

Franchise Disclosure Document [FDD]



IRIS Alliance, LLC
a New Jersey limited liability company
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The franchise is a mobile business that offers asbestos, mold and lead inspection, testing and clearance certification services for residential and commercial structures. This is a service-oriented business that performs different types of inspections onsite to identify the presence of asbestos, mold and lead and also collect a variety of samples that are tested by our laboratory, all under the name “IRIS Environmental® Laboratories.” The total investment necessary to begin operation of a IRIS Environmental® Laboratories franchise ranges from \$72,300.00 to \$103,510.00. This includes \$36,000 that must be paid to the Franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read the 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 any affiliate in connection with the proposed franchise sale. **Note, however, 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:

Rodrigo Eustaquio, President
IRIS Alliance, LLC
2333 Route 22 West
Union, New Jersey 07083
(908) 206-0073

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire 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 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.

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How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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, arbitration and/or litigation only in New Jersey. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate the Franchisor in New Jersey than in your own state.
2. **Turnover Rate.** In the last year a high percentage of franchised outlets ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
3. **Mandatory Minimum Payments.** You must make minimum royalty and advertising fund payments, regardless of your sales levels. Your ability to make the payments may result in termination of your franchise and loss of your investment.

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IRIS Alliance, LLC

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES

The Franchisor is IRIS Alliance, LLC, a New Jersey limited liability company, doing business as “IRIS Environmental® Laboratories”. For ease of reference, IRIS Alliance, LLC will be referred to as “we,” “us,” “our,” “IAL” or “Franchisor” in this Disclosure Document. We will refer to the person or entity who buys the Franchise as “you,” “your,” and “Franchisee,” throughout this Disclosure Document. If you are a corporation or a limited liability company or other entity, certain provisions of the Franchise Agreement also apply to your shareholders, members or owners and will be noted. Any entity such as corporations, partnerships, limited liability companies or other type of entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.”

We are a New Jersey limited liability company, incorporated on February 1, 2018. We do business under the same name as our corporate name “IRIS Alliance, LLC” and may also use the names “IRIS Environmental Laboratories”, “IRIS Laboratories” and “Bioterra Environmental Solutions.” Our principal business address is 2333 Route 22 West, Union, New Jersey 07083. We operate and sell franchises for the operation of a business known as “IRIS Environmental® Laboratories” (the “Business,” “Franchise” or “Franchised Business”). We offer a franchise agreement (“Franchise Agreement”) for the development and operation of asbestos, mold and lead inspection business, which is within a protected territory. We began offering franchises of the type described in this Disclosure Document in 2019, and IAL has never offered franchises in any other line of business. Our agents for service of process are disclosed in Exhibit B.

Our Predecessors and Affiliates:

We have no parents. There is one operating business that offers similar services to an IRIS Environmental® Laboratories Business. The following is a list of our predecessors and affiliates including principal addresses and number of locations for each.

Our affiliate, Bioterra Environmental Solutions, LLC (“BES”), owned by Rick Eustaquio, began operations as a New Jersey limited liability company on June 4, 2012. BES’s physical address is 94 Garden Street Suite 401, Newark, New Jersey 07105 and operates a business substantially similar to the franchise being offered by us. BES and IAL are independent entities, and BES does not assume any of our legal or other obligations nor us of theirs. BES does not offer franchises.

Our affiliate, IRIS Environmental Laboratories, LLC (“IEL”), owned by Rodrigo Eustaquio and Rick Eustaquio is a New Jersey limited liability company formed on April 9, 2016. IEL shares the same physical address as us and operates a laboratory that run diagnostic tests for asbestos, mold and lead and a variety of other types of samples. IEL will be providing franchisees with all apparel, sample testing cassettes and laboratory services required to test all asbestos, mold and lead samples you collect as an approved vendor. IEL has one testing laboratory supporting all territories, and it is located at our headquarters in Union, NJ at 2333 US Highway 22 West 07083. The fact that you use the IRIS Environmental Laboratories brand to receive samples from customers or to make the laboratory more visible does not imply that we perform tests, calibration, sampling or any laboratory activity in each address other than the headquarters. IEL and IAL are independent entities, and IEL does not assume any of our legal or other obligations nor us of theirs. IEL does not offer franchises.

Our Business and the Franchises Offered:

IRIS Environmental® Laboratories is business a model that has been developed to offer a comprehensive and cost-effective solution for property owners to have a structure inspected and samples tested for the presence of asbestos, mold and lead. All samples are analyzed and tested at our national laboratory by a team of technicians utilizing the latest technologies. The IRIS Environmental® Laboratories philosophy is centered on providing efficient and comprehensive inspection and laboratory testing services to identify the presence of asbestos, mold and lead to minimize health risks and any further structural damage that could be caused by these substances. This is a mobile business that is operated year around and typically as a home-based business, however, it can be operated out of a small office (all of which must be approved by us). Each IRIS Environmental® Laboratories franchise will establish relationships with property owners, real estate professionals, general contractors, insurance adjustors and third-party administrators to offer: onsite education and consulting services, onsite asbestos, mold and lead inspection services performed by certified trained professionals that includes extracting samples for testing, standard and expediated laboratory testing services, specific indoor air quality inspection and testing services for asbestos, mold and lead only, qualified referrals for remediation or abatement services in addition to re-inspection, certification and clearance report services and other asbestos, mold and lead-related services approved by us. We may authorize you to offer additional services and/or sell products in the future such as: other indoor air quality inspection and testing services, industrial hygiene services, radon testing services, lead testing services, oil tank sweep services, electro-magnetic testing services, claim management services, project management services, asbestos, mold and lead remediation services, asbestos abatement services, the sale of consumer test kits and other environmental-related services and products approved by us.

Competition includes national and local home and building inspection services and environmental service businesses operated by national chains, local chains, independent operators and to some extent laboratories offering similar services to those found in an IRIS Environmental® Laboratories Business. Your clients are typically asbestos, mold and lead abatement companies, construction companies, real estate professionals, residential and commercial property owners seeking a comprehensive and affordable solution to asbestos, mold and lead testing and clearance certification. Generally, there is no seasonality to this business. The demand for professional asbestos, mold and lead inspection services is high throughout the United States as the market for such services is growing, changing and evolving. We plan controlled expansion into areas that we determine can support an IRIS Environmental® Laboratories Business to improve name recognition and our reputation through Franchised Businesses.

The IRIS Environmental® Laboratories Business is characterized by our: unique services offered, specific strategies, methods, processes, techniques and procedures when performing services; specifications for all equipment and products in addition to strategies for purchasing such items; sample testing price-match guarantee program, relationships with vendors and suppliers, proprietary referral relationship program, cost controls and pricing strategies; operational procedures to manage high volume, service standards, guidelines for hiring, training and retaining employees and independent contractors (if you choose to hire independent contractors); vehicle appearance standards with unique and recognizable signage; our website, intranet system and franchise web page housed within our national website; privately labeled software and mobile app platform developed and owned by a third party vendor; photographs, video presentations, forms, contracts, record keeping and reporting methods; proprietary sales presentations, client and/or account acquisition and retention programs; marketing and promotional materials, management and record keeping procedures; our confidential operations manual (“Operations Manual” or “Manuals”) and other manuals and materials which are made available either

in hard copy or electronically; all of which may be changed, improved and further developed by Franchisor periodically (the “System”).

Laws and Regulations:

There are some states that may require you to have special certifications and/or licenses to perform asbestos, mold and lead inspection services. In addition, some states may even require you have specified number of hours of on-the-job experience in order to perform asbestos, mold and lead inspection services. Regardless of whether such certification or license is required, you will be required to follow all federal, state and local regulations concerning the proper handling of asbestos, mold and lead samples. You are required to ascertain all legal and regulatory requirements for the Business. If you do not have any such certifications or licenses (such as an asbestos, mold and lead or home inspector certification or license or any other certification or license depending on what your state requires) in the state in which you wish to operate the Business, then you must hire (or partner with) one individual who has such license or certification. Depending on the certifications and/or licenses that are required by your state, such certifications and/or licenses or the certifications and/or licenses of you and/or your partner must remain in good standing throughout the term of your Franchise Agreement. If your certification and/or license (such as asbestos, mold and lead or home inspector certification or license or any other certification or license depending on what your state requires) or your partner’s certification and/or license is revoked, suspended or restricted, or if an action to do so is begun by a governmental agency, you must immediately notify us and refrain from performing such work. If you or your partner does not maintain any required certification or license in good standing throughout the term of your Franchise Agreement, we may terminate your Franchise Agreement. You are responsible for knowing and complying with all laws, regulations, certifications, licensing and registration requirements.

It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws and regulations in addition to obtaining and keeping in force all necessary certifications, licenses, permits and registrations required by public authorities, since they vary from place to place and can change over time. You must know all laws and regulations in your locality and must make sure that you and all your employees who work in your Business comply with such laws and regulations as well as obtain any certifications, licenses, permits or registrations required by your locality for performing work in your Business. You should consider both their effect on your Business and the cost of compliance. Although we monitor legal requirements that affect our franchisees and we make our information available to you, because of the number of potential state and local issues we cannot guarantee that it will be complete, current and accurate. Therefore, we recommend that you consult with your attorney and/or tax advisor for an understanding of all the laws and regulations applicable to your specific Business and in complying with them.

We require that you be licensed in lead inspection, and you must submit such documentation as we may require.

We have not offered franchises in other lines of business in the past. We do not engage in any business other than the offer of franchises.

ITEM 2 **BUSINESS EXPERIENCE**

Founder and President: Rodrigo Eustaquio. Rodrigo is the co-founder of the IRIS Environmental® Laboratories business model serving as our President since our inception in February 2018. From April

2016 to present, he has been serving as President for our affiliate, IRIS Environmental Laboratories, LLC based out of Union, New Jersey. Previously from October 2008 to April 2016, he was the President and Lead Counsel for Martins Eustaquio Corporate Law Firm based out of Minas Gerais, Brazil.

Co-Founder and Vice President: Rick Eustaquio. Rick has been serving as the Vice President of IRIS Environmental® since February 2018. From June 2012 to present, he has been serving as President for our affiliate Bioterra Environmental Solutions, LLC based out of Newark, New Jersey while also serving as an Operations Manager from April 2016 to present for our affiliate IRIS Environmental Laboratories, LLC based out of Union, New Jersey.

Franchise Sales Coordinator: Todd Michael Charleson. Todd has been serving as the Franchise Sales Coordinator of IRIS Environmental® since January 2020. From April 2012 to July 2014, he worked as a Sales Manager for Repax, Inc. in Orange County, California. Todd then served as a Shipping Consultant for Unishippers from September 2014 to November 2015. Previously, from November 2016 to July 2019, he worked as a Senior Account Manager at Freedom Enrollment Advisors/Fresh Fig. From August 2019 to present, Todd has been self-employed at his company, TMC & Associates.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

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

ITEM 5 **INITIAL FEES**

The Initial Franchise Fee for a single Franchise (the “Initial Franchise Fee”) is \$36,000 for an IRIS Environmental® Laboratories business in a protected area. At the time you sign the Franchise Agreement or at any time you are in good standing under your Franchise Agreement, you may purchase additional franchises for \$18,000 each if we offer additional franchises to you.

The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement is signed, is nonrefundable and is deemed fully earned upon the opening of the Business for the deliverables described above and as provided in the Franchise Agreement. In certain states, as required by state authorities based on a review of our financial statements, we may defer our receipt of the Initial Franchise Fee and all other initial payments or deposit them into escrow until we have met our initial obligations to you (see state addenda in Exhibit D).

We may offer you an option to be awarded an IRIS Environmental® Laboratories Franchise, on the terms set forth in the Option Agreement Exhibit F. Under the Option Agreement, you have six months to enter into a Franchise Agreement for a franchised business. In exchange for the Option, you pay a nonrefundable fee of \$5,000 (“Option Fee”) that: (i) will be credited toward the Initial Franchise Fee if you exercise the Option to purchase an initial franchise during the Option Term, or (ii) will be credited toward the franchise fee for an additional franchise if you exercise your Option to buy an additional franchise during the Option Term following the purchase of the Option to buy an additional franchise.

The Initial Franchise Fee upon exercise of an option will be the same as the Initial Franchise Fee without an Option. Whether you buy an initial franchise or an additional one, you must complete the purchase during the Option Term of the Option Agreement.

The Option Fee is not refundable and is payable in full when you sign the Option Agreement, as applicable, except as provided in Exhibit F.

ITEM 6
OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalties	5%-7% of Gross Revenues or a flat \$250-\$750 (whichever is greater) per month starting immediately once your Business is open for operation.	Due by the 7 th day of each month for the previous month.	See Note 1
System Advertising	1% of Gross Revenues or a flat \$50 (whichever is greater) per month starting immediately once your Business is open for operation.	Due by the 7 th day of each month for the previous month.	We may increase this fee upon 90 days' written notice to you. However, your total contribution will not exceed 3% of Gross Revenue and/or an increase of more than \$25 per month in any calendar year. See Note 2
Minimum Local Advertising	\$1000 monthly	As incurred	Payable to selected vendor. Starting one month after your business commences operations.
Advertising Cooperative	Contribution to advertising cooperative and current System Advertising Fee not to exceed the aggregate of 3% of Gross Revenue.	Due by the 7 th day of each month for the previous month of franchisees and pay at same rate.	Any franchisor or affiliate owned outlets will vote on fees by the same basis as a franchised unit.
Additional Training	\$150 per person per day or costs of third-party charges.	At time training is scheduled and/or additional assistance is requested by you.	While the initial Franchise Fee includes the cost of our initial training program, the Initial Franchisee Fee only covers training for up to three individuals. Additionally, this fee is applicable upon an approved transfer of the Franchise for the initial training program and additional training.
Interest and Late Charges	1.5% per month or maximum rate allowed by law, plus \$25 provided	After due date of fees.	See Note 3

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
	the interest rate cannot exceed the maximum legal rate.		
Audit Expenses	Cost of Audit Fees plus interest @ 18% per annum (1.5% per month) up to the maximum interest allowed by law.	Ten days after receipt of audit report	Payable only if you understate Gross Revenues by 2% or more. We expect the cost to be between \$3,500- \$6,500 unless your financial records are not well kept.
Costs and Attorney's Fees	Will vary under circumstances.	As Incurred	Payable as incurred by us in obtaining injunctive relief for the enforcement of any item of the Franchise Agreement.
Indemnification	Will vary under circumstances.	On Demand	Payable as incurred; See Note 4
Sample Testing Fees	Currently \$20-\$45 for testing of each physical sample for mold. Currently \$15-\$55 for testing of each physical sample for asbestos. Currently \$12-\$55 for testing of each air sample for asbestos.	On Demand	Payable to us or our affiliates See Note 5
Technology Support	Currently \$74-\$100 per month per user for technology support for your Business.	Monthly	Payable to us, our affiliates or approved vendors. See Notes 6 and 7
Virtual Phone System Fee	Currently \$20-\$30 per number per month for the use of a virtual phone system necessary for the operation of your Business.	Monthly	Payable to us, our affiliates or approved vendors. See Note 8
Web Page Edits, Updates, Changes, Maintenance and Promotion Fee	Currently at \$65-\$125 per hour that may be necessary to update and/or promote your web page.	As Incurred	Payable to us, our affiliates and/or approved vendors. See Note 9
Proposal Consulting Fee	A flat fee of \$250 per month if you elect this optional service.	Monthly	Payable to us, our affiliates or approved vendors. See Note 10
Transfer Fee	A flat fee of \$2,500 when you transfer a part (less than 49% of all the assets) of the Business or a flat	At the time the transferee signs the Franchise	Payable to us when the Franchise Agreement is signed

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
	fee of \$10,000 when you transfer all of the Business (more than 49%). If transferee came from our lead database, you may be required to pay the then-current referral fee to us plus any costs associated with applicable broker fees.	Agreement in effect for transfer or sale.	or 1% or more of the assets in the business is transferred. Note 11
Renewal Fee	A flat fee of \$5,000 for each Franchise	At the time of the five-year renewal period for each franchise.	For the same protected area
Resale Fee	Varies	On Demand	If you ask and we agree to assist you in finding a buyer for your business, you pay us a fee to cover our costs and expenses, including time committed by our personnel.
Temporary Management	Actual Costs	On Demand	Upon death or disability, a manager who completed our training, must be employed to operate the Business. If not done, we can appoint a manager for up to 90 days, renewable up to one year. All expenses, including manager compensation, travel and living expenses will be charged against operating revenues. We also charge against those revenues, the amount of our expenses.
Conference Fee	Conference fee, travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances. There will be a registration fee for conferences not to exceed \$500 per person although we will work in good faith to keep the cost so it does not exceed our cost.	As Incurred	As Incurred and payable to third parties and us.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Refresher Training and/or Continuing Education	Will vary under circumstances. Continuing education is estimated not to exceed \$150 per person per day subject to the current per diem fee and our expenses. There will be a registration fee for conferences.	As Incurred	The location for refresher and/or continuing education will be at our headquarters although we reserve the right to provide them over the internet or phone. There may be an annual conference for all franchisees to attend and other conferences as needed.
Liquidated Damages	Average Royalty and System Advertising Fund Fee payment paid for previous 12 months for lesser of two years or remaining term of Franchise Agreement.	30 days from termination or expiration of Franchise Agreement.	If you have not made 12 months of payments, the number of payments made will be used to calculate average.

Except as stated above, you pay all fees to us and they are uniformly imposed. All fees are non-refundable.

Note 1: Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your Franchised Business or with this Franchise, whether on or off your premises. Gross Revenue also includes fair market value for any product or service you receive in barter or exchange for your services or products and all insurance proceeds that you receive for the loss of the Business due to a casualty to or similar event at the Business. We exclude only gratuities paid by clients to employees of the Business, service fees for credit card transactions, sales tax receipts that you must by law collect or pay and any client refunds of previous payments you actually make in good faith.

The royalty obligation begins immediately after the opening of your Business for operation and continues for the term of your Franchise. Your Business is deemed open for operation immediately after you complete the initial training program. The royalty is due and payable monthly on the 7th day of each month but is to be received how we specify. The royalty rate is 5%-7% of your Gross Revenues or a flat \$250-\$750 (whichever is greater) per calendar month based on your Royalty Month for the entire term of your Franchise Agreement (see chart below). The term "Royalty Month" shall be defined as starting the calendar month in which your Business is open for operation and is used as the baseline for each calendar month thereafter. If your Business opens for operation on the 25th of the month or any time thereafter, then your Royalty Month will start at the beginning of the following month. If your Franchise Agreement is terminated, you may be required to continue such royalty payments for the term of your Franchise Agreement.

Royalty Month:	Your Royalty Payment Will Be:
Months 1-12	5% of your Gross Revenues or \$250 (whichever is greater)

Royalty Month:	Your Royalty Payment Will Be:
Months 13-24	6% of your Gross Revenues or \$350 (whichever is greater)
Months 25 through the remainder of your Franchise Agreement	7% of your Gross Revenues or \$750 (whichever is greater)

Royalty fees shall be payable by direct deposit from franchisee's account to us and all royalty fees are imposed by us only. See Direct Deposit Agreement attached as Schedule 1 of the Franchise Agreement. We reserve the right to change the time and manner of payment upon written notice to you. All royalty fees are non-refundable. All royalty fees are uniformly imposed as disclosed in the above chart.

