air freshener based on the number of diffusers you actively serviced two months previous as captured in a report embedded in our operational software. This fee is due by the 1<sup>st</sup> day of each month in the manner specified below or as otherwise prescribed from time to time in the Operations Manual described in Section 5, below. The total Royalty Fees you pay to us each month will not be more than \$800 (adjusted quarterly to reflect any quarterly increase in the national Consumer Price Index published by the federal

Bureau of Labor Statistics) regardless of the number of Fresh Aire franchises you directly and exclusively own.

In addition, on October 1, each year you will pay to us **\$200** per year for server space for our web-based operational software. This is included in the Initial Franchise Fee for the first year, prorated from the date the Franchise opens. You and all our other franchisees will share the cost of reasonably necessary upgrades to this software, pro-rata based upon each franchisee's inventory on hand.

These payments may be required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet.

### 2.3 Advertising Standards.

A. Establishment of Advertising Programs. We will direct all regional and national advertising programs. We will have sole discretion over the creative concepts, materials, endorsements, placement, and allocation of advertising moneys. We are under no obligation to administer our advertising programs to ensure that any franchise benefits directly or proportionately from the development or placement of advertising.

We may create an advertising advisory board made up of Fresh Aire franchisees. These franchisees will make recommendations on your behalf as to types of advertising, promotion, and public relations. We will use these and other recommendations which we feel are appropriate when drafting our advertising budget and program each year.

B. We May Advertise "Suggested Retail Prices". In our advertising programs, we may include "suggested retail prices" for the goods or services sold by you and our other franchisees. We will include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be adhered to by all our franchisees. We may compel you to charge "suggested retail prices" to the extent permitted by state and federal laws and regulations.

C. Discount Programs. From time to time, we may develop and market special discount or free coupon programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program. Within 5 days after receipt of the notice, you will advise us whether you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program.

D. Telephone and Cellular Phone. You will not publish, promote, or advertise any cell phone or landline telephone number except for the number that we own in the areas where you conduct your Franchise. We will own and furnish you with one telephone number that will be used for all customer communications purposes in your franchise operations and you will not use any other telephone number in relation to your Franchise. You will advertise your franchise and our telephone number in the form with the content specified from time to time in the Operations Manual. When more than one Fresh Aire operation serves a metropolitan area, any classified or directory advertisements will list all Fresh Aire units operating within the distribution area of the advertisement or directory, and you will contribute your equal share in the cost of the advertisement.

You will buy your own cellular and landline phones for use in the Franchise. You must use the cell system and companies we require in the Operations Manual. All costs associated with using and maintaining

your cellular and landline phones will be your sole responsibility. Only our phone number may be printed on your Fresh Aire business cards and advertisements. You will not print or use any other cellular or landline numbers on any type of publication, advertisement, signs, invoices, quotes, or any other printed matter. Upon termination or expiration of this Agreement, we will redirect our telephone number as we determine appropriate in our sole discretion.

**E. You Are to Use Local Advertising Materials We Supply.** From time to time, we will supply to you an Advertising component to the Operations Manual which will contain samples of local advertisements we approve. You will use only the advertising materials contained in the Operations Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Operations Manual.

**F. Approval of Your Local Advertising and Website and E-Commerce.** You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, specialty and novelty items and signs before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it.

You specifically acknowledge and agree that any web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, proprietary marks, us, or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.) In connection to any web site, you agree to the following:

1. We will provide your contact and business information as part of our web site.
2. You will not establish or use any other web site or web page.
3. In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system.
4. You may only offer approved products or services on your web page or site.
5. We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent.
6. Subject to the terms of use on our web site, we may gather, develop, and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.
7. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are

required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

**2.4 You Will Pay Taxes and Indebtedness.** You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Territory, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings.

You acknowledge that one of the benefits accruing to you and all our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the Method of Operation. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease.

**2.5 Royalty Fees and Other Sums to Be Paid Promptly.** You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will equal **1.5%** per month. These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws.

Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

**2.6 Records.** You will keep a complete and accurate set of books and records of the operation of the Franchise, produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within **30** days after the end of each quarter.

You will furnish to us as outlined in the Operations Manual, on or before the **1<sup>st</sup>** day of each month, an itemized report of your deodorizer inventory, billable and collected revenue, and franchise business activities for the prior month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. All Royalty Fees due based upon your billable revenue for the preceding month will accompany the report.

**2.7 Audits.** We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate your billable revenue of your franchise operation by more than **2%** or unless you fail to deliver any required report in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our

employees incurred in connection with the audit. You will immediately pay all Royalty Fees and late payment charges that the audit determines are owed.

**2.8 You are to Pay all Franchise Costs.** All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability, or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation, and benefits. You will control your own employees and contractors. You must comply with all employment laws and regulations in respect to your employees and/or independent contractors. You must indemnify and hold us legally harmless from any of your violations of such laws. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

**2.9 Attendance at Conventions.** We may hold conventions for the franchisees that make up our franchise system. These conventions may be held at a different location each time. They include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals, and entertainment. For any annual convention that you do not attend, we will deliver to you and you will pay us for all training materials, documentation, handouts, training videos, and video recordings of the activities of convention. The price for the training materials, documentation, handouts, training videos, and video recordings for each annual convention will be established by us from time to time but will not be less than **\$125** per day.

**2.10 Application of Payments.** We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from monthly fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied.

For the purposes of this Agreement, and all other instruments and agreements relating to it, we will have the right to treat any payment received from you as payment on account. We may apply any monies received from you in the following priority:

- a) to the payment of any sales or use taxes required to be paid in connection with any dealings between you and us pursuant to this Agreement;
- b) to the payment of interest on overdue amounts;
- c) to the payment of accrued late charges;
- d) to the payment of overdue or outstanding amounts;
- e) to the payment of current Royalty Fees;
- f) to the payment of current Marketing Fund contributions;
- g) to the payment of the purchase price for all or any items you purchase from us or Fresh Aire Suppliers, and
- h) to the payment of rent and any other amounts payable by you to us,

in any order that we, in our discretion, decide and notwithstanding any contrary designations by you as to the application your payments.

3.1 **Mandatory Training.** We will provide a mandatory training course for you or your franchise manager at a location we will designate. This training course will cover all aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. You or the manager will complete the course no later than **2** weeks prior to opening the Franchise for business. You must ask us to schedule a training session for you or the manager at least **35** days before the session is to start. You or the manager must complete this mandatory training program to our exclusive satisfaction or we may terminate this Agreement upon refunding all the Initial Franchise Fee. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the mandatory training course.

You will pay the transportation, board, and lodging expenses you or the manager incur related to this training. Depending upon our analysis of your training needs, generally the training course will be not less than **5** days long. Training and training materials may be delivered in the formats or media we choose. This may include course books or training exercises on paper, video, CD-ROM, or other electronic formats, via web cast or an intranet. You will participate in and pay for the costs of training, including costs of computer equipment and Internet services needed to participate.

If the Franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must successfully complete the mandatory training program within one month after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates. Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the mandatory training course.

Individuals:

If you will be operating your franchise as an individual, [we strongly recommend that you devote your full time and best efforts to the day-to-day operation of your franchise with no operational or management commitments in other businesses except other franchises offered by us. You may however, continue to operate such other businesses, (if any), in which you are engaged as of the date of this Agreement that are family owned. If you continue to operate other businesses, you must employ separate personnel for the businesses, market services under one or more trading designations separate from the Service Marks, maintain separate offices and customer reception space and have the personnel related to such other businesses wear apparel that does not feature any of the Service Marks.

Partnerships:

If you will be operating your franchise as a partnership, one or more partners must participate in the actual day to day operation of your franchise or you must have in your employ a manager who runs your day-to-day operations. The partner or partners who are in charge of running your franchise or your manager must have successfully completed our training course.

Corporations, Limited Liability Companies:

If you will be operating your franchise as a corporation, limited liability company, or other legal entity, you must have in your employ a general manager. This general manager can be you, any member of your board, an officer of your corporation or member of your limited liability company. The general manager who is in charge of running your franchise must have successfully completed our training course.