Note 2: You will pay us a System Advertising Fee contribution equal to 1% of Gross Revenues or a flat \$50 (whichever is greater) per calendar month as defined in the Franchise Agreement. The System Advertising Fee is collected by us and all System Advertising Fees are non-refundable. The payment of the System Advertising Fee begins immediately once your Business is open for operation (as defined in Note 1) and is due on the 7th day of each month, then continues for the term of the Franchise. We may raise, discontinue, or reduce the contribution, but your total contribution will not exceed 3% per month of your Gross Revenues in any calendar year and/or an increase of more than \$25 per month to the flat fee minimum in any calendar year. Gross Revenue is defined in the Franchise Agreement and in Note 1 above. You pay the System Advertising Fee contribution at the same time and under the same terms as the royalty fee described above. System Advertising Fees are uniformly imposed on all franchisees.

We will place the System Advertising Fee contribution in a separate bank account. We may use this fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development administration (including all related expenses such as our salaries, accounting, collection, legal, and other costs), and any media costs (including media production costs). We make the expenditures at our discretion. We do not represent that any particular level of expenditure will be made for particular programs or to benefit particular franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. There is no fiduciary relationship between us and you concerning any System Advertising Fee contribution. All System Advertising Fees are collected only by us.

Note 3: Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments; provided no interest shall exceed the maximum legal rate. All interest and late charges are: payable only to us, uniformly imposed and non-refundable.

Note 4: You must protect, defend, indemnify and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business. If you default under the Franchise Agreement and we engage an attorney for collection or enforcement, you must pay all our damages and costs to the extent permitted by law. All indemnification costs are payable only to us and collected only by us. Indemnification costs will vary depending on the amount of damages, and attorneys' fees that we incur

to collect any amounts due and owing by you according to the Franchise Agreement, or to enforce the terms of the Franchise Agreement. Indemnification costs are non-refundable.

Note 5: You are required to use our affiliate's laboratory for testing of all asbestos, mold and lead samples that your field inspectors collect when performing services. The sample testing fee depends on the type of testing required so for a physical sample to test for mold is \$20-\$45 per sample; a physical sample to test for asbestos \$15-\$55 per sample; and an air sample to test for asbestos is \$12-\$55 per sample all of which is contingent on the method of testing you prefer and the turnaround time. Sample testing fees do not include shipping and handling which is your responsibility, however if you are sending ten or more samples at once to be tested (regardless of the type of testing, method and turnaround time) shipping and handling costs will be paid for by our affiliate. If you find better pricing for testing asbestos, mold and lead samples in your local market, then our affiliate will price-match what is in your market provided such pricing can be verified per our guidelines as outlined in the Operations Manual. Sample testing fees may be changed in response to any changes from our affiliate, any change in laws or regulations, increase in the United States Consumer Price Index, if additional testing functionality or features become available or if our affiliate believes that the conditions in the overall economy or in the market for testing asbestos, mold and lead samples warrant any change in fees. We may change the sample testing fees requirement upon 90 days' written notice to you and you will be required to adhere to our new sample testing fee requirements at your own expense. All sample testing fees are collected by us or our affiliates, uniformly imposed and non-refundable.

Note 6: You are required to use our privately labeled software that was developed and is owned by a third-party vendor for the operation of your Business. The privately labeled software is a comprehensive client management platform that allows you to: organize client jobs, schedule jobs, route jobs, track the chain of custody for samples, send client notifications and create reports. Our privately labeled software complements other third-party software and integrates with our privately labeled mobile app platform. You are provided with access to this software at no cost however there will be ongoing fees for the usage and support of this software. The fee for usage and ongoing support for our privately labeled software is currently \$35-\$45 per user per month and is payable to us, our affiliates or approved vendors.

You are also required to use a specific digital signature software program for the operation of your Business. The digital signature software is a platform that makes signing documents electronically convenient for your clients for quick turnaround time and works with our privately labeled software. The fee for the ongoing usage and support of this software is currently \$30-\$50 per month per user and is payable to us, our affiliates or approved vendors.

It is your responsibility to install and upgrade all software for your Business. You will have sole authority and control over the use of all software, day-to-day operations of the Business and your employees. At no time will your employees be deemed to be employees of ours. Software and ongoing support fees are non-refundable, uniformly imposed and we may change the software requirements and fees upon 90 days' written notice to you and you will be required to adhere to such new requirements and fees at your own expense. Software usage and ongoing fees may be changed in response to any increase in the United States Consumer Price Index; if additional functionality and/or features become available; or if the manufacturers of such software believe that conditions in the overall economy or in the market for such software warrant any change in fees.

Note 7: You will be given access to our privately labeled mobile app platform owned by a third-party vendor we provide to you at no cost. Our mobile app is necessary to operate your Business which is used

by your field inspectors to enter client profiles, upload job specifications and pictures that interfaces with our privately labeled software to generate chain of custody reporting. The mobile app fee is for the usage and ongoing support of such platform. Currently the fee is \$45 per user per month then drops to \$33 per user per month for three to ten users or \$30 per user per month for ten or more users is payable to us or our affiliates. It is your responsibility to install and upgrade any technology, networking and software necessary to implement and continue to use our mobile app platform. The mobile app fee may be changed in response to any change from approved vendors, any change in laws or regulations, increase in the United States Consumer Price Index, if more functionality or features become available or if we believe that the conditions in the overall economy or in the market for such mobile app functionality warrant any change in fees. We may change the mobile app fee requirement upon 90 days' written notice to you and you will be required to adhere to our new mobile app fee requirements at your own expense. Mobile app fees are uniformly imposed and are non-refundable.

Note 8: We recommend you use a virtual phone system platform for the operation of your Business. The virtual phone system is a platform that assigns a phone local number which rings into your Business and includes a dashboard for you access and manage. It provides back-up or rollover service in the event you are unable to answer the call. The virtual phone system allows you to: routes calls, track all incoming calls, collect statistics on incoming calls, record incoming calls and has reporting functionality. Currently the fee for the usage of the virtual phone system is \$20-\$30 per number per month plus an additional \$5 for each dedicated extension you choose to add per month. The virtual phone software fee is payable to us, our affiliates or approved vendors. It is your responsibility to install and upgrade any technology, networking and software necessary to implement and continue to use the virtual phone system. The virtual phone system fee may be changed in response to any change in laws or regulations, increase in the United States Consumer Price Index, if more functionality or features become available or if the manufacturers and/or vendors of the virtual phone system platform believe that the conditions in the overall economy or in the market for such virtual phone system functionality warrant any change in fees. We may change the virtual phone system fee requirement upon 90 days' written notice to you and you will be required to adhere to our new virtual phone system fee requirements at your own expense. Virtual phone system fees are uniformly imposed and are non-refundable.

Note 9: The basic web page fee is included with the initial franchise fee, and no additional charge is incurred for the initial page listing. We, our affiliates and/or our approved vendors will complete all changes, updates and promotions to your web page. Any requests for changes or updates to the content of your web page and/or any type of website promotion you wish to do must be approved by us in writing and performed by us, our affiliates and/or our approved vendors. We will respond to you within 30 days of our receipt of your request for all web page changes. The web page maintenance and promotion fee is currently \$65-\$125 per hour and is payable to us, our affiliates or our approved vendors. We may change our web page maintenance and promotion fee requirement upon 90 days' notice to you and you will be required to adhere to our new web page maintenance and promotion fee requirements at your own expense. The fees may be changed in response to any increase in the United States Consumer Price Index, if we choose to offer additional features, if we choose to provide additional web pages, or if we believe that conditions in the overall economy or in the market for your services warrant any change in fees. Web page maintenance and promotion fees are non-refundable and are uniformly imposed and collected only by us, our affiliates, or our approved vendors.

Note 10: At your request and at our option, we or our affiliate may provide consultation related to the preparation of proposals for customers. This service is \$250 per month. We may discontinue this service at any time upon 30 days' notice to you.

Note 11: We may offer a program in the future whereby Franchisees can receive a flat referral fee of \$1,500 in cash, services or product credit for referring a third-party franchise prospect to us, who ultimately becomes an IRIS Environmental® Laboratories franchisee. You are authorized only to present a prospect with our informational brochure and to identify the prospect to our company franchise sales staff. You are not authorized to act as our agent or franchise broker and are not instructed to provide any information, or financial performance representations, to prospects other than our information brochure. If you receive a referral fee, notice will be given to the prospective franchisee receiving the Disclosure Document, together with the same type of information reported in Item 2 and Item 3 of this Disclosure Document about Franchisee. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice. The factors concerning our decision to start, modify, or terminate the referral program include the number of franchises that we sell, the number of referrals that we receive from current franchisees, and the quality of referrals that we receive from current franchisees.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$36,000	\$36,000	The Initial Franchise Fee is \$36,000 for a defined territory which includes, training, a web page and access to our privately labeled mobile app platform. This fee is non-refundable.	At signing of the Franchise Agreement.	Franchisor See Item Note 1
Technology	\$1,700	\$3,500	As incurred; for a computer, tablet, software, printer, copier, fax machine, high-speed internet connection, router, modem and a mobile phone.	Before opening	Vendors
Equipment, Furniture and Fixtures	\$1,650	\$4,300	As incurred; estimated costs for equipment, furniture and fixtures necessary for the operation of your Business.	Before opening	Payable to us, our affiliates or approved vendors. See Note 2
Real Estate	\$0	\$1,650	As incurred: estimated expenses for either operating from home or leasing a small office space with approx. 500 square feet. This estimate	Before Opening	Landlord See Note 3

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
			includes first month's rent plus a security deposit.		
Utility Deposit	\$0	\$250	As incurred; costs will vary due to policies of local utilities and this estimate includes a utility deposit. The low end reflects operating a home-based business in which there will be no utility deposit required.	Before Opening	Landlord
Sample Testing Cassettes	\$270	\$270	Lump sum.	Before Opening	Payable to us or our affiliates. See Note 4
Inventory of Products and Supplies	\$590	\$930	Lump sum; estimated costs for startup inventory of products and supplies necessary for the operation of the Business.	Before Opening	Vendors See Note 4
Vehicle	\$0	\$2,500	As incurred; you must have a reliable vehicle that meets our appearance standards for the operation of your Business.	Before Opening	Third parties. See Note 5
Vehicle Graphics	\$800	\$3,500	Lump sum; estimated costs for placing approved graphics on your Vehicle. We specify and provide you with vehicle graphic guidelines in the Operations Manual	Before Opening	Payable to us, our affiliates or approved vendors. See Note 6
Staffing	\$0	\$10,500	As incurred; some franchisees may need to a part-time field inspector and administrative help. The low end of the estimate takes into consideration you are the field inspector, you perform all administrative duties and you are the manager. The high end of the estimate takes into account you hire part-time	Spent over the course of the first three months	Salaries and Expenses

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
			field inspectors and administrative help and you are the manager.		
Apparel	\$390	\$660	Lump sum; This is an estimate for a minimum inventory of polo shirts jackets and hats for you and your employees.	Before Opening	Payable to us or our affiliates. See Note 7
Insurance	\$1,200	\$2,800	As incurred; before commencing operations of the Business and as required by insurance company. Excludes auto insurance and workers compensation insurance.	Spent over the course of twelve months	Payable to third parties. See Note 8
Travel, Lodging and Meals for Initial Training Program	\$1,400	\$2,300	As incurred; training is held at corporate headquarters. You are responsible for all costs associated with attending such as travel, room and board. Estimate provided is for one person. Initial Training includes all training we require to commence operation. Additional training is available at your request for which an additional training fee of up to \$150 per person per day may be required.	Before Opening	See Item 11
Asbestos, Mold and Lead Required Training Programs	\$0	\$2,150	As incurred; state mandated asbestos, mold and lead training programs and certifications. Estimate is provided for one person and does not include travel expenses as training is held at different locations throughout the country. This training is separate and apart from our Initial Training program fee.	Before attending our Initial Training Program	See Item 1 and Item 11
XRF Hand Held Analyzer	\$20,000	\$20,000	As incurred.	Before Opening	Payable to us, our affiliates or

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
					approved vendors
Business Licenses, Permits, Certifications and other Professional Fees	\$300	\$700	As incurred; licenses may be required to operate your Business and any professional legal and accounting fees incurred.	Before Opening	Appropriate licensing authorities and Third Parties.
Grand Opening Marketing	\$5,000	\$5,000	One time, prior to commencement of business.	Before Opening	Payable to us, our affiliates or approved vendors.
Operating Expenses and Additional Funds	\$3,000	\$6,500	Additional funds necessary for the start-up of your business which includes working capital.	Spent over the course of the first three months	See Note 9
Total	\$72,300	\$103,510			

Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable.

Note 1: We will provide you with a startup kit that includes marketing materials to help accelerate the opening of your Business. The startup kit will be provided to you at our cost as part of your franchise fee and includes but is not limited to an inventory of: presentation folders with marketing materials, custom brochures, business cards and logoed apparel in addition to samples of cassettes. You will need to add to this startup kit when you run out of such items and all items must be purchased through us, our affiliates or approved vendors and/or suppliers.

Note 2: This is an estimate for the equipment, furniture and fixtures we would expect you to need in order to operate your Business. The equipment you will need to operate the Business will be: different size ladders, moisture meters, rotomometer, temperature gauges, asbestos, mold and lead high-volume pumps with stands, leaf blower and battery-operated hand tools (such as: drills and cutters). The items we would expect you to need for furniture and fixtures include: a desk, chairs, filing cabinet, shelving and storage units. The low end of this estimate represents operating the Business from your home taking into account that you already have and can use your own furniture and fixtures. The high end of this estimate represents costs if you intend to operate your Business from a small office and will need to purchase all equipment, furniture and fixtures. You must purchase and use the equipment, furniture and

fixtures that meet our specifications, which may change from time to time and purchase such items from us, our affiliates or approved vendors and suppliers. Expenses for equipment, furniture and fixtures do not include shipping or delivery costs and may not be refundable depending on the terms of the invoice or the purchase agreement.

Note 3: You are encouraged to operate your Business out of your home however you can choose to operate out of a location (such as a small office space). The low end of this estimate represents a home-based business, and the high end of this estimate represents leasing a small office space of approximately 500 square feet at an average rent of \$1.65 per square foot per month. You may be able to reduce this expense if you are able to occupy a space in an existing location that compliments another business as long as your arrangement does not violate any applicable laws, regulations or zoning restrictions. If you decide to lease an office space, we advise you to find a space needing minimal leasehold improvements or fixtures and the space must be enclosed and separate from other businesses with its own locking door. These sums do not include any sums for the purchase of real property, as we do not expect that you will buy real property. We base our estimate on the costs that our affiliates incur in operating their respective company-owned location. Whether or not rent or lease payments are refundable depends on the terms and conditions of your rental agreement or lease agreement with your landlord.

Note 4: You must purchase products and supplies for the general operation of your Business as specified in the Operations Manual. You must purchase only approved products and supplies, and you must purchase products that meet our specifications, which may change from time to time. The types of products and supplies include, but are not limited to: different types of testing sample cassettes, measuring wheels, hand tools (such as: flashlights, utility knives, chisels, hammers, plyers, etc.), personal protection equipment (such as: body suits, boots, respirators, safety glasses, masks, gloves, first aid kit, etc.) and a variety of supplies (such as: rags, containers, bags, cleaning and janitorial supplies) in addition to general office supplies, miscellaneous forms, presentation folders and other products or supplies as specified by us. We will provide you with written lists of approved products and supplies during training. All products and supplies must be purchased through us, our affiliates or approved vendors and/or suppliers, except all marketing and promotional materials, presentation folders and miscellaneous forms must be purchased directly from us. Whether or not any of the products and supplies is refundable depends on the terms of your invoice or purchase agreement.

Note 5: You must have a reliable vehicle ("Vehicle") for your Business to travel to job sites. You can use or purchase any type of used or new Vehicle for your Business; however, we require that all Vehicles meet our appearance standards. We will provide you with a written list of Vehicle appearance standards during your initial training program. We do not expect that you will need to purchase a used or new Vehicle for your Business. The low end of the estimate is taking into account that you may be able to use your existing Vehicle so long as such Vehicle meets our appearance standards. The high end of the estimate is an estimated down payment for purchasing a used or new Vehicle which is approximately \$2,500 per Vehicle. Your costs for a new Vehicle may be reduced if you choose to lease rather than purchase. The purchase agreement price will vary from dealer to dealer, and the terms of your loan, including the interest rate and term, may vary depending on your credit worthiness, changes in credit markets and other factors which are not under our control. We can't give you any guarantees or make any representations as to the terms, conditions or otherwise of any financing for your Vehicle. You may elect to purchase additional Vehicles to keep up with the growth of your Business. Whether or not payments made for the purchase of your Vehicle are refundable depends on the terms and conditions offered by your dealer.

Note 6: You must place our approved graphics on your Vehicle, and we will provide you with specifications for vehicle graphics during the training program. Whether or not payments made for vehicle graphics are refundable depends on the terms and conditions offered by the vendor.

Note 7: You must purchase and maintain an inventory of approved apparel for the operation of your Business. All apparel must meet our specifications, which may change from time to time. You will need a minimum inventory of blue or white polo shirts, jackets and hats that incorporate our logo and approved graphics for your first month of operation. The number of polo shirts, jackets and hats you will need will vary depending on who performs services, if you hire employees and the number of employees you hire. Anyone who performs services must wear our approved apparel. You are required to purchase all apparel from us, our affiliates or approved vendors. This estimate does not include any shipping costs which (if applicable) are your responsibility. Fees for the purchase of apparel are not usually refundable.

Note 8: This estimated amount represents twelve months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep general liability insurance and professional liability insurance (covers you for damages that you create that do not result in property or bodily injury) with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or in amounts as we may require that reflects inflation, identification of new risks, changes in law or other relevant changes in circumstances. You also must obtain All Risk property insurance that covers the assets of the Business, business interruption insurance and automotive liability insurance that includes hired and non-owned coverage with a minimum policy limit of \$1,000,000 including uninsured motorist/minimum of \$100,000 or what is in accordance with your state guidelines or an amount we reasonably specify. Due to varying factors that affect the cost of workers compensation and auto insurance, the cost of workers compensation and auto insurance is not included in this estimate. We may change insurance requirements on reasonable notice to you. Whether or not insurance premiums are refundable depend on the terms of your insurance policies. In general, the cost of insurance coverage will vary depending on the carrier's charges, terms of payment and your claims history.

You may need other insurance such as tenant's liability, statutory workers' compensation insurance (if applicable) and employer's liability insurance, product liability insurance (covers you for damages that result in injury from products that you distribute), employee dishonesty insurance and employment practices liability insurance are optional however we may require you to obtain this coverage in the future with liability limits of amounts we specify. We may change these insurance requirements on reasonable notice to you. There are no other insurance requirements. Whether or not any insurance premiums are refundable depend on the terms and conditions of your insurance policies.

Note 9: Estimate is for initial period of three months. Estimate includes minimum working capital for the start-up of your Business. This also includes estimates of miscellaneous start-up costs such as: rent for an additional two months (not applicable if operating out of your home and your first month's rent is included above if you operate out of a small office space), purchasing additional equipment, product and supplies; fuel expenses, Vehicle maintenance, hiring employees, taxes, prepaid expenses, additional permits, legal fees, accounting fees and other miscellaneous costs. The estimate of initial investment funds is based on owner-operated business incorporating operations in your home or out of a small office space and does not include salaries or benefits for full-time employees. We relied on our principals' combined expertise, including their operation of Bioterra Environmental Solutions which is substantially similar to the franchise being offered, when preparing these figures.

This estimate of startup costs is calculated for a period of three months (except as stated otherwise).

We do not offer financing, directly or indirectly, for any part of the initial investment for a Franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may offer or designate others to offer equipment, products, supplies or services and we may become approved suppliers or the only approved supplier(s) for these and other products and services. The equipment, products, supplies or services include: equipment (such as: moisture meters, rotomometer, temperature gauges, asbestos, mold and lead high-volume pumps, battery-operated hand tools, etc. as described in Item 7), technology items (such as computer, tablet, printers, modems, etc.), products (such as: testing sample cassettes, measuring wheels, flashlights, utility knives, chisels, hammers, plyers, personal protection equipment, etc. as described in Item 7), supplies (such as: rags, containers, bags, cleaning and office supplies), Vehicles, vehicle graphics, apparel, marketing materials, printed advertising materials and promotional items, software, laboratory testing providers, merchant account providers, technology support providers, virtual phone system providers, mobile app platform providers, shows and event marketing opportunities, and vendor, co-branding, affinity programs. You cannot purchase unapproved equipment, products, supplies and purchase or use services from any vendors and/or suppliers that are not on our pre-approved list without our written permission. We will provide you with: a written list of approved equipment, product and supplies you can use and offer for sale in your Business; recommended procedures and strategies when purchasing such items for your Business; and a written list of approved vendors and/or suppliers to purchase equipment, products, supplies and purchase or use services from during our initial training program. We are the only approved supplier of our privately labeled software and mobile app platform that was developed and is owned by a third-party vendor and provided to you at no cost (as described in Item 6). Currently we are not now the only approved supplier of any equipment, products or supplies that you are required to use for the operation of your Business, however you must purchase all advertising, marketing, promotional materials, presentation folders and miscellaneous forms from us. As of the effective date of this Disclosure Document, all updates to such promotional and marketing materials are optional, but we may in the future mandate that you purchase certain updates at your expense. We do not require you to maintain a specified inventory of equipment or products to operate your Business, although we retain our rights to do so in the future. If we develop proprietary equipment, products or additional software in the future, you must purchase such equipment, products and software from our approved suppliers, affiliates or us. We may become approved suppliers or the only approved supplier(s) for other equipment, products, supplies and services. We have negotiated purchase arrangements with the vendors on the approved equipment, products and supplies list for the benefit of you in the areas of costs and customer support.

IRIS Environmental Laboratories, LLC which is our affiliate owned by Rodrigo Eustaquio and Rick Eustaquio, is currently the only approved vendor and supplier for all apparel and testing sample cassettes to be purchased by you and the only approved vendor for laboratory sample testing services to test all your asbestos, mold and lead samples all of which is necessary for the operation of your Business. In 2023, IRIS Environmental Laboratories, LLC received revenue of \$22,114 from franchise purchases.

You are required to adhere to the standards and specifications established periodically by us with respect to your Business, services offered and products sold (if we authorize franchisees to sell products in the future); equipment, products and supplies used; operational procedures, your web page, Vehicle appearance, vehicle graphics, advertising, vendors and suppliers used in the operation of your Business. You must operate the Business in strict conformity with the methods, standards and specifications that we prescribe in the Operations Manual or otherwise in writing. You must maintain in sufficient supply and use at all times only the equipment, products, supplies and services that meet our standards and specifications. We may change our standards and specifications, as a result of experience or changes in

the marketplace and we will issue such changes to all franchisees by email or other communication to you. You must not deviate from these standards and specifications by using non-conforming equipment, products, supplies or services without obtaining our prior written consent. You must also use and offer only our approved services for the operation of your Business and you cannot implement any other service in your Business without our written approval (Franchise Agreement, Section XII.H). In addition, all services and products must be used and offered (if we authorize you to sell products in the future) in accordance with the specifications and procedures as specified in the Operations Manual or other written materials. You are not permitted to: use any equipment, products or services of an unapproved vendor; purchase any type of equipment, products or supplies from an unapproved supplier; offer or perform any service (including any other type of inspection); sell any products or other items (if applicable) not approved by us; and/or use any other laboratory other than our affiliate for services to test your asbestos, mold and lead samples, unless you first submit a written request to us for approval. We will use our best efforts to advise you within thirty (30) days whether such equipment, products, supplies, vendors, suppliers or services are approved as further described in Item 8 below.

We base our specifications for equipment, products, supplies, vendor and supplier approvals on our discretionary determination of quality, accuracy of product claims, safety, value, prompt attention to complaints, financial stability, litigation against supplier, product recalls, frequency of delivery, appearance and contributions or other benefits to us and/or any marketing fund. We have the right to disapprove supply sources from you. A written list of approved vendors and suppliers from whom equipment, products and supplies may be purchased will be provided to you during the initial training program and may be amended by us periodically. We may require vendors and/or suppliers to provide certain information in addition to signing a nondisclosure agreement and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may also require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether the items meet our specifications. We may require third party testing, in which case you will pay the actual cost of the tests. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. Our response to an adequate request to approve equipment, products, supplies, vendors and/or suppliers will be made within 30 days after we receive it. Approval may be revoked in our sole discretion where an approved equipment, product, supply, vendor or supplier does not adhere to the specifications described above. We will notify you either by email or any other written form of communication of our approval, disapproval of or revocation of any prior approval of any product, supply, vendor or supplier.

You must use, offer, perform and sell only the equipment, products and services that we specify in writing and in the manner and style we specify which may be amended by us periodically. If any service, piece of equipment, product, vendor or supplier is not authorized by us, you are prohibited from using, offering or selling it in your Business. You are not required to maintain a minimum inventory of equipment or products in your Business. If we require you to maintain a minimum inventory of equipment or products (currently not in effect) we will notify you by email or any other form of written communication and you will be given ninety days to comply with such requirements at your cost. You will be given 90 days to comply with such requirements at your costs. We will provide you with a written list of: approved services, equipment and products you are authorized to use, offer, perform and sell in your Business after signing the Franchise Agreement and during the initial training program. We will enforce these limitations by using secret shoppers or unannounced on-site visits to your Business on a regular basis. When we make other visits to your Business, such as to assist you, we may also take that opportunity to visit job sites to determine if service standards are being met and if unauthorized services are being performed or unauthorized equipment, products or supplies are being used or sold. In addition,

we expect to receive information from other IRIS Environmental® Laboratories businesses and clients reporting that unauthorized services, equipment, products and supplies are being used, offered, performed and/or sold in your Business. You must permit us or our agents, at any reasonable time, to remove any piece of equipment and/or any reasonable number of products from your Business free of charge for testing by us or an independent laboratory, to determine whether such items meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing as described above, if we have not previously approved the product or if the piece of equipment or product fails to conform to our specifications. We reserve the right to take whatever action we deem necessary in our absolute and sole discretion to ensure service standards are being met and to prevent you from using, offering, performing and/or selling unauthorized services, equipment, products or supplies, including seeking injunctive relief or terminating your Franchise Agreement.

We may derive profit through markups of the prices charged to you for equipment, products, supplies, apparel, vehicle graphics, promotional items, advertising and marketing materials or services we supply. We may derive revenue through license fees, commissions, promotional fees, advertising allowances, rebates or other monies paid by approved suppliers. We do not know the precise basis of these payments because we have never previously collected them. Nor do we know the actual percentage of our total revenues that such payments will amount to, as we have never previously collected such payments. If we require you to buy the products from us, we believe that the price and quality will be comparable to similar products from other sources. We may take a portion of that revenue to spend on advertising or place in a separate franchise advertising account. If we require you to buy products or services from a vendor that pays such allowances, we may spend all such fees on related advertising or place them in the separate franchisee advertising account, described in Item 11 below. If we don't require the purchase, we need not place such fees in a separate account or use them on advertising. We are not required to apply these funds to advertising or place them in a separate franchise advertising account, but we will use our reasonable discretion in making such decision. No such revenues were received from required purchases made by franchisees in the prior fiscal year.

To maintain uniform quality standards all equipment, products, supplies, apparel, Vehicles, vehicle graphics, signage, advertising, trademark usage, trade dress and other supplies and services you use to operate the Franchised Business must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs, gift certificate or gift card programs we may establish and follow our requirements and guidelines. We will require you to use specific software, laboratory testing providers, operational forms, contracts, checklists and promotional items; and we may require you to use or contribute to specified merchant service providers, technology support providers, virtual phone system providers, mobile app platform providers and communications programs, promotional items, vendor discounts, allowances and rebates.

If you choose to operate out of a location, we maintain specifications for the construction and build out of your Business, leasehold improvements, storage, vehicle graphics, signage and décor to be used for the interior and exterior of your Business. You may not install or permit to be installed on the Business premises any décor items, signage, games, vending machines or other items without our written consent or that do not comply with our specifications. These specifications may include minimum standards for quality, performance, delivery, safety, durability, appearance, size, color, design, material and other characteristics. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. In some cases, our specifications may involve confidential and proprietary information and such specifications will only be made available to a supplier who agrees to sign a confidentiality agreement with us. We develop these specifications either

through our research and development staff or with a particular manufacturer and these specifications may be modified periodically, through periodic written notices to our franchisees.

One of our primary methods of communication with franchisees is through email, announcements and/or newsletters we may periodically publish and via an intranet system provided to franchisees on our website. You are responsible for knowing all of the information contained in the emails, announcements and/or newsletters and the intranet system and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Business through our announcements or newsletters and intranet system.

All marketing and promotion of your Business by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements that we prescribe in our Operations Manual. You must submit samples of all advertising or promotional plans and materials that you desire to use to us for approval if such has not been prepared or previously approved by us. You may not use any marketing or promotional materials (including photographs or video presentations) that we have disapproved. This includes any website promotion over the Internet to promote events for your Business. You must submit a request to us for any type of Internet promotion you wish to do in addition to any edits, changes or updates to your web page. Internet promotions, edits, changes or updates to your web page must be done by us, our affiliates or approved vendors with our consent. Upon approval of your request, you are responsible for all costs associated with any such edits, changes or updates and will be charged a website maintenance and promotion fee (as described in Item 6). Our response to your request for such Internet promotions, edits, changes or updates to your web page will be made within 30 days after we receive i.e., will notify you by email or any other form of written communication of our approval or disapproval. In addition, you must not conduct any advertising without our written permission, in any Social Media such as Twitter, Facebook, LinkedIn, Pinterest, Yelp and others. You must also supervise your employees to assure they do not post any material on the Social Media sites or any internet sites, regarding us or franchise system whatsoever. We will provide you with our written standards and guidelines for using social networking sites during the initial franchise training program.

For your Business, you must have and/or purchase equipment, technology items, products, supplies, apparel, furnishing, fixtures, a Vehicle and vehicle graphics. If you operate out of your home, you may be able to use your existing equipment, technology items, furniture and fixtures. You may also be able to use your existing vehicle so long as such vehicle meets our Vehicle appearance standards. Otherwise you will need to purchase a new or used Vehicle for your Business. We will provide you with a written list of Vehicle appearance standards during the initial training program. Vehicle appearance standards are outlined in the Operations Manual and are based on our sole judgment and discretion based on the experience of our company-owned businesses. Failure to adhere to all such Vehicle specifications may put you in default under your Franchise Agreement. It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will be approximately 20%-30% of your total initial purchases, depending on whether you choose to purchase a Vehicle. During the operation of the Franchised Business, required purchases for products and services from us, our affiliates or the vendors that we specify and approve (not including royalties or labor costs) are estimated to represent approximately 65%-80% of your total monthly purchases in the continuing operation of your Business (depends on how many clients or accounts you service and the number of jobs you have secured).

We do not provide material benefits (for example renewal or additional franchises) to you based solely on your use of designated or approved sources. We do not belong or require you to belong to any purchasing or distribution cooperatives, although we retain the right to establish them and require your membership therein.

If you choose to open a location for your franchise under a lease, per the Franchise Agreement, you must submit the proposed lease to us for approval before it is signed. We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us in order to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us (provided such assignment shall not relieve you of your obligations under the lease or cause us or our designee to have any obligations or liability under the lease).
2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the lease, and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the lease as if the lease had been assigned by you to us.
3. You are required to furnish copies of all insurance policies required by the Franchise Agreement and by the lease to us, or such other evidence of insurance coverage and payment of premiums as we request or permit or under the lease.

Before you open an IRIS Environmental® Laboratories for business, you must obtain the insurance coverage for the Business as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement, and you must provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. General Liability Insurance, including broad form contractual liability, broad form property insurance, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;
2. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount we reasonable specify;
3. "All Risks" coverage for the full cost of replacement of the business premises and all other property in which we may have an interest with no coinsurance clause;
4. Professional Liability Insurance that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or an amount we reasonably specify;
5. Automobile liability coverage liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 for hired and non-owned coverage including uninsured motorist with a minimum of \$100,000 limit or what is in accordance with your state guidelines;

6. Business Interruption Insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, system advertising and other fees due to us and/or our affiliates), or attributable to prevention of access to the Business, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically. Business Interruption Insurance is required with liability limits of amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
7. Product Liability Insurance (optional) that covers you for damages that result in injury from products that you distribute with a minimum policy limit of \$1,000,000 per occurrence and \$1,000,000 aggregate or an amount we reasonably specify;
8. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
9. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement;
10. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
11. Tenant's liability insurance;
12. Any other Insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and
13. Other insurance coverage, as we or the landlord may reasonably require.

With regard to any construction, renovation or remodeling of the Business (if applicable), you may be required maintain builder's risk insurance and performance and completion bonds in forms and amounts and written by a carrier or carriers satisfactory to us. All of the policies must name us and our affiliates, as additional insured and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name us an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business and you start performing services or 60 days following the date that the Franchise Agreement is executed (whichever comes first). You must purchase a minimum "A" rating insurance policy. Each such policy shall provide that it cannot be canceled without 30 days prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

The cost of insurance purchased in accordance with our specifications will represent less than 5% of your total purchases in connection with the establishment of your Business and less than 3% of your total purchases in the operation of your Business. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

<u>Obligation</u>	<u>Section In Agreement</u>	<u>Disclosure Document Item</u>
(a) Site selection and acquisition/lease	Sections XII.S and XX.C. of Franchise Agreement	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Section VIII of Franchise Agreement	Item 7 and 8
(c) Site development and other pre-opening requirements	Sections VIII, X.E, XII.T, XX.C. of Franchise Agreement	Items 6, 7, 11
(d) Initial and ongoing training	Section XX.A. of Franchise Agreement	Item 11
(e) Opening	Section IX.A. of Franchise Agreement	Item 11
(f) Fees	Sections IX and X of Franchise Agreement Section 3 of Franchise Option Agreement	Items 5, 6 and 7 Exhibit F
(g) Compliance with standards and policies (Operations Manual)	Sections XII.A, XII.H of Franchise Agreement	Items 8, 11 and 16
(h) Trademarks and proprietary information	Sections XV and XVI of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section XII.I. of Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	Not Applicable	None
(k) Territory development	Section VI of Franchise Agreement Section 2 of Franchise Option Agreement	Item 12 Exhibit F
(l) On-going product/services purchases	Section XII.I. of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section XII.E. of Franchise Agreement	Item 11

<u>Obligation</u>	<u>Section In Agreement</u>	<u>Disclosure Document Item</u>
(n) Insurance	Section XIII of Franchise Agreement	Items 6 and 7
(o) Advertising	Sections X.B., X.C., X.D Items 6, 7 and 11 of Franchise Agreement	Items 6, 7, and 11
(p) Indemnification	Section XVIII of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Sections XII.F, XII.K. of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section XIV of Franchise Agreement	Items 6 and 11
(s) Inspections/audits	Sections XII.Q, XIV.B. of Franchise Agreement	Item 6 and 11
(t) Transfer	Section XXII of Franchise Agreement	Items 6 and 17
(u) Renewal	Section VII.B. of Franchise Agreement	Items 6 and 17
(v) Post-termination obligations	Section XXIV of Franchise Agreement	Item 17
(w) Non-competition covenants	Section XIX of Franchise Agreement	Item 17
(x) Dispute resolution	Sections XXV.C. and XXV.D of Franchise Agreement	Item 17

ITEM 10 **FINANCING**

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

ITEM 11 **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING**

Except as listed below, we need not provide any assistance to you under the Franchise Agreement.

Before you open your Business, we will:

If you and we have not already agreed upon a site for your Business operations that meets our requirements, we may provide you with assistance in locating a site. Whether you choose to operate the Business out of your home or if you choose to open a location (such as a small office space), you select the site of your Business within the protected territory provided in the Franchise Agreement. We do not generally own the site and lease it back to you. We must accept the site if we feel in our total discretion

that it meets or exceeds our standards, but our acceptance does not ensure that your Business will be profitable at the approved location. The factors that we consider in acceptance of the site include population density, freeway access, neighborhood and physical characteristics of the premises such as size and layout. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within 30 days after we receive your request (Franchise Agreement, Sections XII.S and XX.C). You may propose a new site for our consideration if your proposed site is not approved. Our approval will not be unreasonably withheld. We may ultimately terminate your Franchise Agreement if you have not provided us an acceptable site to operate your Franchised Business within 60 days of signing Franchise Agreement.

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your Business will be profitable or successful by being located at the approved site. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.

Insert the accepted site on your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that:

The site which you have submitted for the Business is within your allocated territory and is suitable based on criteria we establish periodically; and

You and your Owners are in compliance with the Franchise Agreement.

Approve your execution of the lease for your Business, if applicable. You must submit the lease to us for our approval at least ten days before you sign the lease agreement. You must send us a signed copy of the lease within five days of both parties signing the lease. We do not offer legal services to you and you should consult your independent legal counsel for a legal review of the lease. The Franchise Agreement does not provide any time period for our approval or disapproval of your lease (Franchise Agreement, Sections X.II.S and XX.C).

Offer you guidance when obtaining licenses, certifications and applying for permits and registrations if required by your locality to operate the Business. It is your responsibility to comply with all laws, ordinances and regulations as you are ultimately responsible for obtaining all necessary approvals, certifications, licenses, permits and registrations to operate your Business.

If you choose to lease a space for your Business, we will inform you of any mandatory specifications, architectural and design plans, floor plans and layouts to you for the Business at the accepted location. We may provide you with suggested plans and guidelines for the layout and design of your Business and you may need to hire an architect to create a complete set of drawings based on your building size and local permitting requirements. You will be required to conform your site to local zoning ordinances, regulations, fire, health and building codes. We may, if needed, review your final set of drawings. It is your responsibility to comply with all laws, ordinances, regulations, zoning and building codes for your Business (Franchise Agreement, Section XX.D).

Provide you with a written list of Vehicle appearance standards (which include our vehicle graphic specifications). You are responsible for the cost of the Vehicle and the purchase, installation and cost of all vehicle graphics. We do not install any graphics on your Vehicles (Franchise Agreement, Sections XII.H, XII.I, XII.U, XX.A, and XX.H).