Managers/Training:

No matter what form of business you decide to use, the person assigned to running the day-to-day operations of the business must have completed our training course and must, in our view, have a sufficient command of the English language to serve customers and conduct business with us, with suppliers and with other parties. Anyone in your employ who is a manager or crew leader of your franchise operations must also have completed our required training course.

**3.2 Supplemental Training and Sales Support Visits.** When you are ready to open the Franchise for business and upon not less than **35** days prior written notice to us, we will provide the full-time services of a trainer at the Franchise Territory for up to **5** work days to assist with employee training, form use, deodorizer installation and maintenance, sales assistance, and use of the Operations Manual. We will bear the trainer's expenses for this assistance.

At your option and upon not less than **35** days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates.

The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all your training.

After you have opened your franchise for business, and at your and our option, upon not less than **35** days' prior written notice to us, you may request a Sales Support Visit in the Territory. We reserve the right to accept, modify or decline your request. Our reasonable out of pocket costs and expenses for this visit will be borne or reimbursed by you. These will include but not limited to our travel, lodging and meals. In addition, you will pay to us the standard per sale commission published in the Operations Manual for each sale we make for you during a Sales Support Visit. The duration of each visit is negotiable depending upon your needs. We may designate qualified franchisees or master franchisees to handle a Sales Support Visit.

From time to time we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise will be required to attend up to **20** hours of programs and seminars, depending upon program and seminar availability. In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees at your franchise location. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manual in the future.

#### **4 COMMENCEMENT OF OPERATIONS**

**4.1 Time to Complete Training and Commence Operation.** You or your manager will complete to our exclusive satisfaction the mandatory training defined above and commence full and continuous operation of the Franchise within **180** days after execution of this Agreement. Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages, or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If this training and commencement of operation obligation is not fulfilled, we may terminate this Agreement by refunding not less than **one-half** of the Initial Franchise Fee.

4.2 **You Are to Obtain Permits and Licenses.** Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise. You will comply with all the provisions of all other applicable federal, state or local statutes, rules or ordinances.

## 5 **FRANCHISE STANDARDS OF OPERATION**

5.1 **Operations Manual, Minimum Inventory, Supplies, Deodorizer installation and maintenance, Plans and Specifications, and Public Relations.** Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of our franchise system are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of the Fresh Aire Operations Manual (the "Operations Manual") once you have paid to us the Initial Franchise Fee, in full. The Operations Manual describes the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, inventory requirements and control techniques, plans and specifications, fixture and deodorizer installation and maintenance requirements, branding requirements, opening public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual. Among other things, the Operations Manual may contain information, requirements and standards related to:

- Planning and consulting
- Equipment standards and assistance
- Computer programs for point of sale, marketing, accounting, scheduling, and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Marketing and advertising
- Standards, ongoing training, and ongoing support
- Insurance guidance and standards
- Warranty programs

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy, or duplicate any part of the Operations Manual for any reason. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement. The Operations Manual, in part, may consist of confidential:

- A. manual or manuals, and
- B. any Intranet or password protected portion of an Internet site, and
- C. any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and
- D. any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We develop minimum requirements for products, merchandise, inventory, supplies, stationery, business forms, advertising, deodorizer installation and maintenance, plans and specifications, materials, and signs, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial inventory items and additional items specified from time to time in the Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend it from time to time. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manual.

We retain the right to make a reasonable profit on any items, supplies and materials you buy from us. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you.

We may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts. We will accumulate them, annually account to the Fresh Aire franchise system for them and either add them to the Advertising Fund, use them for programs that benefit all franchisees such as conventions and administration of purchasing programs, use them to provide supplemental training and promotional services to Fresh Aire franchisees, or return them at reasonable times to all Fresh Aire franchisees pro rata, based upon the volume of related business.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE OF (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.**

We will not be liable to you if we are unable to deliver equipment, inventory, or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all products, supplies and materials required for the operation of the Franchise from manufacturers, suppliers or distributors approved by us. All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You are required to maintain an inventory of authorized and approved equipment and supplies sufficient in quantity to satisfy customer demand.

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish

and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems, and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements, and testing procedures; will maintain the confidentiality of the designs, systems, and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose [within 90 days of our receipt from you of your written notice of request for approval]. From time to time, we or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier, or distributor. If we determine that a manufacturer, supplier, or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within **30** days, the manufacturer, supplier or distributor will no longer be approved.

**5.2 Standards to Be Maintained.** You will follow the Method of Operation and maintain standards of product preparation, merchandising, and service that we prescribe.

A. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. You will only use signs, fixtures, equipment, materials, products, inventory and deodorizer installation and maintenance services that conform to our specifications to conduct the franchise.

You may only use vehicles which are clean, well-kept, and free of any rust. You will wash your vehicles at least once every two weeks. You will maintain your vehicles in good repair and operating condition. You will adhere to our vehicle requirements and standards.

B. You will apply only decals and logos approved by us on your vehicles, signs, and equipment. You will keep your signs clean and legible and free of tears, paint problems, punctures, cuts, and graffiti.

C. We may verify your compliance with the terms of this Agreement. To do so, we may:

1. Inspect the Franchise Territory;
2. Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;
3. Select items, products and other materials, services, equipment, operations, and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards;
4. Interview your personnel, customers, and vendors partners; and
5. Inspect and copy any books, records and documents related to the operation of the franchise and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, and vendors in reference to these inspections, observations and interviews.

D. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities on the Franchise Territory and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise and will operate the Franchise in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

E. You will not install or use any vending machines, juke boxes, games, or musical devices as part of your Franchise operations without our prior written approval.

F. You will not offer, sell, or dispense any products or services or activities other than those we specifically recognize and approve in writing.

G. At all times you will ensure that your copy of the Operations Manual and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

**5.3 Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property.** You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly like the Service Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks or the Method of Operation, you agree to execute all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our

direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations TM or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

**5.4 You Will Not Use Names or Marks in Combination.** Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

**5.5 Service Marks, Operations Manual, and Method of Operation May Be Changed.** You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

We may change or modify any part of the Service Marks, Operations Manual, or Method of Operation from time to time at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Except as otherwise provided in this Agreement, under no circumstances will we be liable to you for any damages, costs, losses, or detriments relating to or directly or indirectly resulting from these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore, we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant a like or similar variation to you.

5.6 **You Will Not Communicate Confidential Information.** The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You will fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information.

You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect our confidential and proprietary information, including the signing of a confidentiality agreement. You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and the Fresh Aire franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.

You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

5.7 **Conflicting or Competing Interests.** You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your franchise. You will not engage in any activity or business enterprise that conflicts with these obligations. At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. What constitutes proper operation will be in our sole reasonable discretion. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of deodorizers, air freshener fragrances, related installation and periodic service contracts, or products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of **2** years after expiration or termination of this Agreement do not:

- A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment; nor

B. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and Method of Operation

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage, and scope allowable by law or court of law shall apply to this Agreement.

You will obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section. We may make our approved forms available on the internet or in the Operations Manual.

You and we stipulate that, considering all the facts and circumstances of the relationship between you and us, the covenants, restrictions, and agreements referred to in this Section (including without limitation their scope, duration, and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

**5.8 Computer Systems.** You will install and use accounting and inventory control computer systems approved by us. You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, web site vendors and video conferencing) that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set from time to time. You must have these systems in operation at the Franchise Territory prior to opening for business. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

You are required to have DSL or other high speed Internet service to your business or home office where you will be able to access the Operations Manual and operations software and downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have access to your computer systems and records.

**E-PROBLEM DISCLAIMER:** Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 problem and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

**5.9 Terms of Product Sales.**

A. To receive products, you must deliver to us a purchase order that specifies the products. All orders you submit are subject to acceptance at our corporate headquarters. We reserve the right to reject any order that is not credit approved or does not conform with the provisions of this Agreement. All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement. Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order. Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions.

B. Shipments are subject to availability. Upon notice to you, we may schedule and reschedule any order, at our discretion. We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request.