Provide you with: a written list of our approved equipment, products and services you are authorized to use, offer, perform and sell; and a written list of approved vendors and suppliers to purchase equipment, products, supplies and purchase or use services from. We will also train you on strategies for purchasing such equipment, products and supplies for your Business. You are responsible for the cost, delivery and installation and maintenance of these items as they are necessary for the operation of your Business. If developed, you are required to purchase all proprietary equipment, products or additional software from us or our affiliate; and all other items listed above must be purchased either from us, our affiliates and/or our approved vendors (Franchise Agreement, Sections XII.H, XII.I., XX.A., XX.H, and XX.I).

Provide you with specifications for all equipment and technology items (as described in Item 8) necessary to operate the Business. We will provide you with access to our privately labeled software and mobile app platform that was developed and owned by a third party, to use in the operation of your Business. You are obligated to purchase, use and upgrade all equipment and technology items and any third-party software necessary for the operation of your Business. We will deliver the specifications, but not the above items, and you are responsible for purchasing and installing these items (Franchise Agreement, Sections XII.H, XII.I, XX.A, and XX.H).

Provide you with all recommended guidelines when training employees and independent contractors (if you choose to hire independent contractors). You are responsible for all day-to-day activities, including hiring, training, disciplining and/or firing your employees and independent contractors. At no time will you, your employees, independent contractors or agents be deemed an employee of ours. You are still responsible for all employees and independent contractors you hire, determining their compensation, determining their benefits, tax withholding social security contribution withholding, Medicare withholding, and their behavior during the operation of your Business Franchise Agreement, Sections XII.F., XX.A, and XX.E).

Offer certain training programs designed to assist you and your business management staff in the operation of your Business. We may provide continuing education to any new manager of your Business. We may require that you, any Owner and/or any manager(s) complete supplemental and refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).

Provide an initial training program, prior to opening your Business for operation (only after you have obtained all necessary certifications and/or licenses to operate your Business or hired or partnered with someone who has such certifications and/or licenses, as described in Item 1), designated to assist you and your management staff in the operation of your Business, at no additional charge. The initial training program is designated for a maximum of three people per Franchise. If more than three people attend the training, we may impose a training fee of \$150 per person for each day of training (Franchise Agreement, Sections XII.V and XX.A). You must successfully complete initial training to our satisfaction.

Share with you operating problems of an IRIS Environmental® Laboratories franchise or company-owned business disclosed by reports submitted to us or inspections made by us. We

may furnish to you such guidance and assistance in connection with the operation of your Franchise, as we deem appropriate. Such guidance and advice may cover: how to secure clients and/or accounts, how to execute services, suggested rates for services and pricing for products (if we authorize you to sell products in the future), efficiencies to manage high volume, service standards and protocols for handling samples, equipment maintenance, guidelines for hiring employees and independent contractors (if you choose to hire independent contractors) and operating procedures utilized by other franchises or company-owned businesses including new services to use or offer (this includes other types of inspections we may authorize in the future) and products; advertising, marketing and promotional strategies; record keeping, accounting methods and general operating procedures. Additional guidance and assistance may be made available to you at your written request and in our sole discretion at fees and charges established by us (Franchise Agreement, Sections XX.A, XX.E, and XX.K).

Loan to you during the term of the Franchise Agreement one copy of our confidential Operations Manual, which may include one or more Manuals and other written materials for the operation of an IRIS Environmental® Laboratories Business, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to and otherwise modify, the Operations Manual to reflect changes in authorized equipment, products and services you can use, offer, perform and sell as well as changes in specifications, standards and operating procedures of an IRIS Environmental® Laboratories Business. You must keep the Operations Manual confidential and current and may not copy any part of the Operations Manual. The Operations Manual contains 228 pages and the table of contents of the Operations Manual as of our last fiscal year end is included with this Disclosure Document as Exhibit E (Franchise Agreement, Section XX.G).

Approve or disapprove samples of all local advertising, marketing and promotional materials not prepared or previously approved by us which are submitted by you (Franchise Agreement, Sections XII.L, XII.H, and XX.J).

Provide you with a startup kit (as described in Item 7) and deliver to you a web page for your Business operations at no additional cost incurred by you (Franchise Agreement, Sections IX.A, XX.A, and XX.B).

Approve or disapprove any promotions, edits, changes or updates to your web page. All modifications to your web page must be performed by us, our affiliates or approved vendors, and you will be responsible for all related costs (Franchise Agreement, Sections X.H, XII.L, XII.I, and XX.B).

During your operation of the Business, we may but are not required to:

Provide additional on-site supervision and assistance as we deem necessary and in our discretion. Additional visits are for the purpose of advising you with respect to service standards, equipment, equipment, products, operational and sales matters related to an IRIS Environmental® Laboratories Business. You will be responsible for the transportation, room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us (Franchise Agreement, Section XX.A).

Provide to you and your personnel, IRIS Environmental® Laboratories Franchise continuing education meetings at locations designated by us, which we expect to be at our headquarters with a fee not to exceed \$150 per person per day and our expenses which can vary from area to area. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria.

Conduct quarterly meetings or an annual convention at such place as shall be designated by us (Franchise Agreement, Section XX.A).

Establish a franchisee elected peer group whose main purpose is to mentor and support each other.

Provide to you an intranet system, free of charge, to answer questions from you or your staff (during regular business hours, Eastern Time Zone). In addition, you will be able to send us questions and suggestions using Internet email (Franchise Agreement, Section XX.A).

During your operation of the Business we will:

Continue to consult with you at no additional charge regarding: equipment, products and supplies in addition to approved equipment, products and services you are authorized to purchase, use, offer, perform and sell; execution of services, industry developments, protocols for handling samples and preparing reports, sales, advertising and marketing programs. We will offer assistance, advice, guidance and experience to you to resolve operational problems that you may encounter outside the scope of the Operations Manual (Franchise Agreement, Sections XII.W and XX.A).

Provide you with updated and approved lists of: services and products you are authorized to offer, perform and sell (if we authorize you to sell products in the future); equipment, products, supplies, vendors, suppliers and services (as described in Item 8) that you can use and purchase such items from; and Vehicle appearance standards (including our vehicle graphic specifications). We will provide you with such specifications and guidelines, but not the actual items and you are responsible for purchasing these items. We will continue to review and approve or disapprove any piece of equipment, product, supply, vendor, supplier or service you wish to use, offer, perform or sell in the operation of your Business. You may be responsible for paying any costs related to testing any samples (as described in Item 8). If we develop proprietary equipment or products in the future, such equipment or products must be purchased from us, our affiliates or approved vendors and will be made available in quantities sufficient to meet the demands of your Business (Franchise Agreement, Sections XII.H, XII.I, XX.H, and XX.I).

Provide you with a list of updated minimum inventory requirements (currently not in effect) and suggested rates and/or prices for services and products (if we authorize you to sell products in the future). We may establish minimum and maximum rates and/or prices you can charge to the extent allowed by law. We will continue to research new services and products for the System as we deem necessary (Franchise Agreement, Section XX.K).

Review and approve all advertising, marketing and promotional materials in addition to any promotions, edits, changes or updates to your web page that you submit to us (Franchise Agreement, Sections XII.H, XII.L, XX.B, and XX.J).

Provide a dedicated telephone line, only for our franchisees, to answer questions from you or your management (during regular business hours Eastern Time Zone). You will be able to contact us for questions, suggestions and guidance (Franchise Agreement, Section XX.A).

Provide continuing education to any new manager of your business as noted in paragraph 13 (iii) below. We may require that you, any Owners and/or any manager(s) complete supplemental and refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Sections XII.W and XX.A).

Offer assistance in establishing and using administrative, record keeping and accounting procedures in accordance with our Operations Manual, and various policies communicated by us to you in writing from time to time (Franchise Agreement, Section XX.A).

Provide you with all update and upgrade requirements for your equipment and technology items (as described in Item 8) and related software or changes in our policies that are communicated to you in writing. You are required to purchase such items to operate your Business. The costs for such items are approximately \$1,700 to \$3,500 (see Item 7). We estimate that the annual cost of technology items and related software and/or hardware upgrades to be approximately \$500 per year. We will provide you with update and upgrade requirements for our privately labeled software and mobile app platform developed and owned by a third party. If we develop proprietary software in the future, we will provide you with update and upgrade requirements; however, we are not obligated to provide any upgrades to any third-party software programs. We are not obligated to provide maintenance or repairs to any piece of equipment, technology item, hardware or software that you use in the operation of your Business. We do not install any software that you purchase or license. We reserve the right to have independent access to all information that you store in any computer, laptop, tablet, phone system, mobile app or software used for the Business. There are no contractual limits imposed upon our right to access your computer data (Franchise Agreement, Sections XII.I, XX.A, and XX.H).

Reserve the right at our discretion to institute, maintain, and administer a System Advertising Fund (referred to as the 'Fund') to support ongoing technology and new equipment, product or service development to be made available to franchisees, and such national advertising (including media production costs) as we, in our sole discretion, may deem appropriate to promote the IRIS Environmental® Laboratories name to benefit all franchised businesses as described in Item 6. However, we do not use any monies in the Fund to solicit new franchisees. We will direct all such programs and will have sole discretion over the creative concepts, materials, and endorsements and media used in such programs, and the placement or allocation of such programs. The source of the advertising will come from our in-house advertising department or may in the future come from a national or local advertising agency. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs. The advertising programs may be either, national, regional, or local at our sole discretion. We are not obligated to spend a specific dollar amount on advertising in your Territory (Franchise Agreement, Section X.B).

You will pay us 1% of Gross Revenues or a flat fee of \$50 (whichever is greater) per calendar month for the System Advertising Fee contribution, paid to us, as designated in the Franchise Agreement. We may raise, discontinue or reduce the

contribution, but your total contribution will not exceed 3% of your Gross Revenue and/or an increase to the flat fee of more than \$25 per month in any calendar year for the term of the Franchise Agreement. Contributions are due by the seventh day of the month (for the prior month) which will start immediately once your Business is open for operation, then continues for the term of your Franchise (as described in Item 6). Refer to Item 6 for the definition of Gross Revenue.

The contributions to the Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting evaluation of new services, technologies, equipment, product development, market research, media production costs, preparing advertising, promotion and marketing materials, and collecting and accounting for contributions to the Fund. Usage of the Fund will include ongoing development of the national website and development of new services, equipment, products and supplies to be made available to franchisees. The media in which advertisements may be disseminated include print ads, signs, billboards, internet, radio and television and may be conducted on a regional or national basis. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all IRIS Environmental® Laboratories franchises in that year, and the Fund may borrow from us or others to cover deficits; or invest any surplus for future use.

In the future, we may form a franchisee-elected Franchisee Advisory Council or cooperative whose sole purpose is to advise on Fund usage and advertising policies. If an advertising cooperative is formed, the combination of contribution for System Advertising Fee and Cooperative Advertising fee will not exceed 3% of your Gross Revenue. The voting power of franchisor-owned outlets on any fees imposed by the advertising cooperating will be the same as a franchisee-owned outlet. We retain all operational and decision-making authority concerning advertising and the Franchise Advisory Council will serve only in an advisory capacity. The membership of any Franchise Advisory Council will be national in scope. The Franchise Advisory Council will not be separately incorporated and, therefore, it will not have any written documents. If one is formed, we will have the power to select and approve the members and to form, change, dissolve or merge the Franchise Advisory Council as described below.

Neither we nor any Franchisee Advisory Council undertake any obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Fund by franchisees operating in such geographic area or that you or your Business will benefit directly or in proportion to your contribution to the Fund. Neither the Fund nor we shall be liable to you with respect to the maintenance, direction, or administration of the Fund, including without limitation, with respect to contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. All IRIS Environmental® Laboratories businesses owned by us, or any Owners must contribute to the Fund in the same proportion as all franchisees.

Any businesses we own will vote in the same manner as franchisee members and will make the same contributions as franchisee members. We administer the Fund, which is not audited. If contributions paid into the Fund are not spent in the fiscal year in which they accrue, we can use the remaining amounts for the same purposes in future years. All interest earned on monies contributed to the Fund may be used to pay advertising and technology development costs before other assets of the Fund are expended. Fund contributions are not used to sell additional franchises. We will prepare an annual un-audited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request. All financial statements will be available 120 days after the end of our fiscal year. We reserve the right not to spend all of the funds in the System Advertising Fund in any one year, and such funds may be accrued into the next year. The System Advertising Fund collected \$3,824 in 2022, and 100% of funds were spent for production. You may make a written request to us to receive this information.

We expect to receive advertising and promotional allowances and fees from third-party vendors and advertisers who enter into cooperative advertising programs with franchisees and us. For example, vendors or suppliers may pay promotional allowances for joint advertising promotional material. We may disclose the identity of vendors who pay the promotional allowances to you upon request. In addition, if we require you to buy items from a vendor who pays these allowances, we may place the funds in the System Advertising Fund or spend it on related promotions. Our obligation to provide advertising and marketing will be limited in cost to the amount of contributions and promotional allowances from third parties actually paid into the System Advertising Fund.

We do not now, but may require you to join, participate in and pay into, one or more franchisee marketing councils for your region (regional advertising cooperative), determined by the penetration area of local advertising media used (for example, the area of a regional newspaper's circulation). Because we have not yet formed any franchisee marketing councils, we do not know how the area or the membership of any franchisee marketing council will be determined. Because we have not formed any franchisee marketing councils, we have not determined whether or not any of our company-owned businesses will be contributing to any advertising spent by any franchisee marketing council. In the event that we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company). If we do create any franchisee marketing councils, the franchisee marketing council will prepare annual financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee advisory council. We will administer any franchisee marketing council. Even though we have not yet formed any franchisee marketing councils, we may require that all franchisees within close proximity to a consumer show, convention or expo where home-related services are being offered to participate in the cost and benefit of the event.

You are required to spend any minimum amount each month on local advertising and promotion for your Business.

You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve the materials you submit to us within 30 days, if we do not respond within such period all such materials will be deemed automatically disapproved. You will make reasonable efforts to participate in and cooperate with all advertising programs selected by us or by any approved group of franchisees, except that you need not follow or maintain any sales price or suggested pricing. You are responsible for any expenses of this independent advertising.

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one web page, as we designate and approve, within our website. The term "Website" includes: Internet and web pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, Pinterest, Yelp, blogs and other applications). You must comply with our requirements regarding discussing, advertising or disseminating any information, or otherwise having a presence on a Website, regarding the Business. However, if we approve a separate Website for you (which we are not obligated to do), then each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; (v) if we require, you must establish hyperlinks to our website and other Websites; and (vi) we may revoke our approval at any time by providing written or email notice to you of such revocation.

We estimate that there will be an interval of 60 days between the signing of the Franchise Agreement and the time you begin operating your Business and performing services. Factors that may affect this length of time include: obtaining certifications and/or licenses as required by your state to operate your Business (as described in Item 1), obtaining a location for your Business that is approved by us, negotiation of a lease agreement (if applicable), time of year you open the Business, satisfactory completion of our initial training program by you (or your Owners) and availability of equipment, products and supplies necessary for you to begin operating your Business. If you choose to open a location (such as a small office) for your Business, you must acquire or lease, at your expense, commercial real estate that is properly zoned for the use of your Business under the Franchise Agreement within the timeframe mentioned above (not applicable if home-based). If opening a location, you must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the location. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed location of your Business and will notify you of the same by e-mail or other form of written communication. Failure to open your Business for operation within 60 days from signing the Franchise Agreement (as mentioned above) will constitute a default under the Franchise Agreement, for

which we may terminate the Franchise Agreement. Such default notice, under which we may terminate the Franchise Agreement, shall be given to you in writing.

Before the opening of your Franchise, yourself, any Owner and/or manager you designate are required to attend the five-day Franchisee initial training program at our corporate headquarters in Union, New Jersey unless headquarters is moved and successfully complete initial training to franchisor's satisfaction. We maintain a regular calendar for the initial training program and the trainings are held approximately six to eight times per year (or more frequently if needed). The initial training program is included in your Initial Franchise Fee for up to three individuals. You are responsible for all costs associated with attending the program such as travel, room and board.

It is required that you (or your managing partner, managing member, member or shareholder) and/or manager have obtained any certification or license as required by your state and have successfully: completed and obtained asbestos training and certification from an EPA approved provider; completed mold and safety training according to EPA or your local Department of Health approved guidelines and standards; and obtained accreditation or certification as a mold inspector (as described in Item 1). These certifications are necessary for the operation of your Business and must be completed prior to attending our initial training program. Such courses can be taken at different locations throughout the United States.

If any proposed manager does not satisfactorily complete our initial training program, we will notify you and you may then select and enroll a substitute manager in our initial training program. If, during the initial training program we determine, in our sole discretion, that you (or your managing partner, member or shareholders) are not qualified to manage an IRIS Environmental® Laboratories Business, you can appoint someone else to be trained at your expense. If that person does not satisfactorily complete our training, we have the right to terminate the Franchise Agreement. The criteria that we will use to determine whether or not we deem you (or your managing partner, member or shareholders) qualified to manage an IRIS Environmental® Laboratories Business includes, but is not limited to, your lack business experience, your personality makes it difficult for you to obtain clients and/or accounts; or you do not have the appropriate state licenses to operate an IRIS Environmental® Laboratories franchise. We will send you a written termination notice upon our determination of qualification.

After the completion of our training program by you and your management team, we can upon your request provide training to any new manager of your Business for which an additional training fee of up to \$150 per person per day may be required. The trainee(s) will be responsible for all costs related to attending training such as travel, room and board. In addition, we have the right to require that you (or such managing partner, member or shareholder) and any manager satisfactorily complete supplemental and refresher training programs during the term of the Franchise Agreement, to be furnished at our corporate headquarters in Union, New Jersey, at the fee as described above. There may be an additional cost for a supplemental and refresher training program. You are responsible for all costs associated with attending such training opportunities we may provide for you such as travel, room and board.

After the opening of your Business, we may provide to you and your personnel, access to information and support through our intranet system. Support may also be available from our professionals, and we may provide refresher training or continuing education programs either through phone, web based (“webinars”), video or at locations designated by us (most likely at our headquarters). Such refresher or continuing education sessions (other than by phone, webinars or video) may have a registration charge to you which will not exceed \$150 per person per day plus your expenses. You are responsible for costs associated with you attending the programs such as travel, room and board and related expenses or our expenses if we come to you. The programs will normally not exceed two days and we expect to have at least quarterly programs subject to special need. The content will cover particular aspects including but not limited to: sales presentations, processes and how to acquire clients and/or accounts; new equipment, products or services; best practices for hiring employees and independent contractors (if you choose to hire independent contractors), trends in the industry, guidelines for preparing reports, operational guidelines, safety, website and software developments, sales, marketing, administration and so forth. We may conduct an annual convention at such place as shall be designated by us for all franchisees but will most likely be at our headquarters. A registration fee for each participant may be required which we will work in good faith to maintain at our cost and you will be responsible for costs associated with attending the convention such as travel, room and board. The registration fee for conferences will not exceed \$500 per person. The fees charged above may be increased based on the increase of actual costs incurred by us.

We will provide training for you at any time prior to the opening of your Business (which means that training could be done right away after signing the Franchise Agreement or closer to when you open your Business for operation) and only after you have obtained all certifications and licenses required by your state and us, as described in Item 1. This training curriculum is fully detailed in the Operations Manual and will change periodically. Our training team will include directors from our Union corporate office, members of our website development team, members from our approved vendors, suppliers, and service providers.