C. We will use commercially reasonable efforts to meet any scheduled shipment date. However, we will not be liable for delays in meeting a scheduled shipment date for any reason. If products are scarce, we will allocate them equitably, at our discretion, among our customers.

D. Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you.

E. We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements, or fail to provide financial information when we request. No cancellation, refusal or delay will terminate this Agreement.

F. All products will be delivered to you F.O.B. origin upon transfer to a common carrier. You will pay all transportation and insurance charges.

G. On delivery of products to carrier, title (or with respect to licensed software and programs licensed, not sold, title only to the media on which the licensed software or program is delivered) will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you. Upon request, we will cooperate with you to establish a claim.

H. You grant to us a security interest in the products and proceeds as security for your obligations under this Agreement. Upon request, you will execute and file all instruments or documents necessary to perfect any security interest. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.

I. You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace.

J. You acknowledge that we are not the manufacturer of the products. The products are subject to the manufacturer's standard warranty. We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose. No representation, affirmation of fact, or statement regarding capacity or suitability, which is not in this Agreement, will be a warranty by us for any purpose.

K. We will not be liable for any loss or damage claimed to have resulted from the use, operation, or performance of the products, whatever the form of action. Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages. These limitations of liability will not apply to claims for personal injury caused by our negligence. We will not be liable to you for special, indirect, incidental, or consequential damages or from any damages resulting from loss of use, data or profits.

## 5.10 Employees

You are exclusively responsible to train and make sure your employees and independent contractors meet the standards, specifications and procedures outlined in the Operations Manual. You will hire only efficient, competent, sober, and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on our part.

A. You will control your own employees and independent contractors. We will not

have the power to hire, fire, direct, supervise, or discipline them. You will maintain complete and accurate employee records to show clearly, in all relevant ways, that you and your employees are not our employees.

- B. You must comply with all state and federal laws in respect to your employees. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement. You must indemnify and hold us legally harmless from any of your violations of such laws. You are exclusively responsible to create and use employee and human resources handbooks and manuals that you prepare specifically for your business operations tailored to the legal jurisdictions within which you operate with the advice of HR professionals and legal advisors you select.
- C. You exclusively determine the wages and payment rates and methods of payment to your employees and independent contractors. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation, and benefits. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation, and benefits.
- D. You are exclusively responsible to monitor, supervise and control the scheduling, performance, efficiency, and efficacy of your employees and independent contractors and to adjust improve the results of their efforts.
- E. If you decide to share employees or independent contractors with other franchisees, then you will indemnify and hold legally harmless us (and our affiliates, officers, directors, employees, and agents) from any claims, losses, attorney fees and damages resulting from such activities. You acknowledge that this provision does not constitute an endorsement to share employees with other franchisees.
- F. You are responsible to train and to make sure your employees and independent contractors meet the standards, specifications and recommendations outlined in the Operations Manual, including those related to appearance, customer service, background checks, and drug testing (as applicable). You are required to hire and maintain sufficient staff in order to always handle customer volume. You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober, and courteous service to your customers.
- G. All employees and independent contractors whose duties include customer service must have sufficient literacy and fluency in the English language to serve the public.
- H. You may not hire any employee or independent contractor who has been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character.
- I. All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to you and not directly to your employee or independent contractor.

6        **RENEWAL, TERMINATION AND STEP-IN RIGHTS**

6.1        **Renewal of Franchise.**

A.        If you are not in breach, you may renew the Franchise for periods of **5** years under the terms of our then-current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document will mean the form then currently provided to prospective franchisees, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement.

There is no fee for renewal of the Franchise. The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees, Local Advertising Contributions, and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the Renewal Franchise Agreement forms within **30** days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Territory must remain located in the geographical territory designated in this Agreement. The Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then current franchise market penetration and demographic standards and branding requirements.

You will reimburse us for our reasonable out-of-pocket costs concerning the renewal.

You will refurbish, remodel, and replace the Franchise fixtures and equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing, remodeling, and replacement. You must make all capital expenditures reasonably required to renovate and modernize the Franchise Territory and its signs and equipment to reflect the design and deodorizer installation and maintenance image of Fresh Aire franchises we then are requiring of new or renewing Fresh Aire franchises.

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then-current training fee.

B.        We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion and business judgment in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

C.        Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon **30** days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

6.2        **Termination by You.** You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the

breach. Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period.

### 6.3 Termination by Us.

A. The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense.

We may terminate this Franchise Agreement and any other franchise agreements and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

B. We immediately may terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure, if you (or your owners, officers, or key employees):

1. Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchise or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:

- (i) timely undertake to reaffirm the obligations under this Agreement;
- (ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and
- (iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code;

provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchise, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

2. Fail to operate the Franchise continuously and actively for **15** consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location.

3. Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of two or more **30**-day or **5**-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above [or this Subsection (B)], whether or not you had corrected your earlier failures to comply after we delivered notice to you.
4. On more than two occasions fail to report monthly inventory levels on time, understate monthly inventory levels by more than **2%**, or distort other material information.
5. Allow the Franchise or franchise assets to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for **30** days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within **5** days of the levy.
6. Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise.
7. Within a period of **10** days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.
8. Fail to pay any Franchise or Royalty fees or other amounts owed pursuant to this Agreement within **5** days after receipt of written notice that the fees or amounts are overdue.
9. Operate the Franchise in a manner that creates an imminent danger to public health or safety.
10. Do not keep confidential information related to the Franchise confidential except to employees or persons authorized to know.
11. Fail to obtain agreements from your employees to keep confidential information confidential.
12. Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

6.4 **Time Frames Subject to Applicable Laws.** The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

6.5 **You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement.** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

A. Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation.

B. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

C. Authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee. Notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

D. Pay to us within **seven** days all Royalty Fees and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorney's fees and collection costs, we incur because of your breach. These sums will include any expenses we incur as a result of unauthorized changes you or your representatives make to the customer database (such as deletion of customer information). These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

E. Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below. You will immediately return to us all our confidential information you have received, including any items that embody the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.

F. At our option, sell all Franchise-related equipment, furnishings, and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a **10%** restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;

**6.6 We May Assign Territory Upon Termination.** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate Fresh Aire businesses within the Franchise Territory.

**6.7 Our Step-In Rights.** The parties want to prevent any operation or interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay to us when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; your business activities are having a negative impact upon the value of our franchise system; or we decide that significant operational problems require us to operate the Franchise for a time.

All Revenue from our operation of the Franchise will be for your exclusive account. We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative and travel costs, plus **15%** to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, nor to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

**6.8 You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement.** This covenant will apply for **720** days after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of deodorizers, air freshener fragrances, related installation and periodic service contracts, or products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within the Franchise Territory, within a **100**-mile radius of the Franchise Territory, within a **100**-mile radius of any location where we operate or have granted the franchise to operate a Fresh Aire business, and within the United States of America.

You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the Method of Operation would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

**7.1 Sale or Assignment.**

A. Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise Territory, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We will not be obligated to consent to any transfer before the date the Franchise opens for business.

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination and will include, but not be limited to the following conditions. Before the effective date of a transfer we approve:

1. The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.
2. You will pay all ascertained or liquidated debts concerning the Franchise.
3. You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.
4. The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.
5. You will pay a Transfer Fee according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.
6. You will pay us a **10%** commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.
7. The transferee will execute all documents we then require of new franchisees. This includes a new franchise agreement in the form we then are using. The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.
8. The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You

will provide information we require to prove the transferee meets our standards.

9. If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release, any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sale and performance of this Agreement or any other agreement between the parties.
10. Upon our granting of approval for the transfer, you will:
  - a) ensure that the transfer is effected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Franchise Territory;
  - b) deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

B. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement. (You and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives will act as surety for the full and faithful performance of all the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.)

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

C. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all our securities, may merge, acquire other entities, or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all these sales, assignments, and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

D. You may not grant a sub-franchise or transfer less than all your rights under this Agreement.

## 7.2 Your Death or Disability.

A. Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning **50%** or more of you if you are a limited liability company or corporation or other entity. Within **180** days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:

1. Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment," above (except that no transfer fee will be required). Or,
2. Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the **180** days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.
3. If a suitable transferee purchaser is not found within **180** days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined in the county in which our headquarters is then located (currently Clackamas, Oregon) by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option, we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. Terms of payment will be **10%** of the purchase price payable upon contract signing, the balance payable in **60** equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment.

B. If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

7.3 **First Right of Purchase.** You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchise. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise

our option to purchase within **30** business days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled "First Right of Refusal". You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled "Sale or Assignment" and "First Right of Refusal." If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all the franchise business regardless of your intent to sell, assign or transfer a lesser interest. We can pay the purchase price in cash up front or 120 equal monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

**7.4     First Right of Refusal.** If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within **30** days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the **30** days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment," above. If the Franchise is not transferred by you within **6** months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

## **8       INDEMNITY AND INSURANCE**

**8.1     Indemnity.** You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless shall be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless shall be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to these contribution and allocation of indemnification provisions.

You will indemnify us for any loss, cost or expense, including attorneys' fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Territory.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

8.2 **Insurance**. Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability and products liability insurance. This insurance will be written by a financially responsible insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

- A. Comprehensive general liability insurance, including products liability, completed operations, property damage, contractual liability, independent contractors liability, owned and non-owned and hired automobile coverage, and personal injury coverage with a combined single limit of at least **\$1,000,000** including umbrella coverage.
- B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.
- C. Employer Practice liability insurance.
- D. Automobile liability insurance, including owned, non-owned, leased and hired vehicle coverage, with a combined single limit of at least \$1,000,000 for death, personal injury and property damage.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming us as an additional named insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon **20** days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each policy will be treated as though a separate insurance policy had been issued to each named insured.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Business or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of the Fresh Aire system. This policy may replace or supplement the insurance coverage you are required to maintain. You will pay the relevant insurance premium to us or the designated insurance provider, as we direct.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

## 9 **NOTICE AND MISCELLANEOUS**

9.1 **Notices.** All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within **3** business days after transmission). Notices will be delivered to you at the Franchise Territory, to us at our headquarters or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location.

Notices sent by certified or registered mail will be deemed to have been delivered and received **3** business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received **one** business day after placement requesting delivery on the most expedited basis available. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

9.2 **Business Name.** You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the name "Fresh Aire."

9.3 **We and You Are Not Joint Venturers, Partners, or Agents.** You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Territory and on any delivery vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

You will maintain employee records to show clearly that you and your employees are not our employees. All employees and independent sub-contractors you employ must meet our character, quality and performance standards. All state and federal, workers compensation and insurance requirements must be met for all employees and sub-contractors, including requirements we express in the Operations Manual.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all the shareholders, members or partners and also by you.

9.4 **Waiver**. A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of **10** days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement.

9.5 **Time Is of the Essence**. Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 **Documents**. You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. Upon the expiration, termination or transfer of this Agreement, if you do not execute any document necessary in our judgment to comply with the requirements of this Agreement, then by this Agreement, you irrevocably nominate, constitute and appoint the person then serving as our CEO or Managing Member as your attorney-in-fact to so execute that document in your name and on your behalf.

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce or terminate this Agreement and any or all the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership, all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members, and all officers will personally guarantee your faithful performance.

You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with us; will not attempt to divert customers to competing businesses; will not induce the employees of us or of our franchisees to leave their employment; and will keep, preserve, and protect confidential information as required by this Agreement.

9.7 **Construction**.

A. **Entire Agreement**. This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this

Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement.

Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our limited liability company member/managers at our home office by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision.

B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement.

D. Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

E. Implied Covenants. If this Agreement or applicable law implies a covenant of reasonableness, good faith or fair dealing, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If this Agreement or applicable law implies such a covenant, the parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;
2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Fresh Aire businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;
3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is exercised in bad faith toward you; and

4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

F. Joint and Several. If, at any time during the term of this Agreement, you consist of two or more persons or entities (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person and entity.

9.8 **Enforcement**. From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties.

A. Mediation. If a dispute arises between the parties, before taking any other legal action, the parties agree to participate in at least 8 hours of mediation in accordance with the Mediation Procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial franchise business disputes. The Parties agree to equally share the costs of mediation. Mediation may be specifically enforced by either party. This agreement to mediate will survive termination or expiration of this Agreement.

B. Injunctive Relief and Specific Performance. Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. Governing Law and Venue. You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Oregon. This Agreement and the relationship between the parties will be interpreted under the laws of the State of Oregon. Any dispute between you (or your officers, directors, shareholders, members, partners or other owners) and us, whether arising under this Agreement or from any other aspect of the parties' relationship, will be governed by and determined in accordance with the substantive laws of the State of Oregon, without regard to Oregon choice of law provisions. Provided, however, that any law of the State of Oregon that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Oregon laws will prevail in the event of any conflict 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.*) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of any Oregon franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Oregon or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth. Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state.

The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you (or your officers, directors, shareholders, members, partners or other owners) and us, the parties agree that all issues or disagreements between them will be mediated, arbitrated, tried, heard, and decided in the county in which our headquarters is then located (currently Clackamas, Oregon) which you agree is the most convenient venue for these purposes. You

acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of, and best meets the interest of, all the members of the Fresh Aire franchise system.

D. Remedies. You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If either event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be construed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-

competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

E. **Attorney's Fees.** The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees [and previously incurred mediator fees]. These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding.

9.9 **Other Agreements.** If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

9.10 **Agreement Binding on Successors and Assigns.** This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

9.11 **Execution in Counterparts and Our Acceptance.** This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within **60** days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

9.12 **Approval by Shareholders, Members or Partners.** If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

If You are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") must contain the following provisions which will supersede any contrary provisions in that agreement:

- A. Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our CEO or Managing Member or his designee. If the arbitration submission is accepted by our CEO or Managing Member, it must be held at our headquarters or at another location the Owners and the arbitrator agree. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our CEO or Managing Member, the Owners must resolve their disputes in accordance with the other provisions of this Franchise Agreement.

B. The term "operations and management" includes, but is not limited to, questions relating to:

1. Allocations of management responsibilities between the Owners;
2. Contributions to capital for purposes of business operations, repairs and remodeling;
3. The reasonable salaries of the Owners;
4. Marketing efforts;
5. The termination of the employment of an Owner;
6. Procedures for making and implementing management decisions;
7. Whether an Owner has performed duties with respect to the operation or management of the franchise business.

C. Unless the Owners and the arbitrator agree in writing otherwise, "operation and management" does not include questions relating to:

1. Allocations, computations or distributions of profit or loss;
2. Accounting issues;
3. Elections of officers of the entity;
4. Investments of cash not necessary for the operation of the business;
5. Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
6. The fair market value of the Owners' interests in the entity;
7. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under B, above;
8. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
9. Matters relating to the winding up of the entity after a dissolution;
10. Matters relating to the legal validity of the Owners Agreement.

D. The Owner's agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.

E. The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.

F. Inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

#### 9.13 **Representations and Acknowledgements.**

A. **Receipt of Disclosure Documents.** You acknowledge that you have received our Franchise Disclosure Document at least 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
2. if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure

Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

**B. You Have Read and Understand this Agreement.** You acknowledge that you have had ample time to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

**C. Varying Forms of Agreement.** You are aware that some present and future Fresh Aire franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

**D. Speculative Success.** The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

**E. Independent Investigation, No Projections or Representations.** You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

**F. No Review of Business Plans, Loan Applications.** Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

**G. Your Location and Market Area.** You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and applicable regulations (or will do so if you have not yet found a Franchise Territory). You agree and represent that that market area is reasonable, the Franchise Territory will be suitable for the operation of a Fresh Aire franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a Fresh Aire franchise.

H. **Health and Full-Time Participation.** You acknowledge that a Fresh Aire business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day to day operations of your franchise or that you have the business management skills necessary to successfully hire a general manager to run the day to day operations of your franchise.