TRAINING SCHEDULE: AT CORPORATE OFFICES

The IRIS Environmental® Laboratories Franchise Training Program includes hands-on training, video presentations, an Operations Manual and demonstrations. This training curriculum is fully detailed in the Operations Manual and will change periodically.

Training Program

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. Updates to the Operations Manual will be made available to you through various means including online. All of the training sessions will be taught by a combination of Rodrigo Eustaquio who has over 25 years of law, financial and business management experience; Rick Eustaquio, who has over 15 years of laboratory, field operations and business management experience; and Todd Michael Charleson, who has 7 years of experience in sales, all of whose backgrounds are described in

Item 2 above. Occasionally, different guest speakers may make an appearance at the initial training program to provide information about various pieces of equipment, products, supplies and services used and offered by us. For example, some speakers may be our employees, franchisees, vendors or industry experts.

Subject	Hours of Classroom Training	On the Job Training Hours	Location
IRIS Environmental® Laboratories Overview, Standards and Philosophy	2 Hours		Corporate headquarters in Union, New Jersey or as we otherwise specify
Overview of Approved Services, Asbestos, Mold and Lead Basics*	4 Hours		Corporate headquarters in Union, New Jersey or as we otherwise specify
Approved Equipment, Products, Vendors and Suppliers	2 Hours		Corporate headquarters in Union, New Jersey or as we otherwise specify
Sales Presentation Training, Estimating Jobs, Writing Proposals and Pricing Guidelines	8 Hours		Corporate headquarters in Union, New Jersey or as we otherwise specify
How to Perform Inspection Services and Managing Expectations		8 Hours	Corporate headquarters in Union, New Jersey or as we otherwise specify
Writing Reports	2 Hours	5 Hours	Corporate headquarters in Union, New Jersey or as we otherwise specify
Technology and Software Training**	3 Hours	4 hours	Corporate headquarters in Union, New Jersey or as we otherwise specify
Vehicle Appearance Standards	1 Hour		Corporate headquarters in Union, New Jersey or as we otherwise specify
Safety and Security Measures	1 Hour	1 Hour	Corporate headquarters in Union, New Jersey or as we otherwise specify
The IRIS Referral Program, Networking and How to Market Your Business	3 Hours		Corporate headquarters in Union, New Jersey or as we otherwise specify
Recommendations for Hiring and Managing Employees	2 Hours		Corporate headquarters in Union, New Jersey or as we otherwise specify

Subject	Hours of Classroom Training	On the Job Training Hours	Location
Record Keeping and Administrative Responsibilities	2 Hours	2 Hours	Corporate headquarters in Union, New Jersey or as we otherwise specify
Total Hours***	30 Hours	20 Hours	

*Prior to attending the initial training program above, you and any of your Owners and managers already must complete asbestos, mold and lead training programs and obtain such certifications as required by you state at your own expense (as described in Items 1 and Item 7). It is estimated that these training programs will take approximately fifteen days and are held throughout various locations in the United States.

**Additional software training may be provided to you and performed by our approved vendors after the initial training above is completed.

***The actual hours of classroom and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than a larger class or depending on your experience.

Additional Assistance:

In addition to the initial training program mentioned above, we will provide up to two days of assistance and guidance to you at your location for sales, marketing and operational assistance at our cost. For your second and subsequent Business that you open, we will (at your option) provide the same type of assistance and guidance at your location; however, you will be responsible for all costs and expensed incurred by us, including, but not limited to, compensation to instructors and travel expenses. We will provide you with invoices for amounts you owe us, and we may require you to pre-pay all or a portion of our expenses.

Ongoing Training:

We will also provide you with announcements and/or newsletters that will contain ongoing training relating to your Business. We will also provide you with access to additional or refresher training programs that may be conducted through the telephone, webinars or video training at no cost to you. In very rare instances, we may periodically require that you or your Owners (if you are an entity) complete additional training or refresher training programs to correct, improve and/or enhance the operations of your Business. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board (as described in paragraph 13 (iv) above).

ITEM 12

TERRITORY

You must operate your single Franchise within the specific location identified in your Franchise Agreement. 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 we control. You are awarded a protected territory ("Territory") of a defined population as much as 500,000 persons which means it may be less than such amount. We reserve the right to grant a territory that is larger or smaller than the population area defined above, in order to account for more densely or sparsely populated areas. We will determine your Territory based on the most recently published data from the U.S. Census Bureau (or other source as we may indicate to you), for the zip codes listed in the Franchise Agreement. You will have the only IRIS Environmental® Laboratories Business within your Territory. All services must be performed within your Territory. You may also conduct business at special events (such as: community events, home shows, trade shows, promotional events, festivals, etc.) to promote services and sell products (if we authorize you to sell products in the future) as long as such events are within your Territory. However, given unique circumstances, you may be able to conduct business at special events or perform services in unassigned geographic areas outside your Territory so long as you have written permission by us. We shall approve or deny your request to either conduct business at special events or to perform services in unassigned geographic areas outside your Territory, which approval is in our sole discretion, within three business days of receipt of your written request and will respond by email or any other form of written communication and you must be prepared to immediately cease performing services in that unassigned area when it is purchased (as further described below). In addition, you must not perform Target Marketing outside your Territory, as described below, and you can directly market and solicit for clients and/or accounts only within the accepted Territory that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement.

We cannot establish a franchise, company-owned business, nor license another to locate an IRIS Environmental® Laboratories business within your Territory during the term of the Franchise Agreement.

Your Territory is determined by zip code, population, average household incomes, demographics of the surrounding area, our own assessment of business potential (such as such as number of residential homes, number of multi-family homes and number of commercial buildings that are in the area), competition, market penetration or other conditions important to the successful operation of an IRIS Environmental® Laboratories business, as we deem appropriate and as identified in your Franchise Agreement. Your Territory is determined by us once an area is chosen and will not be altered even if there is a population increase or decrease. Your Territory will not be affected by your sales volume or number of clients or accounts you service. Certain locations, such as major metropolitan areas for example, may have smaller territories because of densely populated areas.

Whether you operate out of your home or a small office, we must approve the site within your protected Territory in which you intend to operate the Business in writing before opening for operation. You may not relocate your Business without our written consent, which we will not unreasonably withhold or delay. In addition to all conditions considered for your approval of original location, we will consider whether you are in good standing under your Franchise Agreement. Additionally, we may require you to sign a general release.

You must sign a separate Franchise Agreement for each additional Business. You have no rights to operate your Business out of any other site other than the site accepted by us (however your field

inspectors are authorized to operate out of their home office as described below) or to operate any additional Businesses. You must submit a separate application for each Franchised Business to be established by you. You must pay the fee for each additional acquisition mentioned in Item 5 and be in compliance with all of the terms and conditions of the Franchise Agreement. We will evaluate your proposed location of any additional IRIS Environmental® Laboratories Business based on the criteria mentioned in Items 11 and 12 above.

The Territory described above will affect where you and our other franchisees may directly advertise and market, provide services, sell products (if we authorize you to sell products in the future) and solicit business. If the other geographical areas are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you might not have the right of first refusal or option to buy the territory that was formally unassigned. If in the future we authorize you to sell products, you may sell products to anyone from anywhere so long as your sales do not result from any direct solicitation activities by you and the products you sell are being sold from your Business or at special events within your defined Territory. In addition, if in the future, we authorize you to sell products, we also may allow you and other franchisees or company-owned businesses to sell products (if we authorize you to sell products) through alternative channels of distribution (such as Websites). If you are granted permission to promote services and sell products through an alternative channel of distribution, per our written approval, you must perform all services within your Territory and you may sell products to anyone from anywhere without compensation to the other franchisee or company-owned business. We, other franchisees and company-owned businesses reserve the same right to sell products (if we authorize the sale of products in the future) to anyone from anywhere without compensation to you. You are prohibited from soliciting and marketing in general to anyone by any means outside of your respective Territory and must not specifically engage in target marketing ("Target Marketing") within the Territory of another IRIS Environmental® Laboratories business (franchise and/or a company/affiliate owned business). Target Marketing means a concerted effort by a franchisee to solicit and obtain clients and accounts through any type of advertisement or marketing, directed at all or a portion of another franchisee's Territory. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

If you are asked to conduct business at a special event (such as: community events, home shows, trade shows, promotional events, festivals, etc.) to promote services and/or sell products (if we authorize you to sell products in the future) or perform services for clients or accounts that are in another geographical area in which there is another franchisee or company-owned business, you must immediately refer the special event or client and/or account to the IRIS Environmental® Laboratories business in that geographical area or directly to us. If the other franchise or company-owned business gives you written permission to conduct business at such special event or determines it is in the best interest of the client or account for you to perform services, then you can immediately proceed to conduct business at such special event or perform services for the client or account. If there is not an IRIS Environmental® Laboratories franchise or company-owned business in the geographical area where you wish to conduct business at a special event or to perform services, then you must submit a request to us asking to conduct business at such special events and upon our written approval you can proceed. We shall approve or deny your request to conduct business at such special events or to perform services in other areas not owned by other franchisees or us, which approval is in our sole discretion, within three business days of your written request. Our response to your request will be made by email or any other form of written communication. Approval may be revoked in our sole discretion. However, you must be prepared to immediately cease conducting such special events and/or performing services in that unassigned area when it is otherwise franchised. We and other franchisees must refer special events

and/or clients or accounts that are within your Territory to you and also reserve the same right to sell products (if we authorize the sale of products in the future) to anyone who comes from anywhere and also to perform services for clients or accounts who may be within your defined Territory if it is determined to be in the client's or account's best interest.

If during the time of the Franchise Agreement, you are unable to promptly and properly provide services to any of your clients or accounts due to excessive work or other cause, you must refer that client or account to another franchise in the System, company-owned location or to us. If you fail to refer special events, clients and/or accounts as set forth herein, we will have the right to terminate the Franchise Agreement. For any default of the Franchise Agreement, as an alternative to termination, we may modify or completely eliminate any rights that you may have with respect to the protected status of your Territory, effective ten days after delivery of written notice to you. In addition, we may modify or eliminate completely, the Territory.

Your field inspectors are authorized to have a home office. A field inspector's home office is defined as a secondary work space located in a field inspector's principal residence from which the field inspector conducts business and communications. Your field inspector's home office is not considered a Business site so long as the field inspector does not advertise the home office in any way as an authorized IRIS Environmental® Laboratories location and does not meet any client and/or third party at their home. Your field inspectors may list their respective mobile phone number and will be required to have your Business telephone number and your Business address on their business cards, stationery and other business forms as a direct contact so long as such information meets our standards and guidelines.

We encourage all IRIS Environmental® Laboratories Businesses, when owned by different individuals, to work out a referral relationship and an advertising strategy if they are within close proximity of each other (defined as being within a ten-mile radius of each other). We must be notified of all such arrangements.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to perform services and/or sell products (if we authorize the sale of products in the future) to any business or non-profit organization which owns, manages, controls or otherwise has responsibility for locations in more than one area whose presence is not confined with any one particular franchisee's territory regardless of the contract amount of the services to be performed (a "National Account"). After we sign a contract with a National Account, we may, at our option, provide you the option to perform services or provide products (if we authorize you to sell products in the future) to businesses under the National Account contract. If you choose not to perform services and/or provide products to a National Account at negotiated rates, there will be no consequence and we may then perform services and/or provide products directly ourselves, or through another franchisee or third party even if the services to be performed and/or products sold are within your Territory without compensation to you.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity to consumer home shows, conventions or exhibitions where home related services or products are being offered or sold to participate in the cost and benefit of the show. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets. In such programs, we will require the client or account that is acquired through such programs, to be served by the closest or other franchisee and you will not be charged or receive any type of referral fee.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

- (1) Advertise, market and sell IRIS Environmental® Laboratories branded and trademarked services products and equipment (if we decide to sell products or equipment in the future) in your Territory;
- (2) Advertise, offer and promote any services, products and/or equipment (if we choose to sell products and equipment in the future) to promote the System through the Internet and/or other similar venues no matter where the person is based to fulfill the demand in your Territory;
- (3) Offer, or distribute anywhere services, products or equipment (if we choose to sell products or equipment in the future) to anyone located anywhere through any alternative or other channel of distribution, other than local business operations providing services and products (if applicable) under the Marks and System and on any terms and conditions we deem appropriate. We have this right whether or not we are using the Marks or System or are acting inside or outside the Territory designated on your Franchise Agreement;
- (4) Develop, manufacture, produce and distribute any labeled product or piece of equipment that has been branded with our Mark or logo or different branded products and equipment through any outlet located anywhere (including, by way of illustration, home improvement stores, discount retail stores, over the Internet and/or electronic media and similar venues) and on any terms and conditions we deem appropriate. If we decide to distribute products or equipment, you will receive no compensation from us for such sales inside your Territory unless agreed otherwise in writing by us;
- (5) Implement advertising cooperative programs which may allow us or others to solicit or sell to anyone located anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (6) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and
- (7) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your Franchise Businesses) are converted to another format, maintained under the System or otherwise. Each Business awarded to you will fully participate in any conversion subject to any person/entity merging with, or acquiring us, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of any services, or of our products or equipment (if we choose to sell products or equipment in the future) by us over the

Internet or other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to promote, offer and/or provide services; sell or distribute products and equipment through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established, and do not presently intend to establish, other franchises or company-owned businesses except as disclosed in Item 1 of this Franchise Disclosure Document, offering similar services or selling products under a trade name or trademark different from IRIS Environmental® Laboratories Marks.

ITEM 13 **TRADEMARKS**

Under the Franchise Agreement, we grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our principal trademark is “IRIS Environmental® Laboratories” along with the logo design, as it appears on the first page of this Disclosure Document. We have the right to use and to license others to use the Marks and any other trade name, trademarks, service marks and logos currently used or that may hereafter be used in the operation of the Business. You must use the Marks only for the operation of your Franchise and in the manner authorized by us.

The word mark and design “IRIS Environmental Laboratories” is registered on the principal register of the United States Patent and Trademark Office (referred to as “USPTO”) bearing the registration number 5154770 dated March 7, 2017 and is owned by our affiliate IRIS Environmental Laboratories, LLC. The word mark and design “Bioterra” is also registered on the principal register of the USPTO bearing the registration number 4267048 dated January 1, 2013 and is owned by Rick Eustaquio. The word mark “IRIS Environmental” is registered on the principal register of the USPTO bearing the registration number 5574173 dated October 2, 2018 and also owned by our affiliate IRIS Environmental Laboratories, LLC. The design mark “IRIS” is also registered on the principal register of the USPTO bearing the registration number 5569614 dated September 25, 2018 and also owned by our affiliate IRIS Environmental Laboratories, LLC. All required affidavits have been filed. IRIS Environmental Laboratories, LLC and Rick Eustaquio have granted us a license to use the Marks and to sublicense the use of the Marks to you. We also claim common law rights in our trademarks based on our prior use.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or material litigation involving the Marks.

There are no agreements that limit our right to sublicense you the Marks, other than a perpetual, exclusive, non-transferable, worldwide, royalty free license to use, sub-license, and display the Marks from IRIS Environmental Laboratories, LLC and Rick Eustaquio pursuant to an intellectual property license agreement. The intellectual property license agreement may be modified or terminated if we fail to follow the operating, advertising and marketing policies, and such other quality standards that are established by IRIS Environmental Laboratories, LLC. In addition, IRIS Environmental Laboratories, LLC has the right to substitute alternative trademarks for license at any time. Therefore, you may have to change the trademarks that you use in operating your Franchised Business at your expense. The

intellectual property license agreement will remain in effect for as long as we offer franchises, or unless we are in default of intellectual property license agreement.

Upon termination of the intellectual property license agreement for any reason, we and franchisees must discontinue all use of the Marks in any form, remove the Marks from the our website or any of its franchisees' web pages, modify any and all identification of the Franchised Business with, or reference to, the Marks, and refrain from making any subsequent representation, advertisement or published statement or product sales using, or in reference to, the Marks, or the business previously conducted using the Marks, and take such action as shall be necessary to change any corporate name, assumed name or equivalent registration which mentions or refers to the Marks, or any mark similar thereto.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Marks or claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. We have the sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or protect you against claims of infringement or unfair competition with respect to them. The Franchise Agreement does not require that we participate in your defense or indemnify you for expenses or damages if you are a party to a judicial or administrative proceeding involving one of the Marks or if the proceeding gets resolved unfavorably to you. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously (Franchise Agreement, Section XV.B).

You may not, without our written consent which is in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to a reasonable time after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signs from your Business (including on your Vehicles), and to purchase and install new signs and vehicle graphics in addition to all marketing and advertising materials. We have no liability to you.

There are no infringing uses actually known to us as of the Issuance Date of this Disclosure Document that could materially affect your use of the Marks in the State of New Jersey or in any other state. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your business name.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with offering services and selling products (if we authorize you to sell products in the future); (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other

systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you as described in Item 12.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the Marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner, we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must also prominently display in your Business that we are not a joint employer of you and that you are solely responsible for all employment-related decisions and matters. You must also identify yourself as the owner of your Franchise by placing your name on the business and on all vehicles, checks, invoices, receipts, contracts and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase “A franchise of IRIS Environmental® Laboratories” or such other phrase as we occasionally direct.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to this Franchise; however we claim common law copyright and trade secret protection for several aspects of our System, services, methods, techniques and operational procedures; our equipment and product specifications, systems, photographs, video presentations, website, our privately labeled software and mobile app platform, third-party software, signage, Vehicle appearance standards, graphics contained on your Vehicle, Operations Manual, workbooks and all related materials including advertisement and promotional materials although such materials may not have been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There are no effective agreements that limit our right to sublicense you the copyrights and trade secrets, other than a sublicense to use the intellectual property from IRIS Environmental Laboratories, LLC and our exclusive software agreement with the third-party vendor who developed our privately labeled software and privately labeled mobile app platform. The license agreement with IRIS Environmental Laboratories, LLC may be terminated if we fail to follow the quality standards of IRIS Environmental Laboratories, LLC. Our rights to use and sublicense to you our privately labeled software and privately labeled mobile app platform, both of which are developed by a third-party vendor will be terminated in 90 days, if we fail to make any payment. Other than as provided in the previous sentence, our agreement with the third-party vendor who developed our privately labeled software and privately labeled mobile app platform can only be terminated in writing, if agreed to by us and the third-party vendor. In addition, IRIS Environmental Laboratories, LLC has the right to substitute alternative copyrights and/or trade secrets for license at any time. Therefore, you may have to change some, most, or all of the copyrights and/or trade secrets that you use in operating your Franchise Business at your expense. The intellectual property license agreement with IRIS Environmental Laboratories, LLC will remain in effect for as long as we offer franchises, unless we are in default of the intellectual property license agreement.

There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any patent, trade secret, copyright or to participate in your defense or indemnify you.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets or claim by any person of any rights in any copyright or trade secret which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions with respect to such use within a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain confidential information including knowledge of our: services offered, service standards and specific methods, processes, procedures and techniques when performing services; specifications for all equipment, products, supplies and services used and strategies for securing such items; sample testing price-match guarantee program, vendor and supplier relationships, proprietary referral relationship program, cost and pricing strategies, efficient scheduling and operational procedures, ongoing training programs, procedures for safety and quality control; recommended build out specifications with décor, color scheme and signage (if operating out of a location); guidelines for hiring, training and retaining employees and independent contractors (if you choose to hire independent contractors); Vehicle appearance standards (including our vehicle graphic specifications), our website, intranet system, privately labeled software and mobile app platform developed and owned by a third party vendor, third-party software, Operations Manual, photographs, video presentations, forms, contracts, record keeping and reporting methods; proprietary referral program and sales presentations, client and/or account acquisition and retention programs; advertising, marketing and promotional materials in addition to systems and knowledge of and experience in, the operation and franchising of IRIS Environmental® Laboratories Business (the “Confidential Information”). We will disclose Confidential Information to you during our initial training program, seminars, workshops, continuing education sessions and conventions sponsored by us; in our Operations Manual, and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors, develop or create any new service, product, piece of equipment, program, video presentation, photograph, concept, technique, formula, method, process or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. However, as a matter of corporate policy, we may create an incentive program to reward you, your partners, members, managers, directors, shareholders, employees, agents or independent contractors for any new service, product, piece of equipment, program, video presentation, photograph, concept, technique, formula, method, process or improvement that we implement throughout the System. You and if you are an Entity, then one of your Owners acknowledges that any such new service, product, piece of equipment, program, video presentation, photograph, concept, technique, formula, method, process or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your IRIS Environmental® Laboratories Business during the term of your Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would constitute unfair competition. You also agree that the Confidential Information is proprietary to us and is disclosed to you solely on the condition that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees and independent contractors of your Franchise and any other business(es) owned by you and if you are an Entity any of your Owners, and the use of nondisclosure and noncompetition clauses in employment agreements with your Owners, employees and independent contractors.

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

The Franchise Agreement provides that your Business must at all times be under your direct, day-to-day, full-time supervision (or if you are an Entity such as a limited liability company, partnership or corporation then a managing Owner of such Entity, approved by us) or the non-owner manager of your Business who is approved by us. This person must have: any certification and/or license as required by your state, successfully completed and obtained asbestos training and certification, completed mold and safety training, obtained accreditation or certification as a mold inspector (as described in Item 1); successfully completed our training program and must use his/her best efforts in the operation of an IRIS Environmental® Laboratories Business.

You are required to retain a manager (“Manager”) for the operation and management of your Business once your Business is open for operation and for the entire term of the Franchise Agreement. The Manager may, but need not, be you or one of the Owners of the Business. The Manager must meet all of our standards and criteria for such positions as set forth in the Operations Manual. The Manager need not have any set percentage of the equity of the Franchised Business. Your Manager must devote all of his or her time and effort to the personal supervision of the Business. This individual and their replacements must also satisfy the applicable training requirements as outlined in the Franchise Agreement (Franchise Agreement, Section XII.F).

If we, in our sole discretion, find that your Manager is not properly performing his or her duties, we will advise you and you must immediately take steps to correct the situation. However, we are not responsible for the hiring, discipline, or termination of any Manager that you employ. Upon termination of employment of your Manager, you must appoint a successor within 30 days. Any replacement Manager (who we may disapprove in our sole and absolute discretion) must be trained by you in accordance with our standards. To clarify, any replacement Manager is to be trained by you at your expense.

Our approval of a Manager other than you is conditioned upon the Manager entering into a confidentiality and restriction of like business agreement containing provisions like those contained in the Franchise Agreement and Schedule 8 of the Franchise Agreement against engaging in competing

businesses and use/disclosure of our confidential business information during the tenure of employment with you and for a period of three years following employment by you. You will provide us with executed copies of the same upon request.

You may not employ any individual who is at the time or was at any time during the prior twelve months employed in a managerial, administrative, inspector or sales position by us or any of our affiliates or by another franchisee of ours without the prior written consent of us. As a condition to such consent, you may be required to compensate the former employer for the actual costs and expenses incurred by the employer in connection with the training of any replacement employee.

If you are an Entity, each of your Owners that holds more than 10% interest in the Franchise Business must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. We do not require a franchisee's spouse who is not a party to this agreement to sign a personal guarantee. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement.

ITEM 16

RESTRICTIONS WHAT THE FRANCHISEE MAY SELL

Due to the differing nature of markets across the United States, and because climate and geographic areas will vary, you will have a wide variety of possible locations in which to conduct business operations with our approval. You may not use the IRIS Environmental® Laboratories Business for any other purpose than the operation of an IRIS Environmental® Laboratories Business, unless otherwise approved by us in writing. Alternative operation sites that may be approved can include for example incorporating your Franchise operations within the premises of an existing or complimentary business.

You must comply with all of our standards and specifications relating to: offering and performing services and selling products (if we allow you to sell products in the future); purchasing equipment, products, supplies, apparel, Vehicles, vehicle graphics, technology items, software, apparel, advertising and marketing materials, promotional items, miscellaneous forms and other items to be used, offered or sold in the Business (See Item 8).

You are required to offer only the approved services as specified by us which include: onsite education and consulting services, onsite asbestos, mold and lead inspection services performed by certified trained professionals that includes extracting samples for testing, standard and expedited laboratory testing services, specific indoor air quality inspection and testing services for asbestos, mold and lead only, qualified referrals for remediation or abatement services in addition to re-inspection, certification and clearance report services in addition to other asbestos, mold and lead-related services and products (currently you are not authorized to sell any products) as expressly authorized by us in writing or in the Operations Manual, or developed by us as a result of your pre-market entry study to meet the needs of your unique market, and any updates to be incorporated in the Operations Manual periodically. You must not deviate from our standards and specifications without first obtaining our written consent. We will provide you with a written list of services and products you are authorized to offer, perform and sell (currently we do not authorize you to sell products) during our initial training program in addition to guidelines and recommendations when hiring employees and independent contractors (if you choose to hire independent contractors). You must offer all services and sell all

products (if we authorize you to sell products in the future) we specify; perform services and sell products (if we authorize you to sell products in the future) within your defined Territory; and you acknowledge that if we authorize the sale of products in the future, we allow you to sell products to anyone from anywhere so long as such sales do not result in Target Marketing (as described in Item 12). We, other franchisees and company-owned businesses reserve the same right to sell products to anyone from anywhere without compensation to you. You acknowledge that this may create competition and you will not receive any compensation from us, other franchisees or company-owned businesses if products are sold within your Territory.

You can offer and provide services and sell products (if we authorize you to sell products in the future) at any rates and prices you establish as we will suggest rate and pricing strategy and will establish minimum and maximum rates and/or prices at which you may provide services and sell products to the extent allowed by federal and state laws. You may offer additional services and products that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such services and products are offered and the time to approve or deny your request is 30 days (as described in Item 8). You must discontinue offering or selling any service or products (if applicable) we may disapprove in writing at any time, whether such service or product is currently authorized. We may change and/or modify the types of services and products we authorize at any time. There are no limits on our right to do so. We will inform you by email or by another form of communication of such changes and/or modifications. You may not offer or provide any service or sell any product that have not been specifically approved in writing by us; and you may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights to sell any products or equipment inside or outside your Territory without our written consent.

In addition, you acknowledge that we may, in our discretion, allow you and other franchisees or company-owned businesses to promote services and sell products (if we authorize the sale of products in the future) through an alternative channel of distribution (such as on the Internet or Websites) provided you adhere to our standards. You acknowledge that this may create competition and you will not receive any compensation from such sales made by other franchisees or company-owned locations. If we authorize you to promote services and sell products through alternative channels of distribution, all services must be performed within your Territory and all items sold must be from your Business. Unless otherwise approved by us in writing, you are not authorized to promote or offer services or sell any products or equipment on the Internet or in any other media, whether known or hereinafter invented.

You must participate in any gift certificate or gift card program we establish. You may not create or issue your own gift certificates or cards unless otherwise approved by us.

You must maintain proper certifications, permits and licenses to operate an IRIS Environmental® Laboratories Business in your area. You must not engage in any trade, practice or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law or regulation.

You are encouraged to directly advertise and market to offer services and sell products (if we authorize you to sell products in the future) within your Territory. If we authorize you to sell products in the future, we will place no restrictions upon your ability to sell products to anyone from anywhere provided you do so from your Business or at special events within your Territory and in accordance with our standards. You are prohibited from Target Marketing outside your Territory and from conducting

business at special events or performing services in any other geographical area outside your Territory unless otherwise authorized to do so (see Item 12).

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this Disclosure Document. “FA” refers to the Franchise Agreement. “FOA” refers to Franchise Option Agreement.

Provision	Section in franchise or other agreement	Summary
a. Term of the Franchise Agreement.	FA Section VII.A. FOA Section 4	FA – 5 years FOA – 6 months
b. Renewal or extension of the term.	FA Section VII.B.	FA – up to two (2) 5-year renewal terms if you meet certain term requirements.
c. Requirements to renew	FA Section VII.B	FA – Upon satisfying the following, you may operate your franchise for up to two additional five-year terms: Written notice for you to renew, full compliance, sign then current form or new Agreement, execute general release, upgrade Business and pay renewal fee. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you.	Section XXIII.D	FA – If we have materially failed to comply with terms of the Franchise Agreement after 30 days’ notice.
e. Termination by us without cause.	Not Applicable	We cannot terminate your FA without cause.
f. Termination by us with cause.	FA – Section XXIII	FA – We can terminate if you breach a material provision of the Franchise Agreement or fail to open the business.
g. “Cause” defined; curable.	FA – Section XXIII.B	FA – Violation of health or safety laws upon 72 hrs notice; 5 days for failure to pay amounts owed; 30 days for all other defaults.
h. “Cause” defined as non-curable.	FA – Sections XXIII.C.	Failure to open the Business, you fail to attend and satisfactorily complete the initial training program; you fail to submit financial statements, tax returns, you use our names or marks on the internet without our prior written consent; you engage in unfair business practices; abandonment or surrender of control of Business; misrepresentation or omission in application; felony conviction; unauthorized assignment or improper assignment upon death or disability; loss of

Provision	Section in franchise or other agreement	Summary
		possession of Business; failure to pay taxes or liens; dishonest or unethical conduct; assignment for benefit of creditors; you fail to satisfy a final judgment within 30 days; and bankruptcy.
i. Your obligations on termination / non-renewal	FA – Section XXIV	FA – Cease operating franchised business; cease use of confidential information and Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; deliver Manuals; assign phone numbers; comply with covenants.
j. Assignment of contract by us.	FA – Section XXII.C.	No restriction on our right to assign.
k. “Transfer” by you-definition	FA – Section XXII.B.	Includes transfer of the contract and business assets by you.
l. Our approval of transfer by you.	FA – Section XXII.B. and XXII.E	FA – We have the right to approve all transfers by you.
m. Conditions of our approval of transfer.	FA – Section XXII.C and XXII.E.	FA – Full compliance; transferee qualifies; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of Franchise Agreement; you sign and deliver other required documents, including a release.
n. Our right of first refusal to acquire your business.	FA – Section XXII.C and XXII.E.	FA – We have the right to match any offers.
o. Our option to purchase your assets upon termination or non-renewal.	FA – Section XXIV.G.	FA – Purchase for fair market value determined by appraisal if parties are unable to agree. May purchase assets only if option exercised by us within 30 days of your notice of intent to sell assets upon termination or expiration.
p. Your death or disability.	FA – Section XXII.D.	FA – Franchise must be assigned to approved buyer within 6 months.
q. Non-competition covenants during the term of the Franchise.	FA – Section XIX.B and XIX.C	FA – No involvement in any competitive business anywhere within ten miles of any company-owned business or other franchises.
r. Non-competition covenants after the franchise is terminated (but not upon expiration).	FA – Section XIX.B.	FA – No interest in competing business for two (2) years within ten miles of any company owned business or other franchises.

Provision	Section in franchise or other agreement	Summary
s. Modification of the Agreement.	FA – Section XXV.J.	FA – No modification except by written agreement. Operations Manuals are subject to change.
t. Integration / merger clause.	FA – Section XXV.J.	FA – Only terms of the Franchise Disclosure Document and Franchise Agreement are binding. Notwithstanding the prior sentence, nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document.
u. Dispute resolution by arbitration.	FA – Section XXV.D.	FA – Arbitration and mediation in Union County, State of New Jersey (subject to State law).
v. Choice of forum.	FA – Section XXV.G.	FA – Litigation in Union County, State of New Jersey (subject to state law) or the United States District Court of New Jersey.
w. Choice of law.	FA – Section XXV.G.	FA – State of New Jersey laws apply (unless prohibited by laws of state where Franchise is located).
x. Liquidated Damages	FA – Section XXIV.H	FA – If the Franchise Agreement is terminated prior to its expiration date, you shall be obligated to pay within thirty (30) days of termination or expiration of the Franchise Agreement, a sum determined by adding together the average Royalty Fee payments and average System Advertising Fund Fee payments that was paid to us during the previous twelve (12) months for either the remaining term (or renewal term) of the Franchise Agreement or two years (whichever comes first). If you have not made twelve (12) months of payments to us, then the number of payments you have made will be used to calculate the average of such Royalty and System Advertising Fund Fee payments.

ITEM 18
PUBLIC FIGURES

We currently do not use any public figure to promote our Franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

There were no franchisees operating in the IRIS system in 2019. There were two (2) franchisees operating in 2020, and there were five (5) operating in 2021, 2022 and 2023; however, no franchisee completed a full year of operation in 2023 due to closures and/or termination. IRIS's company owned sales were comprised of 16 markets in New Jersey in 2019, 2020, 2021, 2022 and 2023. Of the 16 markets, we studied the sales figures from eleven (11) of these markets in which we actively marketed our services for at least one year, which are not sparsely populated, and which contained a population of at least 500,000. The average gross sales of the 11 markets were \$54,757.65 in 2019, \$46,939.93 in 2020, \$73,776.82 in 2021, \$71,703.72 in 2022 and \$110,697.70 in 2023. 5 markets (45%) exceeded this average in 2019, 7 markets (64%) in 2020, 5 (45%) in 2021, 6 (55%) in 2022 and 6 (55%) in 2023. The median gross sales in the 11 markets were \$52,836.62 in 2019, \$47,587.48 in 2020, \$73,742.45 in 2021, \$84,283.51 in 2022 and \$113,457.26 in 2023; and 5 (45%) markets exceeded the median gross sales in 2020, 2021, 2022 and 2023.

Of the 5 franchised markets, none of the franchised units which operated for the entire year of 2023 and thus no results are published for 2023 for franchised units. The average gross sales of these franchised markets were \$22,097.01 in 2021 and \$24,426.40 in 2022; and 1 franchised unit (or 50%) exceeded this average in 2021 and 2022. The median gross sales in the franchised units were \$22,097.01 in 2021 and \$24,426.40 in 2022; and 1 franchised unit (or 50%) exceeded the median gross sales in 2021 and 2022.

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

FRANCHISOR/COMPANY OWNED

Market #	Region	2023	2022	2021	2020	2019
1	11	\$176,766.60	\$110,884.27	\$ 92,390.40	\$61,769.41	\$79,744.06
2	15	\$159,356.80	\$106,528.66	\$124,130.28	\$62,231.62	\$52,386.62
3	17	\$142,282.25	\$100,119.41	\$152,108.44	\$65,950.19	\$87,496.05
4	13	\$127,163.25	\$ 95,415.14	\$ 86,677.30	\$68,008.99	\$79,379.96

5	10	\$116,680.06	\$ 92,434.69	\$ 74,856.23	\$47,587.48	\$90,494.33
6	12	\$113,457.26	\$ 84,283.51	\$ 73,742.45	\$68,714.38	\$59,293.74
7	9	\$107,133.75	\$ 57,351.16	\$ 55,436.26	\$30,053.29	\$38,702.55
8	16	\$ 93,327.05	\$ 55,210.46	\$ 73,543.11	\$38,566.04	\$45,181.27
9	5	\$ 67,799.52	\$ 38,174.63	\$ 14,605.00	\$ 6,379.05	\$ 2,513.50
10	14	\$ 58,252.38	\$ 34,170.16	\$ 39,228.83	\$47,499.40	\$47,181.27
11	7	\$ 55,455.80	\$ 14,168.86	\$ 24,826.68	\$19,579.37	\$19,960.79

FRANCHISEE OWNED UNITS

Market	Region	2023	2022	2021	2020	2019
Franchisee	1-2	N/A	\$ 30,477.50	\$29,065.18	N/A	N/A
Franchisee	3	N/A	\$103,740.00	\$88,766.48	N/A	N/A

Bases

These sales figures are derived from the actual historical performance of IRIS's company owned operations in 11 markets in New Jersey with each market consisting of at least a population of 500,000 individuals. These sales figures were achieved over calendar years 2019, 2020, 2021, 2022 and 2023.

These sales figures for franchised markets are derived from the actual historical performance of franchised owned markets operating for 1 year or longer. These sales figures were gathered from franchisees and have not been audited. These sales figures were achieved over calendar years 2021 and 2022. The average gross sales of the franchised markets described above was \$67,108.75 in 2022 and \$58,915.83 in 2021; and 1 franchised unit (50%) exceeded the average gross sales in 2021 and 2022. The median gross sales in these franchised markets were \$67,108.75 in 2022 and \$58,915.83 in 2021; and 1 franchised market (50%) exceeded the median gross sales in 2022 and 1 franchised market (50%) exceeded the median gross sales in 2021. The highest gross sales among these franchised markets were \$103,740.00 in 2022 and \$88,766.48 in 2021, and the lowest gross sales among these franchised markets was \$30,477.50 for 2022 and \$29,065.18 in 2021.

The average gross sales of the 11 company operated markets described above was \$54,757.65 in 2019, \$46,939.93 in 2020, \$73,776.82 in 2021, \$71,703.72 in 2022 and \$110,697.70 in 2023; and 5 markets exceeded this average in 2019, 7 in 2020, 5 in 2021 and 6 in 2022 and 2023. The median gross sales in these 11 markets were \$52,386.62 in 2019, \$47,587.48 in 2020, \$73,742.45 in 2021, and \$84,283.51 in 2022; and \$113,457.26 in 2023. 5 (45%) markets exceeded the median gross sales in 2019, 2020, 2021, 2022 and 2023. The highest gross sales among these 11 markets was \$90,494.33 in 2019, \$68,714.38 in 2020, \$152,108.44 in 2021, \$110,884.27 in 2022 and \$176,766.60; and the lowest gross sales among these 11 markets was \$2,513.50 for 2019, \$6,379.05 for 2020, \$14,605.00 for 2021, \$14,168.86 in 2022 and 55,455.80 in 2023. Company owned outlets do not pay a royalty. Franchisees in their first year of operation are subject to a royalty fee which is the greater of 5% or \$250 per month. In the case of both the average and median gross sales above, both would be subject to the minimum

royalty which annually would total \$3,000 in the first year. Company owned outlets do not pay a system advertising fee; however, franchisees are required to pay a system advertising fee which is the greater of 1% or \$50 a month. In the case of both the average and median gross sales above, both would be subject to the minimum system advertising fee which annually would total \$600 in the first year. These adjustments would make the average gross sales from a franchisee's perspective \$51,157.65 in 2019, \$43,339.93 in 2020, \$70,176.82 in 2021 \$68,103.72 in 2022, and \$107,097.70 in 2023; and the median gross sales \$48,786.62 in 2019, \$43,987.48 in 2020, \$70,142.45 in 2021, \$80,683.51 in 2022 and \$109,857.26 in 2023.