I. **Terrorism, Convictions, Immigration Status.** Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates:

1. supports terrorism,
2. provides money or financial services to terrorists,
3. receives money or financial services from terrorists or institutions that support terrorists
4. is engaged in terrorism, or
5. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

J. **We May Investigate.** We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. **Supplier Approval.** You acknowledge that while you may propose alternate suppliers for products and services, the proposed suppliers may not qualify. You further acknowledge that our approved suppliers may be the only source of supply for products and services required in the Franchise.

L. **Operations Manual.** You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand.

M. **Release of Prior Claims.** By executing this Agreement, you, on behalf of yourself and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever release and discharge us, our past and present employees, agents, members, area developers, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other prior claims relating to any prior dealings between any of the parties apart from those specifically related to this Agreement. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

N. **Force Majeure.** The failure of any party to perform under this Agreement will be excused, if the failure to perform is caused by a Force Majeure provided the party so affected will give the

other party immediate written notice of the cause of nonperformance, will use its best efforts to avoid or remove the cause, and will continue performance under this Agreement whenever the cause is removed. "Force Majeure" includes, without limitation, any event caused by or resulting from conditions that are beyond the reasonable control of a party whose performance is affected and occurring without the party's fault or negligence. Examples of events of Force Majeure include, without limitation, an act of God; labor strike or other industrial disturbance; revolution; riot; civil commotion; acts of public enemies; catastrophe; failure of third party suppliers not under a party's control; transportation delay; war; insurrection; epidemic or pandemic; fire; hurricane; flood; earthquake or other natural disaster; adverse acts of any government; materials or labor shortage; failure of third party suppliers; social unrest or upheaval; economy/fiscal emergency or crisis; banking system delays or failure; abnormal inflation or deflation; delay or an act or failure to act of the other party; accidental, negligent, or purposeful act or failure to act by a party or by any third person that materially damages or diminishes the value of the Marks (e.g. Dickey's Toxic Tea); etc.

O. **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES.** WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU.

10                    **SIGNATURES**

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

("we/us"): **FRESH AIRE FRANCHISE, LLC**      (jointly and severally "you"):

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

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

\_\_\_\_\_, an individual

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

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

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

## EXHIBIT 1– FRANCHISE TERRITORY (Sample 1)

1) **FRANCHISE TERRITORY:** The Franchise Territory is [the city limits as of \_\_\_\_\_, 20\_\_ of \_\_\_\_\_, \_\_\_\_\_].

2) **FRANCHISE TERRITORY:** The Franchise Territory is or will be located at \_\_\_\_\_.

OR

3) **DESIGNATED AREA:** If either the Franchise Territory or the Franchise Territory has not been determined when this Agreement is executed, you are responsible for selecting the site for your Franchise Territory within the following Designated Area: \_\_\_\_\_.

The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of franchises by any party and concerning any territory protections granted to you.

## EXHIBIT 1– FRANCHISE TERRITORY (Sample 2)

Once determined, the Franchise Territory will be located at \_\_\_\_\_, \_\_\_\_\_. The Franchise Territory is the city limits as of \_\_\_\_\_, 20\_\_ of \_\_\_\_\_, \_\_\_\_\_.

The parties have contemporaneously executed [5] Franchise Agreements, including this Agreement, as part of a multiple franchise purchase. The franchise territories for the [5] franchises are the city limits as of \_\_\_\_\_, 20\_\_ for the following cities in the state of \_\_\_\_\_: \_\_\_\_\_ and \_\_\_\_\_ (both cities comprise one territory); \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_; and \_\_\_\_\_.

The franchise site for each franchise must be in the relevant territory [the United States of America], legally available pursuant to state and federal franchise disclosure and registration laws and pursuant to our commitments to our franchisees, and in compliance with our franchise placement, market development and demographic criteria.

You will commence in good faith to perform your obligations under the relevant franchise agreements and commence full and continuous operation of the relevant Franchise Territory within the following time periods after execution of this Agreement:

1st Franchise Territory	, 20____
2nd Franchise Territory	, 20____
3rd Franchise Territory	, 20____
4th Franchise Territory	, 20____
5th Franchise Territory	, 20____

[Once a franchise site and territory is found and approved and the franchise is opened for business, we will not enter into a new franchise agreement with any third party for a Fresh Aire franchise within that

Franchise Territory.]

[You must give us **45** days written notice before opening each new Franchise Territory. At least **40** days before opening each new Franchise Territory, you must pay **50%** of the cost of the required initial products and supplies inventory, and the required initial showroom display products and equipment, to us, our manufacturing affiliate or our approved vendors, as we specify.]

In the event that you do not comply with the above franchise opening and continuous operation requirements, we will have the right to terminate any of your franchise agreements representing franchises that have not yet opened for business. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control (not including financial circumstances) will be excused for a period of time that we deem reasonable under the circumstances.

[The parties have executed a number of franchise agreements contemporaneously with this Agreement as part of a multiple franchise purchase. Any material violation or breach of any such agreement, or of any other franchise agreement between the parties or of any other agreement between the parties related to the franchise system will be deemed a material violation of this Agreement, of all such other franchise agreements, and of all such other agreements. The non-breaching party then will be entitled to enforce the penalties of or to terminate this Agreement and any or all such other franchise agreements and such other agreements as provided in this Agreement for enforcement or termination.]

The initial franchise fees under the relevant franchise agreements will be paid upon the opening of each relevant Franchise Territory. We will have no obligation to provide franchise training to you at our expense except for the first franchise you open.

Except as specifically outlined or forbidden in the relevant franchise agreements, there are no understandings oral or written concerning the future placement of franchises by any party and concerning any territory protections granted to you.

Approved as to Form:

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Of Legal Counsel for us

## Exhibit 2 – SBA Addendum

### INSTRUCTIONS FOR USE OF SBA FORM 2462 ADDENDUM TO FRANCHISE AGREEMENT

SBA has issued a revised version of the Addendum to Franchise Agreement (SBA Form 2462) which became effective January 1, 2018. SBA's Standard Operating Procedure (SOP) 50 10 5(J) explains updates made to the franchise review process for the 7(a) and 504 loan programs. By executing this Addendum, the franchisor agrees that any terms in its franchise agreement or any other document the franchisor requires the franchisee to sign that are related to control by the franchisor or its franchisees (resulting in a determination by SBA of affiliation between the Franchisor and its franchisees, as defined in 13 CFR part 121 and SBA's Standard Operating Procedure 50 10) will not be enforced against the franchisee during the life of the SBA-guaranteed loan.

SBA Form 2462 has three locations with drop down menu options at the beginning of the form (see example below). Once a drop down option is chosen (i.e. #1 "Franchise" #2 "Franchisor" and #3 "Franchisee"), the user must hit the "tab" key to automatically populate the appropriate term in all fields.

#### Example of Drop-Down Options

The image shows a screenshot of the SBA Form 2462. At the top left is the Small Business Administration seal. To its right, the text "ADDENDUM TO" is followed by a dropdown menu with the following options: Franchise (highlighted in blue), License, Distributor, Membership, and Other. To the right of the dropdown is the word "AGREEMENT". A red box labeled "1" is drawn around the "Franchise" option in the dropdown. A red box labeled "2" is drawn around the word "Franchise" in the sentence "THIS ADDENDUM ("Addendum") is made, 20\_\_\_\_, by and". A red box labeled "3" is drawn around the word "Franchisee" in the sentence "between \_\_\_\_\_, and \_\_\_\_\_ ("Franchisee" \_\_\_\_\_).". Below these fields, there are several blank lines for signatures and dates.

Once the drop down options have populated in all three locations, the remaining fillable fields must be completed manually (see example below). These fields will either be blank or contain the language "(Enter type of)" or "(type of agreement)." In each of these fields, enter the type of agreement, e.g., franchise, license, dealer, membership, etc. When completing SBA Form 2462, the text may not be altered except to insert the information required to complete the form.