Given our extensive history operating in these markets, the performance of the company-owned outlets may differ materially from future operational franchised outlets.

Assumptions

Our study measured IRIS company owned outlets' performance in large densely populated areas with populations of 500,000 or more. The market where your IRIS market is located, however, may be in a smaller urban or suburban area.

Further, each of the company owned outlets studied has been in business at least one year. The sales figures for the company owned markets were derived from our own financial books and records.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System wide Outlet Summary
For Fiscal Years 2021 thru 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	2	5	+3
	2022	5	5	0
	2023	5	4	-1
Company-Owned	2021	4	5	+1
	2022	5	5	0
	2023	5	5	0
Total Outlets	2021	6	10	+4
	2022	10	10	0
	2023	10	9	-1

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2021 thru 2023

State	Year	Number of Transfers
NJ	2021	0
	2022	0
	2023	0
NY	2021	1
	2022	0
	2023	0
Total	2021	1
	2022	0
	2023	0

Table 3
Status of Franchise Outlets
For Fiscal Years 2021 thru 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
MI	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	1	0

MD	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
NC	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	1	0
NJ	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	1	0	1
	2023	1	0	0	0	0	1	0
NY	2021	1	0	0	0	1	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	1	0
PA	2021	0	2	0	0	0	0	2
	2022	2	0	2	0	0	0	0
	2023	0	1	0	0	0	0	1
SC	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
TX	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	2	0
Totals	2021	2	4	0	0	1	0	5
	2022	5	3	2	0	1	0	5
	2023	5	4	0	0	0	5	4

Table 4
Status of Company-Owned Outlets
For Fiscal Years 2021 thru 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
FL	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
NJ	2021	3	0	0	0	0	3
	2022	3	0	1	0	0	4
	2023	4	0	0	0	0	4
NY	2021	0	0	1	0	0	1
	2022	0	0	1	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	4	0	1	0	0	5
	2022	5	0	1	0	0	6
	2023	6	0	0	0	0	6

* “Company-owned Outlets” includes the non-franchised business owned and operated by our founders, Rodrigo and Rick Eustaquio. This business is not part of the franchise system. It may be sold to others as a franchise in the future.

** Our fiscal year end is Dec 31. As of the date of this Disclosure, our affiliate operated two non-franchised business at the location listed below:

Newark 94 Garden Street Suite 401 Newark, NJ 07105 (800) 201-0067	Union #2 1130 W Chestnut St #1224, Union, NJ 07083 (800)-908-6679
Union 2333 US Highway 22 West Union, NJ 07083 (800)908-6679	Florida 1060 Woodcock Road Orlando, Florida 32803 (407) 440-6255
New York 101 Avenue of the Americas 9 th Floor Suite 2031 New York City, NY 10013	

Table 5
Projected Openings
For the Period Ending December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
North Carolina	0	1	0
South Carolina	0	1	0
Totals	0	2	0

A list of the names of all franchisees and the addresses and telephone numbers of their IRIS Environmental® Laboratories Business are listed as Exhibit G to this Disclosure Document. A list of the name and last known home address and telephone number of every franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our last Fiscal Year or who has not communicated with us within 10 weeks of our application date is attached as Exhibit H.

If you buy this Franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

At this time, there are no previously owned IRIS Environmental® Laboratories franchised outlets for sale.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

At this time, there are no trademark specific franchisee organizations representing IRIS Environmental® Laboratories franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Our certified, independent and audited financial statements for the period fiscal years end December 31, 2020, December 31, 2021, December 31, 2022 and December 31, 2023, are attached to this Disclosure Document as Exhibit I. Our unaudited financials through March 31, 2024 are also attached to this Disclosure Document as Exhibit I. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

- Franchise Agreement - Exhibit A
 - Schedule 1 – Authorization for Pre-Arranged Payments
 - Schedule 5 – Individual Guaranty
 - Schedule 7 – Collateral Assignment of Lease
 - Schedule 8 – Confidentiality and Non-Compete Agreement
 - Schedule 9 – General Release
- Franchise Disclosure Questionnaire – Exhibit C
- State Addenda – Exhibit D
- Option Agreement – Exhibit F

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ITEM 23

RECEIPTS

Included as the last document of this Disclosure Document (Exhibit J) and/or as a separate executable form is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 14 calendar days before signing of the Franchise Agreement or payment of any fee by you.

EXHIBIT A

FRANCHISE AGREEMENT

Between

IRIS Alliance, LLC

and

Franchisee



FRANCHISE AGREEMENT

Between

IRIS Alliance, LLC

2333 Route 22 West
Union, NJ 07083
Direct: (908) 206-0073
Toll Free: (800) 908-6679
Fax: (908) 206-0093
Web: www.IrisLaboratories.com

and

Collectively referred to as “Franchisee”

IRIS Alliance, LLC
FRANCHISE AGREEMENT

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IRIS Alliance, LLC FRANCHISE AGREEMENT

PARTIES

THIS FRANCHISE AGREEMENT ("Agreement") is made by and between IRIS Alliance, LLC, a New Jersey limited liability company, hereinafter known as "IAL" or "Franchisor" and the person or entity named above, hereinafter known as "you" or "Franchisee." If the Franchisee is a corporation or limited liability company, partnership or other entity, certain provisions of this Agreement also apply to your shareholders, members, partners or owners. Any such entity may be referred to as an "Entity" and those who own the Entity may be referred to as "Owners." For ease of reference, IRIS Alliance, LLC will also be referred to as "we," "us" or "our" in this Agreement. The persons signing as Franchisee or Guarantors may be referenced to herein individually as "you" or "yours" or collectively as "Franchisee." We and Franchisee (sometimes collectively referred to as the "Parties" and individually as a "Party") are entering into this Agreement to evidence the agreement and understanding between the Parties as follows:

RECITALS

WHEREAS, we have devised a uniform system ("System") to operate an asbestos, mold and lead inspection, testing and clearance business. This is a mobile business that performs different types of inspections onsite to identify the presence of asbestos, mold and lead in an effort to minimize health risks and any further structural damage. Each IRIS Environmental® Laboratories business will establish relationships with property owners, real estate professionals, general contractors, insurance adjustors and third-party administrators to offer: onsite education and consulting services, onsite asbestos, mold and lead inspection services performed by certified trained professionals that includes extracting samples for testing; standard and expediated laboratory testing services, specific indoor air quality inspection and testing services for asbestos, mold and lead only; qualified referrals for remediation or abatement services in addition to re-inspection, certification and clearance report services (hereinafter referred to as "Services") at any IRIS Environmental® Laboratories franchised location and other locations at IAL's discretion (hereinafter referred to as the "Franchise," "Business" or "Franchised Business"); and

WHEREAS, we identify our system by means of certain trade names, service marks, trademarks, logos, emblems, trade dress, and other indicia of origin, including but not limited to the mark "IRIS Environmental® Laboratories" and such other trade names, service marks, trademarks and trade dress as are now designated (and may in the future be designated by us in writing) for use in connection with the System (the "Names and Marks" or "Names" or "Marks"); and

WHEREAS, we have entered into an exclusive license ("License Agreement") with IRIS Environmental Laboratories, LLC for the right to use and sublicense to our franchisees the Names, Marks and other property in connection with the operation of an IRIS Environmental® Laboratories business; and

WHEREAS, we continue to develop, use, and control the use of such Names and Marks to identify for the public the source of services and products marketed thereunder and under our System, and to represent the System's high standards of consistent quality, appearance, and service; and

WHEREAS, we have established substantial goodwill and business value in our Names and Marks, expertise and System; and

WHEREAS, we have the right to license a system or business program, including expertise for conducting and operating a business under the mark and design IRIS Environmental® Laboratories; and

WHEREAS, Franchisee desires to obtain a franchise from us for the right to use the Names and Marks and the expertise for operating an IRIS Environmental® Laboratories business, and to obtain the benefits and knowledge of our System including, but without limitation, our: unique Services offered, specific methods, processes, techniques and procedures when performing Services; specifications for all equipment and products in addition to strategies for purchasing such items; sample testing price-match guarantee program, relationships with vendors and suppliers, proprietary referral relationship program, cost controls and pricing strategies; vehicle appearance standards with unique and recognizable signage; service standards, guidelines for hiring, training and retaining employees and independent contractors (if Franchisee chooses to hire independent contractors); our website, intranet system and franchise web page housed within our national website; privately labeled software and mobile app platform developed and owned by a third party vendor; photographs, video presentations, forms, contracts; proprietary sales presentations, client and/or account acquisition and retention programs; marketing and promotional materials, management, record keeping and accounting methods, and in general a style, method and procedure of business operation utilizing our Names and Marks as a Franchisee; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by us, and Franchisee understands and acknowledges the importance of our high standards of quality, appearance, and service and the necessity of operating the Business in conformity with our standards and specifications.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the Parties hereto, intending to be legally bound, do hereby agree as follows:

I. REGULATORY STATEMENT FRANCHISEE'S ACKNOWLEDGEMENT OF RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

II. FRANCHISEE'S ACKNOWLEDGMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT

Franchisee acknowledges having received, read, and understood this Agreement, the Franchise Disclosure Document and all attachments. Franchisee further acknowledges that we have accorded Franchisee with ample time and opportunity to consult with independent legal counsel and other advisors of Franchisee's own choosing concerning the potential benefits and risks of entering into this Agreement.

IRIS Environmental® Laboratories
Franchise Agreement – 3-20-2024

Franchisee acknowledges that Franchisee has received a completed copy of this Agreement, attachments and schedules (collectively referred to as the "Schedules") referred to herein, and agreements relating hereto, as well as the entire Franchise Disclosure Document, at least fourteen (14) calendar days prior to the date on which this Agreement was executed or money was paid by Franchisee for the franchise.

Franchisee acknowledges that it has read and understands this Agreement, the Schedules and any agreements relating thereto, and that Franchisee has been advised by our representative to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

Franchisee acknowledges that any statements, oral or written, by us or our agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by us. The only representations, warranties and obligations we have made are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the Parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee (this Business can be operated home-based or out of a small office space), will not provide financial assistance to Franchisee and we have made no representation that we will buy back from Franchisee any equipment, products, supplies technology items (such as computer, tablet, printers, modems, etc.), furnishings, fixtures, vehicles, signage or vehicle graphics purchased by Franchisee in connection with the Business, except where we are otherwise required by law or regulation to buy back such items upon expiration or termination of this Agreement.

III. NO PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS

We do not make or present and have not prepared Financial Performance Representations and have not made them as an exhibit to the Franchise Disclosure Document. Furthermore, we do not authorize any agent, officer, director or employee of us to make any financial performance representations.

Franchisee, and each Party executing this document hereto, acknowledges that neither we nor any of our officers, directors, employees or agents have made, and Franchisee has not received or relied upon, any express or implied oral, written, or visual information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that Franchisee might expect to achieve from operating the Business (defined as "Financial Performance Representations"). Furthermore, we do not authorize any agent, officer, director or employee of ours to make any Financial Performance Representations.

IV. RELATIONSHIP OF THE PARTIES

A. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public as an independent contractor operating its business pursuant to a franchise from us. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which we shall have the right to specify. For example, such notices shall be provided on letterhead, business cards, bank account names, bank checks, and signs at the place of business. Franchisee is responsible for collecting and remitting Social Security, Medicare, unemployment contributions and/or any other mandated county, state or federal

obligations on behalf of its employees. Franchisee acknowledges that we have no responsibility to ensure that Franchisee's Business is developed and operated in compliance with all application of laws, ordinances and regulations and that we shall have no liability in the event the development or operation of the Business violates any law, ordinance or regulation. Franchisee acknowledges that Franchisor requires it be licensed in lead inspection and agrees to submit such documentation as may be required from time to time by Franchisor.

B. Franchisor Is Not in A Fiduciary Relationship with Franchisee

It is understood and agreed by the Parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either Party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, we shall not have any fiduciary relationship to the Franchisee by virtue of the fact that we may operate a System Advertising Fund (as defined in Section X.B of this Agreement).

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt, bond, indenture, promissory note or other obligation in our name; and that we shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall we be liable by reason of any act or omission of the Franchisee in its conduct of the Business or for any claim or judgment arising therefrom against the Franchisee or us.

The Franchisee represents, warrants and agrees as follows: the Franchisee is duly organized and is in good standing in all jurisdictions where legally required in order to carry on its business, has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, do not and will not contravene any other instrument or agreement to which the Franchisee is party and there is no pending litigation, tax claim, lien, encumbrance or mortgage, proceeding or dispute that may adversely affect the Franchisee's financial condition or impair its ability to perform its obligation under the terms of this Agreement.

It is understood that Franchisee will have sole responsibility for its employees and independent contractors (if Franchisee chooses to hire independent contractors) and all acts of its employees and independent contractors in addition to all employment-related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping, withholding income tax, Social Security contributions, Medicare contributions, unemployment fund contributions and all other terms and conditions of employment (as described in Section XII.F). Franchisee must disclose to each of its employees and independent contractors in writing, in a form approved by us in advance, that we are not a "joint employer" of the Franchisee's employees or independent contractors. Franchisee acknowledges that we do not control the Franchisee's personnel policies, including establishing wage and hour requirements, hiring, firing, setting wages, disciplining, supervising and record keeping of its employees and independent contractors.

V. FRANCHISE GRANT

We hereby grant to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein for the right to operate a Business that has been assigned a protected territory (referred to as the "Territory") as set forth in Section VI, with the right to use solely in connection therewith our: Names and Marks, approved Services, equipment, products, advertising and marketing methods, and

our System, as they may be changed, improved and further developed from time to time only in the accepted territory as set forth in Section VI and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or in any other agreement that is executed, this franchise grant does not include the right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by us in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of an IRIS Environmental® Laboratories Franchise, provided that Franchisee shall not violate any applicable law, regulation, or provision of this Agreement in exercising such discretion.

VI. TERRITORY

Franchisee is not granted an exclusive territory. The Territory is a protected marketing territory as defined in this Agreement. The Franchise Business shall be: within the state of _____ in the county(ies) of _____. If the actual Franchise Business address has not yet been chosen, the initial Territory will be defined from the following crossroads: _____ and _____. The final Territory will be defined from the actual Franchise Business address once chosen.

The specific location ("Accepted Location") from where the Business will be operated will be:

The Territory is defined by the following numbered zip codes:

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The total population for the above zip codes is: _____

Franchisee must operate the Business and offer and perform all Services and sell products (currently we do not authorize franchisees to sell products but may do so in the future) within the Franchisee's Territory. If the Parties do not select a territory (area in which franchise wants to conduct business) prior to the signing of this Franchise Agreement, then it shall be entered at a later date, under the terms of this Agreement. Failure to agree on a Territory and/or failure of Franchisee to open the Business for operation within sixty (60) days after the execution of this Agreement will permit us to terminate this Agreement, as provided in Section XXIII.C. The Territory, under the terms of this Agreement, is a defined population with as many as five hundred thousand (500,000) persons, but it could be less. We reserve the

right to, in our sole discretion, change, modify or grant a territory that is larger or smaller than the population described above, in order to account for more densely or sparsely populated areas. The Territory will be determined with the approval of us at the time of the execution of the Agreement. All Services must be performed within Franchisee's Territory (as defined above), however under unique circumstances, Franchisee may be able to perform Services in other geographic areas outside its Territory with written permission by us (as described below). Franchisee may conduct business at special events (such as: community events, home shows, trade shows, promotional events, festivals, etc.) to promote Services and/or sell products (if we authorize Franchisee to sell products in the future) as long as such events are within Franchisee's Territory. However, Franchisee may be able to conduct business at special events or perform Services in unassigned geographic areas outside its Territory with written permission by us as further discussed below. The Territory includes the specific location where the Business is based (referred to as "Premises").

The term "Premises" means the location or locations of the Business from which one or more of the following are being performed:

- a) The storage of any equipment, products, supplies and/or vehicles used in association with the Business;
- b) Where Franchisee's employees and/or independent contractors (if Franchisee chooses to use independent contractors) might meet at the beginning of the day before they go to service clients and/or accounts;
- c) Franchisee maintains one or more of the following: a telephone, fax, email or postal address of the Business at this location;
- d) Franchisee advertises the address, telephone, fax or email address or any other contact information for the location;
- e) Franchisee keeps accounting records for all or any part of the Business (excluding any office space or home office of any independent contractor accountant, or payroll service used by the Franchisee); and
- f) The location is responsible for generating more than fifty percent (50%) of the Gross Revenues. As defined in the Agreement, "Gross Revenue" shall include all revenue accrued from the performance of Services and sale of all products (if we authorize Franchisee to sell products in the future) in, at, upon, about, through or from the Business, whether for cash, credit or for barter and regardless of collection in the case of credit, and income of every kind and nature related to the Business. Gross Revenue also includes fair market value for any service or product Franchisee receives in barter or exchange for its Services and/or products in addition to all insurance proceeds and/or condemnation awards for loss of sales, profits or business. However, Gross Revenue shall not include: (i) service fees for credit card transactions; (ii) revenues from any sales taxes or other add on taxes collected from clients by Franchisee for transmittal to the appropriate taxing authority, (iii) gratuities paid to Franchisee's employees; (iv) and the amount of cash refunds the Franchisee in good faith provides to its clients. The performance of all Services and sale and delivery of products (if we authorize Franchisee to sell products in the future) away from the Premises is included in computing Gross Revenue.

If not determined when this Agreement is executed, Franchisee is responsible for selecting the location for the Premises within the designated Territory specified above and in accordance with this Agreement.

The size of the Territory (as described above), will be determined by zip codes, population, average household incomes, demographics of the surrounding area, business potential (such as such as number of residential homes, number of multi-family homes and number of commercial buildings that are in the area), competition, market penetration or other conditions important to the successful operation of a Franchised Business as we deem appropriate. The boundaries of the Territory described above is determined by: zip codes, population base, density of population, growth trends of population and major topographical features which clearly define contiguous areas such as: rivers, mountains, major freeways and underdeveloped land. We determine the Territory, which is described above. Franchisee shall not relocate the Premises within its Territory, without our express prior written consent (specified in Section XXII.A). The Territory is not dependent upon achievement of certain sales volume, number of clients or accounts Franchisee services, market penetration or any other contingency.

During the term of this Agreement, we shall not establish or license another party or entity to establish, an IRIS Environmental® Laboratories business within the Territory outlined above. If Franchisee decides to open additional Businesses and buys the rights to additional Franchises, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Business as defined in Section IX.D of this Agreement).

The Premises in which the Franchisee must operate the Business from must be within the specific Territory as identified in this Section VI, unless otherwise approved by us. Whether Franchisee chooses to operate the business from home or out of a location (such as a small office space) we must approve the location of Premises within the Territory in writing, especially prior to Franchisee becoming obligated on a lease (if applicable). Franchisee may not operate the Business from any other location including any business other than an IRIS Environmental® Laboratories Business within the accepted Territory that has been set forth in this Agreement or made a part hereof by an addendum attached to this Agreement. However, Franchisee's field inspectors are authorized to operate out of their home office. A field inspector's home office is defined as a secondary work space located in the field inspector's principal residence from which the field inspector conducts business and communications. A field inspector's home office is not considered a Business Premises so long as the field inspector does not advertise its home office in any way as an authorized IRIS Environmental® Laboratories location and does not meet any client or third party at its home. Franchisee's field inspectors may list their respective mobile phone numbers and will be required to have Franchisee's Business telephone number and Business addresses on their business cards, stationery and other business forms so long as such information meets our standards and guidelines as outlined in our manuals and other written materials.