#### Example of Fillable Fields to be Completed Manually

#### FORCED SALE OF ASSETS

- If Franchisor \_\_\_\_\_ has the option to purchase the business personal assets upon default or termination of the Franchise \_\_\_\_\_ Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee \_\_\_\_\_ owns the real estate where the franchisee \_\_\_\_\_ location is operating, Franchisee \_\_\_\_\_ will not be required to sell the real estate upon default or termination, but Franchisee \_\_\_\_\_ may be required to lease the real estate for the remainder of the (enter type of) \_\_\_\_\_ term (excluding additional renewals) for fair market value.

**Note to Parties:** This Addendum only addresses "affiliation" between the Franchisor \_\_\_\_\_ and Franchisee \_\_\_\_\_. Additionally, the applicant Franchisee \_\_\_\_\_ and the (type of agreement) \_\_\_\_\_ system must meet all SBA eligibility requirements.



## ADDENDUM TO LICENSE

## <sup>1</sup> AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("Licensor \_\_\_\_\_"), located at \_\_\_\_\_, and \_\_\_\_\_ ("Licensee \_\_\_\_\_"), located at \_\_\_\_\_.

Licensor \_\_\_\_\_ and Licensee \_\_\_\_\_ entered into a License \_\_\_\_\_ Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the "License \_\_\_\_\_ Agreement"). Licensee \_\_\_\_\_ is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the License \_\_\_\_\_ Agreement or any other document Licensor \_\_\_\_\_ requires Licensee \_\_\_\_\_ to sign:

### CHANGE OF OWNERSHIP

- If Licensee \_\_\_\_\_ is proposing to transfer a partial interest in Licensee \_\_\_\_\_ and Franchisor \_\_\_\_\_ has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor \_\_\_\_\_ may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Licensee \_\_\_\_\_. If the Franchisor \_\_\_\_\_'s consent is required for any transfer (full or partial), Franchisor \_\_\_\_\_ will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) \_\_\_\_\_ interest or any portion thereof, the transferor will not be liable for the actions of the transferee Licensee \_\_\_\_\_.

### FORCED SALE OF ASSETS

- If Franchisor \_\_\_\_\_ has the option to purchase the business personal assets upon default or termination of the License \_\_\_\_\_ Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Licensee \_\_\_\_\_ owns the real estate where the licensee \_\_\_\_\_ location is operating, Licensee \_\_\_\_\_ will not be required to sell the real estate upon default or termination, but Licensee \_\_\_\_\_ may be required to lease the real estate for the remainder of the (enter type of) \_\_\_\_\_ term (excluding additional renewals) for fair market value.

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

## COVENANTS

- If the Licensee owns the real estate where the licensee location is operating, Franchisor has not and will not during the term of the License Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Licensee's real estate, they must be removed in order for the Licensee to obtain SBA-assisted financing.

## EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Licensee's employees. For temporary personnel franchises, the temporary employees will be employed by the Licensee not the Franchisor.

As to the referenced License Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Licensee.

Except as amended by this Addendum, the License Agreement remains in full force and effect according to its terms.

Franchisor and Licensee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR:

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

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

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

Authorized Representative of LICENSEE:

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

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

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

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Licensee. Additionally, the applicant Licensee and the (type of agreement) system must meet all SBA eligibility requirements.

**CONFIRMATION OF ADDITIONAL REPRESENTATIONS AND TERMS  
BY PROSPECTIVE FRANCHISEES OF FRESH AIRE**

Fresh Aire Franchise, LLC ("we/us"), through the use of this Franchisee Closing Questionnaire, desires to verify certain information about the sales process and to confirm any additional commitments or terms beyond those contained in our standard franchise agreement contained in our current Franchise Disclosure Document (the "Franchise Disclosure Document"), including any oral statement, representation, promise, or assurance made during the negotiations for the purchase of a Fresh Aire franchise by any of our directors, officers, employees, agents, or representatives (each, a "Representative") .

**BACKGROUND AND GENERAL INFORMATION**

1. Please state the full name of each individual and entity that will be an owner of the Franchise and an owner of an entity that owns the Franchise:
  
2. What is the location of the Franchise you are purchasing?
  
3. Have you received a copy of our most current Disclosure Document?

Yes  No

On what date did you receive the Disclosure Document? \_\_\_\_\_

**I. FRANCHISE LOCATION**

**A. Location**

You have applied for and are in the process of receiving a Franchise to an Fresh Aire franchise to be located at \_\_\_\_\_ in the city of \_\_\_\_\_, State of \_\_\_\_\_ ("the Site").

**B. Reliance on Representatives in Site Selection**

Please describe any representation we or our Representatives have made about the value of the Site or what volume of sales or net earnings the Site will or should generate as a Fresh Aire franchise, or write "None":

**II. LEASE TERMS**

**A. Reliance on Representatives**

Describe any representations or opinions expressed by us or our Representatives related to execution of the lease or contract to purchase of the Site, or write "None":

**C. Submission to Us**

You will submit to us the lease or contract to purchase for approval before you execute it.

**III. FRANCHISE**

**A. Description of Representations**

1. Describe any promises, agreements, contracts, commitments, representations, understandings, "side deals" or other promises that have been made to or with you by us or our Representatives with respect to any matter not expressly contained in the Franchise Agreement. This includes, but is not limited to, any representations or promises regarding advertising, marketing, Site location, operational assistance, or other services or write "None":
2. Describe any oral, written, or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicts or is inconsistent with the Disclosure Document or the Franchise Agreement that has been made to you by us or our Representatives or write "None":
3. Describe any oral, written, visual, or other claim or representation has been made to you by us or our Representatives, which states or suggests any actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits, expenses, cash flow, tax effects, earnings, or otherwise, that is different from or in addition to what is contained in the Franchise Disclosure Document – including Item 19 or write "None":
4. Describe any statement, promise or assurance made by us or our Representatives concerning the likelihood of success that you should or might expect to achieve from developing and operating a Fresh Aire franchise or write "None":
5. Describe any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that Fresh Aire will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

6. Describe any other statement, promise or assurance concerning any other matter related to a Fresh Aire franchise that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

## **V. YOUR PARTICIPATION**

- A. You will personally participate in the management of the Fresh Aire Franchise as set forth in the Franchise Agreement. You will faithfully and fully perform all duties required of you under the Franchise Agreement.
- B. Your purchase of the franchise is for your own account and is not made with a view to or for resale.

### **ACKNOWLEDGEMENT**

1. Did you receive the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law? If not, please describe when you received the Franchise Disclosure Document and when you signed the agreement or paid the money:
2. Did you receive any negotiated modifications to the Franchise Agreement (if applicable) at least 7 calendar days before signing them? If not, please describe when you received them:
3. **Did we or our Representatives advise you to fill in and complete this Questionnaire except as based upon your personal knowledge and experience? If not, please describe what you were instructed or write "None":**

**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.**

Dated this \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

---

An Individual

**CONDITIONAL ASSIGNMENT**

In consideration of the granting of a franchise to you and other valuable consideration given by **FRESH AIRE FRANCHISE, LLC**, an Oregon limited liability company ("us"), you assign to us all telephone numbers; telephone and internet listings; website and social media addresses and domain names you use in the operation of the franchise. We assume the performance of all the terms, covenants, and conditions of your related agreements with utilities and providers with the full force and effect as of the date we assume control under the relevant agreements as if we had originally been named as the contracting party under the agreements.

We will hold this assignment, and will deliver it to the interested third parties only upon termination of the Franchise Agreement between us and you dated the \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

DATED this \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

("we/us"): **FRESH AIRE FRANCHISE, LLC** ("you"):

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

\_\_\_\_\_, an individual

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

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

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

Exhibit E to the Fresh Aire® Franchise Disclosure Document

**FRESH AIRE FRANCHISE, LLC FRANCHISE AGREEMENT ADDENDUM  
ABANDONMENT, RELINQUISHMENT, AND TERMINATION  
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **FRESH AIRE FRANCHISE, LLC**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business names **FRESH AIRE®** and **FRESH AIRE OFFICE FRAGRANCING AND DEODORIZING SERVICE**:

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

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

a(an) individual/partnership/corporation organized and doing business under the laws of the State of \_\_\_\_\_

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:

\_\_\_\_\_

3. Address of Applicant's Registered Office in the State of: \_\_\_\_\_

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

4. Please cancel the Applicant's registration to use the name **FRESH AIRE®** and **FRESH AIRE OFFICE FRAGRANCING AND DEODORIZING SERVICE**.

DATED: \_\_\_\_\_

\_\_\_\_\_  
Applicant

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

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

**FRANCHISE DISCLOSURE DOCUMENT  
STATE LAW ADDENDUM**

The following modifications and additions are part of the Fresh Aire® Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws.

**California**

**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 DISCLOSURE DOCUMENT.**

**OUR WEBSITE ADDRESS IS [WWW.FRESHAIREFRANCHISEOPPORTUNITY.COM](http://WWW.FRESHAIREFRANCHISEOPPORTUNITY.COM) AND [WWW.FRESHAIREF.COM](http://WWW.FRESHAIREF.COM). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfp.ca.gov](http://www.dfp.ca.gov).**

**FDD Item 17, FA Sections 5, 6, 7 and 9**

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

(2) 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.).

(3) 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.

(4) Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

(5) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(6) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided in Oregon with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(7) The Franchise Agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

(8) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

(9) No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

FDD Item 3

Pursuant to the California 10 CCR Section 310.114.1(c)(3) required disclosure, neither the franchisor nor any person or franchise broker in Item 2 of the FDD 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 that association or exchange.

**Georgia**

**DISCLOSURES REQUIRED BY GEORGIA LAW**

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

**Idaho**

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

**Illinois**

Illinois law governs the Franchise Agreement.

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 Illinois is void. However, a franchise agreement may provide for arbitration in a forum outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_\_.

("We/Us"): **Fresh Aire Franchise LLC**

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

("You): \_\_\_\_\_

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

**Washington**

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, CONFIRMATION OF ADDITIONAL REPRESENTATIONS AND TERMS BY PROSPECTIVE FRANCHISEES (FRANCHISE CLOSING QUESTIONNAIRE), AND RELATED AGREEMENTS**

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

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

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

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

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

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

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

elsewhere are void and unenforceable in Washington.

It is agreed that the applicable foregoing state law addendum for the state of \_\_\_\_\_, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_\_.

("we/us"): **FRESH AIRE FRANCHISE, LLC** ("you"):

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

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

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

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

**NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES  
AND REGISTERED AGENTS IN STATES**

STATE	REGISTERED AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	<p>California Commissioner of Financial Protection and Innovation:</p> <p>Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505</p> <p>Sacramento: 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205</p> <p>San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8559 Toll-free 866-ask-corp (275-2677)</p>	<p>Commissioner Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205</p>
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	<p>Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232</p>
FLORIDA	[Not Applicable]	<p>Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770</p>
HAWAII	<p>Commissioner of Securities Dept. of Commerce &amp; Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p>	<p>Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p>
ILLINOIS	<p>Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p>Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892</p>
INDIANA	<p>Secretary of State Administrative Offices of the Secretary of State 201 State House</p>	<p>Securities Commissioner Securities Division Room E-111 302 West Washington Street</p>

STATE	REGISTERED AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
IOWA	Indianapolis, IN 46204 (317) 232-6681  [Not Applicable]	Indianapolis, IN 46204 (317) 232-6681  Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 12231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Department Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of	Department of Consumer and

STATE	REGISTERED AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
	Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 445 E. Capitol Ave. Pierre, SD 57501 (605) 773-4823	Franchise Administrator Division of Securities 445 E. Capitol Ave. Pierre, SD 57501 (605) 773-4823
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9672	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 <sup>th</sup> Floor

STATE	REGISTERED AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
		Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

**FRESH AIRE FRANCHISE, LLC**

**CONFIDENTIALITY, NON-DISCLOSURE, AND NONCOMPETE AGREEMENT**

THIS AGREEMENT has been entered this \_\_\_\_ day of \_\_\_\_\_ 202\_\_. It is by and between, **FRESH AIRE FRANCHISE, LLC**, an Oregon limited liability company and **Fresh Aire, Inc.** an Oregon corporation (jointly and severally "we, us") and \_\_\_\_\_ (jointly and severally "you").

We own proprietary ideas and other confidential information related to the ownership and operation of "**Fresh Aire®**" office fragrance and deodorizer installation and service businesses and franchises under our service marks, trade names, programs, and systems using the names "**Fresh Aire®**", "**Fresh Aire Office Fragrancing and Deodorizing Service**" and the "**Fresh Aire**" logo. We and our franchisees offer and sell high-quality deodorizers, air freshener fragrances and related installation and periodic service contracts and related products and services under the Service Marks and our programs and systems. Through rigorous testing and training, we have developed a unique and uniform concept of materials and service. We have certain rights to and intend to continue to develop products, services, valuable goodwill, expertise, proprietary ideas, confidential information, service marks, methods, procedures, techniques, guidelines, and materials connected with the operation, promotion, and advertising of our air freshener business (collectively these are called the "Method of Operation").

You and we desire to discuss various potential mutually beneficial opportunities and associations related to business management, sales, services, materials and supplies, computer software, and related concepts and potentially to enter into related commercial relationships. In the course of these discussions and our relationship it will be necessary for us to disclose Confidential Information to you.

THEREFORE, in consideration of the following mutual promises and covenants, the parties agree as follows:

**1 PROTECTION OF CONFIDENTIALITY**

1.1 **Confidential Information Defined.** In this Agreement, "Confidential Information" will mean:

- a) Any information that relates to our proprietary ideas, trade secrets, business, products, technology, customers, finances, plans, proposals, or practices, including, but not limited to, plans and specifications for new and existing products, discoveries, ideas, know-how, research and development, inventions, techniques, marketing strategies, customer lists, financing sources and suppliers, non-public financial information, budgets, data, and projections;
- b) Our proprietary information and information we mark or designate as confidential;
- c) Information, whether or not in written form and whether or not designated as confidential, which is known to you as being treated by us as confidential;
- d) Information provided to us by third parties, which we are obligated to keep confidential.

The Confidential Information will include information in any form in which such information exists, whether oral, written, film, tape, computer disk, digital, or other form of media.

1.2 **Our Exclusive Property.** You acknowledge and agree that our Method of Operation and all Confidential Information are and will continue to be our sole and exclusive property, whether or not disclosed or entrusted to you in connection with your relationship with us. Nothing in this Agreement will give you or others any right, title, or interest whatsoever in or to them. The Confidential Information will be

considered our trade secrets and will be entitled to all protections provided by applicable law to trade secrets.

1.3 **Conflicting or Competing Interests.** Neither you nor your owners, shareholders, members, partners, directors, officers, managers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Confidential Information or Method of Operation), will directly or indirectly participate as an owner, shareholder, partner, director, officer, employee, consultant, distributor, or agent, or serve in any other capacity in any business (including business being or to be formed) engaged or to be engaged in the offering or sale or rental of products or services that are the same as, or substantially similar to, the products and services that are part of the Method of Operation.

You will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of air freshener, office fragrance, or deodorizer products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within a **100-mile** radius of any location where we operate or have granted the franchise to operate a **FRESH AIRE** business, within the state where you are located, and within the United States of America.

**2. COVENANT OF NON-DISCLOSURE** You specifically acknowledge that you will receive valuable specialized and Confidential Information, including information regarding our operational, materials, supplies, sales, promotional and marketing methods and techniques and the Method of Operation. You agree not to disclose Confidential Information to any third party and to limit disclosure within your association to designated employees approved by us. Disclosures to designated employees will be done on a "need to know" basis to the extent necessary for them to perform the duties of their employment with you. Unless required by court order or applicable law, you agree not to copy, download, send, or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of our system. You will never communicate, divulge, or use in any manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any Confidential Information or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your business.

**3 COVENANT OF NON-USE** You agree not to use Confidential Information or the Method of Operation, except as authorized by us. You will obligate your owners, board of directors, your employees, and your agents to the same non-use covenant. We must approve in writing any use of Confidential Information or Method of Operation by you or your owners or your directors or employees.

**4 RECIPROCAL OBLIGATION** Should discussions between you and us require or entail disclosure of any of your confidential or proprietary information to us, we agree to the same obligations of confidentiality and non-use as are imposed on you by this Agreement.

## **5 MISCELLANEOUS**

5.1 **Duration.** The obligations set forth in this Agreement will continue during and beyond the term of your relationship with us and for as long as you possess Confidential Information.

5.2 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition. Any waiver to this Agreement's provisions must be made in signed writing by the granting party.

5.3 **Construction.** This document is the entire agreement between the parties. It supersedes all prior or contemporaneous written and oral agreements or understandings with respect to the subject matter of this Agreement. It may not be modified or amended except by signed written agreement. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

5.4 **Enforcement.** The prevailing party (the party who recovers the greater relief) in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the arbitration, proceeding, or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action.

If, for any reason, any provision set forth in this Agreement exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

5.5 **Acknowledgments.** No person has made any other representation that is not expressly set forth in this Agreement to induce you to accept and execute this Agreement.

**6 SIGNATURES** IN WITNESS, the parties have executed this Agreement on the date written above.

("we/us"): **FRESH AIRE FRANCHISE, LLC**

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

**FRESH AIRE, INC.**

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

(Jointly and severally "Y\you): \_\_\_\_\_

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

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

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

**FRESH AIRE FRANCHISE, LLC**

**FORM OF GENERAL RELEASE**

*The Franchise Agreement provides that the franchisee must sign a General Release in a form satisfactory to the franchisor in certain circumstances, such as upon transfer or renewal of the franchise. Following is a form of General Release that is subject to change.*

## FORM OF GENERAL RELEASE

This General Release Agreement ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_. It is among FRESH AIRE FRANCHISE, LLC ("Franchisor"), \_\_\_\_\_ and \_\_\_\_\_ (jointly and severally "Franchisee") and \_\_\_\_\_ and \_\_\_\_\_ (jointly and severally "Transferee").

### RECITALS

On or about \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, Franchisor and Franchisee entered into a Fresh Aire® Franchise Agreement (the "Franchise Agreement[s]") for the operation of a Fresh Aire franchise at the following location:  
\_\_\_\_\_.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

**[1. Renewal of Franchise Agreement. The parties covenant and agree:**

**A.** The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

**B.** Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise Premises must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

**C.** You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal:  
\_\_\_\_\_.

**D.** You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and Method of Operation. This includes:  
\_\_\_\_\_.

**E.** You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of \$\_\_\_\_\_.  
\_\_\_\_\_.

**[1. Franchise Transfer. The Parties covenant and agree:**

**A.** The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

**B.** Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements, including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

**C.** Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

**D.** All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes \$--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of \$---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a \_\_\_\_ percent commission on the gross transfer price (excluding the price of real property), in the amount of \$\_\_\_\_\_. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing Fresh Aire franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises, except as follows:

---

L. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise Premises.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises, except as follows:

---

N. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Franchise Premises, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Operations Manual and Method of Operation within 90 days of transfer. This includes: \_\_\_\_\_.]

[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

[2. Franchisee to Cease Using Trade Names, Service Marks, and Logos. Upon completion of the transfer,

Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will:

- A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and any other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);
- B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;
- C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;
- D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;
- E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;]

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the Fresh Aire franchise operations manuals, or any other nonpublic information related to the operation of the Fresh Aire franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. Release.

A. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents ("Released Parties") from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties, or any of the Released Parties, arising prior to the date of this Agreement (except provisions in the Franchise Agreement concerning Franchisee's obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

Franchisee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of the Franchise Agreement and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee's existing franchise or license agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of Transferee's existing franchise or license agreement(s) with us and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.]

B. Waiver of Statute. This release is intended to waive, release and discharge all claims against Franchisor, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The parties, with the advice of legal counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

5. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees.

6. Miscellaneous Provisions.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in at least four hours of mediation in Portland, Oregon in accordance with the mediation procedures of Portland Arbitration Service, Inc. or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law. This Agreement is accepted in the State of Oregon and will be governed by the laws of Oregon, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq.*) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Oregon franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Portland, Oregon.

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all which, together, will constitute one and the same instrument.

[7. Effective Date. The effective date of this Agreement shall be the date the last party signs.]

(Signatures on following page)

IN WITNESS WHEREOF, the parties have executed this Agreement.

"Franchisor": FRESH AIRE FRANCHISE, LLC

By (Signature): \_\_\_\_\_

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

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

"Franchisee":

By: \_\_\_\_\_, an individual

By: \_\_\_\_\_, an individual

[ENTITY NAME]

By (Signature): \_\_\_\_\_

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

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

*Instructions for signatures (above) for "Franchisee" and "Transferee": If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.*

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending (org-306037)
Connecticut	January 17, 2022
Florida	November 2, 2022 (BF48737)
Hawaii	No Registration
Illinois	Pending
Indiana	No Registration
Kentucky	May 26, 2011 (B-3593)
Maryland	No Registration
Michigan	No Registration
Minnesota	No Registration
Nebraska	May 2, 2011
New York	No Registration
North Dakota	No Registration
Rhode Island	No Registration
South Dakota	No Registration
Texas	May 2, 2011
Utah	No Registration
Virginia	No Registration
Washington	Pending (70014535)
Wisconsin	No Registration

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.

**ACKNOWLEDGMENT OF RECEIPT  
FRESH AIRE FRANCHISE, LLC**

THIS FRANCHISE DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS FRANCHISE DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

**IF FRESH AIRE FRANCHISE, LLC OFFERS YOU A FRANCHISE, FRESH AIRE FRANCHISE, LLC MUST PROVIDE THIS FRANCHISE DISCLOSURE DOCUMENT TO YOU AT LEAST 14 CALENDAR 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 FRESH AIRE FRANCHISE, LLC DOES NOT DELIVER THIS FRANCHISE DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580.**

The name, principal business address, and telephone number of each franchise seller offering the franchise follows:

**Ed Winkler or Brenda Winkler, 19363 SW Willamette Drive #231, West Linn, Oregon 97068, 877-650-8241**

Our authorized agents for service of process are identified on Exhibit D to this Franchise Disclosure Document.

Date of Issuance: Effective **January 1, 2023** and as of the individual state registration dates reflected on the cover page.

I have received a disclosure document dated as indicated above that included the following Exhibits:

- A Financial Statements
- B Standard Franchise Agreement
  - Exhibit 1 - Franchise Territory
  - Exhibit 2 – SBA Addendum
- C Confirmation of Additional Representations and Terms by Prospective Franchisees
- D Conditional Assignment of Telephone and Directory Listings
- E Assumed Name Assignment
- F State and Provincial Law Addenda
- G Confidentiality, Non-Disclosure, And Non-compete Agreement
- H Form of General Release
- I Receipts

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Signatures of All Prospective Franchisees:**

Individuals: \_\_\_\_\_

\_\_\_\_\_

Name of Corporation/LLC/Partnership: \_\_\_\_\_

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

ALL INDIVIDUALS WHO WILL SIGN THE FRANCHISE AGREEMENT MUST SIGN THIS ACKNOWLEDGMENT. IF THE FRANCHISE AGREEMENT WILL ALSO BE EXECUTED BY A CORPORATION OR LIMITED LIABILITY COMPANY, AN OFFICER OR OWNER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT. IF THE FRANCHISE AGREEMENT WILL BE EXECUTED BY A PARTNERSHIP, THEN ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT AS GENERAL PARTNERS AND AS INDIVIDUALS.

**KEEP THIS COPY FOR YOUR RECORDS.**

**EXHIBIT J**  
**ACKNOWLEDGMENT OF RECEIPT**  
**FRESH AIRE FRANCHISE, LLC**

THIS FRANCHISE DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS FRANCHISE DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

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DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Signatures of All Prospective Franchisees:**

Individuals: \_\_\_\_\_

Name of Corporation/LLC/Partnership: \_\_\_\_\_

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

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**PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO  
FRESH AIRE FRANCHISE, LLC**