Franchisee is encouraged to directly advertise and market within its Territory to promote and offer Services and sell products (if we authorize Franchisee to sell products in the future). However, Franchisee is prohibited from promoting Services and selling products (if we authorize Franchisee to sell products in the future) through any alternative channels of distribution (such as on Websites as defined below) without our written approval. If Franchisee is granted permission to promote Services and/or sell products (if applicable) through an alternative channel of distribution, per our written approval, Franchisee must perform all Services within its Territory and may sell products (if applicable) to anyone from anywhere without compensation to the other franchisee or company-owned business. Our response to Franchisee's request will be made within thirty (30) days after we receive it, otherwise the request will be deemed disapproved. We, other franchisees and company-owned businesses reserve the same right to sell products (if we authorize the sale of products in the future) in those alternative channels of distribution to anyone

from anywhere without compensation to Franchisee. Also, if in the future, we authorize Franchisee to sell products, Franchisee can sell products to anyone from anywhere so long as all products are sold from the Business or special events within Franchisee's Territory and such sales do not result from any direct solicitation activities by Franchisee. To clarify, Franchisee is prohibited from soliciting, directly advertising, promoting and marketing in general to anyone by any means outside Franchisee's Territory and cannot perform any target marketing ("Target Marketing") into any other Territory of another franchisee. The term "Target Marketing" means a concerted effort by a Franchisee to solicit and obtain clients and/or accounts by any type of advertising or marketing directed at all or a portion of another franchisee's territory, company-owned business or unassigned area.

Franchisee may be granted permission to conduct business at special events (such as: community events, home shows, trade shows, promotional events, festivals, etc.) to promote Services and/or sell products (if we authorize Franchisee to sell products in the future) or perform Services in unassigned geographical areas outside its Territory (as outlined below) as long as such activities do not result from any direct solicitation activities by Franchisee. If Franchisee is asked to conduct business at a special event or perform Services in another geographical area (outside the Territory) in which there is another franchisee or company-owned business, the Franchisee must immediately refer the request to conduct business at such special event or perform Services to the IRIS Environmental® Laboratories business in that geographical area or to us. If the other IRIS Environmental® Laboratories business (whether a franchise or company-owned business), gives Franchisee written permission to conduct business at such special event or determines it is in the client's or account's best interest for Franchisee to perform Services, then Franchisee can immediately proceed. If there is not another IRIS Environmental® Laboratories franchise or company-owned business in that unassigned area, then Franchisee must submit a written request to conduct business at such special event or perform Services to us and upon our approval Franchisee can proceed. Our response to Franchisee's request will be made within three (3) days after we receive it and we will respond by email or any other form of written communication. Approval may be revoked in our sole discretion by a written communication to Franchisee. If we fail to respond to Franchisee's request within said three (3) business day period, Franchisee's request shall be deemed denied. Franchisee must be prepared to immediately cease conducting such events and refrain from servicing clients and/or accounts in that other geographical area when that unassigned area is purchased or if a company-owned business is placed in such area. We reserve the right to sell or assign it, or part of that unassigned geographical area, at any time, without notice to another franchisee and Franchisee may not have the right of first refusal or an option to buy the territory that was formally unassigned. We and other franchisees and company-owned businesses must refer special events, clients and/or accounts within Franchisee's Territory to Franchisee and reserve the same right to perform Services to clients and/or accounts who are within Franchisee's Territory if it is determined to be in the customer's or account's best interest.

If during the term of the Franchise Agreement, Franchisee is unable to promptly and properly perform Services and/or provide products (if we authorize Franchisee to sell products in the future) due to excessive work or any other cause, Franchisee must refer that client or account to another franchise, company-owned business or us. If Franchisee fails to refer special events, clients and/or accounts as described herein, we will have the right to terminate this Agreement, Section XXIII.C. For any default of this Agreement which triggers our ability to terminate, as an alternative to termination, we have the right, in our sole discretion, to modify or completely eliminate any rights Franchisee may have with respect to the protected status of the Territory, effective ten (10) days after delivery of written notice to Franchisee.

Franchisee acknowledges that it is in Franchisee's best interest to refer prospective clients and/or accounts to other franchisees in IRIS Environmental® Laboratories system or us when, because of distance or excessive work, or for other reasons, Franchisee cannot promptly or properly perform Services or provide

products (if we authorize Franchisee to sell products in the future). Franchisee agrees that Franchisee will not undertake any work that Franchisee is not capable of performing promptly and properly. If Franchisee is prevented by the terms of this Section VI from accepting more clients or accounts, Franchisee will refer such prospective clients or accounts to one or more other franchisees or company-owned businesses who are closest to those clients and/or accounts not being served or to us. Any referral that is provided to franchisees by us, the Franchisee will not be required to pay any type of referral fee. However, we do encourage franchisees to work out a referral relationship for clients and/or accounts and also an advertising strategy if they are within close proximity of each other (generally defined as being within a ten (10) mile radius of each other). We must be notified in writing of all such arrangements and give our approval.

We may, from time to time, establish certain programs for the benefit of franchisees and the System whereby IRIS Environmental® Laboratories franchisees will be permitted to offer Services and products (if we authorize the sale of products in the future) in accordance with the specifications described in any particular program established by us. Currently in effect is our National Account program. The National Account program is defined as follows:

- a) The term “National Account” means a special class of clients which may include but are not limited to large businesses, national organizations or non-profit organizations with outlets located in multiple territories and government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for buildings or common-services in more than one location whose presence is not confined within any one particular franchisee’s Territory regardless of the aggregate contract amount of the Services and/or products (if we authorize Franchisee to sell products) the Franchisee wishes to perform or provide. Any dispute as to whether a particular client is a National Account shall be determined by us in our sole and absolute discretion and our determination shall be final and binding;
- b) We shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of ourselves, Franchisee and/or any other franchisees utilizing our Marks, to negotiate and enter into agreements or approve forms of agreement to use the facilities of a National Account or to offer Services and products (if we authorize the sale of products in the future) to a National Account, including any affiliate, company owned or franchised locations within the Territory;
- c) Following the execution of a contract with or the acceptance of a bid by a National Account which contemplates the provision of Services or products (if we authorize Franchisee the sale of products in the future) to one or more National Account locations within the Territory, we will, if Franchisee is qualified and not in default under any terms of this Agreement and any Schedules, provide Franchisee the option to perform Services and/or offer such products (if applicable) pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we in our sole discretion determine;
- d) If Franchisee elects not to provide Services and/or products (if we authorize Franchisee to sell products) to a National Account in conformity with the terms and conditions of the National Account bid or contract, or fails to make an election within the time specified by us, of being offered the opportunity by us, we shall have the right, exercisable in our sole discretion, to:
 - i. Provide directly or through any other affiliate, franchisee or company-owned business utilizing our proprietary marks, Services and/or products (if applicable)

to the National Account location(s) within the Territory on the terms and conditions contained in the National Account bid or contract; and/or

- ii. Contract with another party to provide such Services and/or products (if applicable) to the National Account location(s) within the Territory on the terms and conditions contained in the National Account bid or contract between us and the National Account, utilizing our proprietary marks or any trademarks, service marks or trade names.
- e) Neither the direct provision by us (or a franchisee, affiliate or agent of ours) of Services or products (if we authorize the sale of products in the future) to National Accounts as authorized in (i) above, nor if we contract with another party to provide such Services and/or products as authorized in (ii) above, shall constitute a violation of Section VI of this Agreement relating to the protected status of the Territory, even if such Services and/or products are performed or delivered within the Territory. Franchisee disclaims any compensation for Services performed or products sold by others in the Territory pursuant to this section.

Franchisee's rights in the Territory are exactly (and only) as expressly set forth in this Section VI. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control or impose conditions on any specific locations, operation, or otherwise of present or future IRIS Environmental[®] Laboratories (or any other brand) units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Business and whether or not they provide Services or products (if we authorize the sale of products in the future) to anyone within the Territory. Franchisee does not have any rights with respect to other and/or related businesses, services equipment and/or products, in which we or any related persons or entities of ours may be involved, now or in the future.

We and any Franchisor-related persons/Entities expressly reserve all other rights, and can (along with anyone we designate):

- 1) Own and/or operate ourselves, and/or authorize others to own and/or operate:
 - a) Any kind of business in the Territory, business which is not substantially similar to an IRIS Environmental[®] Laboratories business, whether or not using IRIS Environmental[®] Laboratories Marks and System; and
 - b) Any kind of business outside of the Territory, including, without limitation, IRIS Environmental[®] Laboratories businesses, whether or not using IRIS Environmental[®] Laboratories Marks and System;
- 2) Advertise, sell or distribute IRIS Environmental[®] Laboratories brand (or any other brand) Services, products or equipment (if we choose to sell products and/or equipment in the future), whether or not competitive, to anyone located anywhere (including within the Territory) using any channel of distribution (including, but not limited to, discount retail stores, home improvement stores or other similar venues and other channels of distribution such as television, mail, catalog sales, wholesale to unrelated retail outlets or over the Internet) other than an IRIS Environmental[®] Laboratories business located in the Territory.
- 3) Develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using IRIS Environmental[®] Laboratories System and/or

the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere.

- 4) Acquire, be acquired by, sell our assets, sell our stock, membership units, or partnership units to, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), located anywhere. Such transactions may include (but are not limited to) arrangements involving competing businesses and brand conversions (to or from IRIS Environmental® Laboratories Marks and System). You agree to participate at your expense in any such conversion as instructed by us.
- 5) We may choose in our Business Judgment (as defined in Section XXI of this Agreement) to advertise, offer and sell Services, products or equipment (if we choose to sell products or equipment in the future) through the Internet and other similar venues to anyone from anywhere to promote the System. The Internet is a channel of distribution we reserve to ourselves exclusively, and Franchisee may not independently market on the Internet or conduct e-commerce without our prior written consent.
- 6) Acquire any Websites utilizing a domain name incorporating one or more of the words: asbestos, assessment, clearance, commercial, convenience, environment, field, home, inspection, iris, kit, laboratory, mold, residential, sample, service or test. The term “Website” includes: the Internet, web pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, Pinterest, Yelp, blogs and other applications). Franchisee shall not establish a Website on the Internet using any domain name containing the words listed above or any variation thereof. Franchisee acknowledges that we have all right, title and interest in and to such domain names, as we shall designate in the Operations Manual. Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate Website (which we are not obligated to do), then each of the following provisions will apply: (i) Franchisee may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, Franchisee must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work must be performed by us, our affiliates or approved vendors; (iii) Franchisee must not use or modify a Website without our prior written approval; (iv) Franchisee must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if we require, you must establish hyperlinks to our website and other Websites; and (vi) Neither Franchisee nor any of its employees shall post any information regarding us or the System, on any Website or any internet site, without our prior written approval, nor any disparaging statement either during or after termination or expiration of the Agreement. Further Franchisee shall monitor its employees to avoid them making any such postings. We retain the right to pre-approve Franchisee’s use of linking and framing between the Franchisee’s web page and all other Websites. The Franchisee shall within five (5) days, dismantle any blogs, frames and links between the Franchisee’s web pages and any other Websites, if and as requested by us.

We may provide Franchisee with options, rights of first refusal or similar rights to acquire additional franchises in other areas or areas contiguous to the Territory. Franchisee’s Territory may be altered during the initial term only by mutual consent in writing from both Franchisee and us, except at time

of transfer or renewal or for any default of this Agreement which triggers our ability to terminate as described above.

VII. TERM AND RENEWAL OF AGREEMENT

A. Term

The franchise herein granted for an IRIS Environmental® Laboratories Franchise, shall be for a term of five (5) years commencing from the date of execution and acceptance (the “Effective Date”) of this Agreement by us and subject to earlier termination as herein provided.

B. Renewal

Franchisee shall have the option to renew this Agreement for up to two (2) additional terms of five (5) years each, provided we are still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

1. Franchisee shall give us written notice of its election to renew not more than twelve (12) months and not less than six (6) months prior to the end of the then current term. We will respond to Franchisee’s written notice to renew no later than thirty (30) days after receipt of such notice by email or any other form of written communication;
2. Franchisee must not be in default under any provision of the Agreement, any amendment hereof or successor hereto, or any other agreement between us and Franchisee, and Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;
3. Franchisee’s right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. We may refuse to renew or extend the franchise if: (a) Franchisee has failed to use its best efforts to operate the Franchised Business to our satisfaction, as determined by us at our sole discretion; (b) the Franchise is terminable by law or under this Agreement; (c) Franchisee fails to give timely written notice of its exercise of its renewal option; (d) we are withdrawing from franchising in the geographic market Franchisee serves; (e) Franchisee fails to satisfy our then-current standards for new franchisees; or (f) Franchisee is in default of this Agreement.
4. Franchisee shall have satisfied all monetary obligations owed by Franchisee to us and our affiliates, if any, and shall have timely met these obligations throughout the previous term;
5. Franchisee shall execute, before the renewal term, our then-current form of Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement. We will charge Franchisee a flat five thousand dollars (\$5,000) renewal fee and renewal may be for the same protected area outlined in Section VI, or Territory, above;
6. Franchisee’s royalty rates will not start over after renewal. For all franchise renewals royalty payments will not start over and will continue at the Franchisee’s current tier level defined by Franchisee’s Royalty Month with the corresponding then-current royalty payment structure (as defined in Section X.A);

7. Franchisee shall comply with our then-current qualification and training requirements;
8. Franchisee must execute a general release, in a form prescribed by us as described in Section XXIII.D of this Agreement, of any and all claims against us and its affiliates, and their respective officers, directors, agents and employees, if such release is not in conflict with any local, state or federal laws; and
9. Whether Franchisee operates the Business home-based or out of a small office space, Franchisee shall upgrade, remodel and/or refurbish the Business (both inside and outside) and maintain all vehicles in order to meet our then-current standards. All vehicle graphics, signage, equipment used and technology items (such as computer, tablet, printers, modems, etc.) located on the Premises must be updated to meet our then-current requirements. All remodeling, modernization, redecoration, or replacements (if applicable) will be completed at Franchisee's expense in accordance with our specific standards and specifications.

VIII. FRANCHISEE'S INITIAL INVESTMENT

The Franchisee's initial investment will vary depending upon the location, time of year when Franchisee starts business, if Franchisee chooses to lease a location (such as a small office space) rather than operate home-based; if Franchisee needs to obtain or partner with someone who has the appropriate special certifications or license(s) as required in the state in which Franchisee operates its Business (such as: an asbestos, mold and lead inspector certification or license as described in Section XII.C; length of time it takes you to complete asbestos, mold and lead training and obtain certifications as required by us to operate the Business, also as described in Section XII.C; amount of equipment, products and supplies Franchisee purchases; if Franchisee purchases a new or used vehicle, if Franchisee hires employees, implementation of a marketing plan, Franchisee's management skills, economic conditions, competition in the surrounding area and other factors.

Franchisee hereby certifies that he or she has reviewed the estimated initial investment and start-up costs as detailed in the Franchise Disclosure Document and has sufficient cash resources available to meet said expenses. These start-up costs include the initial franchise fee.

IX. FRANCHISEE'S INITIAL FRANCHISE FEE

A. Initial Franchise Fee and Payment

By executing this Agreement, the applicant agrees to become a Franchisee and pay an Initial Franchise Fee in the amount of thirty-six thousand dollars (\$36,000) for an IRIS Environmental[®] Laboratories Business. This Initial Franchise Fee includes a license to operate an IRIS Environmental[®] Laboratories Franchise within a protected territory that serves a population of up to 500,000 persons, determined by zip code and census (with the final agreed upon Territory as described in Section IV of this Agreement). The Initial Franchise Fee includes a web page housed within the national website, a comprehensive five (5) day initial training program at corporate headquarters, manuals, and up to two (2) days of onsite marketing assistance and guidance.

The Initial Franchise Fee per this Agreement is due upon execution of this Franchise Agreement. The Initial Franchise Fee is uniform as to all persons currently acquiring a Franchise and is nonrefundable. The Initial Franchise Fee shall be paid in a lump sum in United States funds and shall be deemed fully earned upon the opening of the Business for the deliverables as described above.

B. Time Limit for Starting Business

The Franchisee shall maintain the Business in accordance with the provisions and requirements of Section XII hereof and must open the Business for operation and start performing Services (the “Opening”) within sixty (60) days of the date of execution of this Agreement (the “Opening Date”). This includes securing a lease that has been approved by us (if Franchisee chooses to open a location such as a small office space for the Business as described in Section XII.S). Prior to the Opening, it is Franchisee’s responsibility to obtain all necessary business licenses, permits and certifications needed to perform Services. We may grant Franchisee, in our sole discretion, one thirty (30) day extension past the allotted time within which to open the Business for operation and start performing services.

Upon Franchisee’s failure to (i) satisfy the Opening requirement within sixty (60) days from the Effective Date, or (ii) Franchisee, its Owner or manager fails to complete the initial training program to our satisfaction, we may, at our sole discretion, terminate the Franchise and this Agreement and retain all fees paid by Franchisee, without breach of this Agreement as specified in Section XXIII.C.

During the term of this Agreement, the accepted Premises shall be used exclusively for the purpose of operating a franchised IRIS Environmental® Laboratories business. In the event the Premises shall be damaged or destroyed by fire or other casualty, or be required to be repaired, Franchisee shall commence the required repair of the Premises within thirty (30) days from the date of such casualty or notice of such governmental requirement (or such lesser period as shall be designated by such governmental requirement), and shall complete all required repairs as soon as possible thereafter, in continuity, but in no event later than ninety (90) days from the date of such casualty or requirement of such governmental notice. The minimum acceptable appearance for the restored Premises will be that which existed just prior to the casualty; however, every effort should be made to have the restored Premises include the then-current image, design and specifications of an IRIS Environmental® Laboratories business.

As between us and the Franchisee, the Franchisee shall bear the entire risk of any damage, loss, theft or destruction to the Premises from any cause whatsoever or requisition of the Premises by any governmental entity or the taking of title to the Premises by eminent domain or otherwise (collectively, “Loss”). The Franchisee shall advise us in writing within ten (10) days of any such Loss. No such Loss shall relieve the Franchisee of the obligation to pay Royalty Fees and all other amounts owed hereunder. In the event of any such Loss, we, at our option, may: (a) if the Loss has not materially impaired the Premises (in our reasonable Business Judgment), require that the Franchisee, upon our demand, place the Premises in good condition and repair reasonably satisfactory to us as mentioned above; or (b) if the Loss has materially impaired the Premises and is substantially destroyed (in our sole judgment), we may require the Franchisee to repair the existing Premises or find an alternative location within the Territory within thirty (30) days. We may extend this period an additional thirty (30) days at our discretion and failure of Franchisee to comply may result in termination of this Agreement. The Franchisee shall be relieved of all obligations under this Agreement, and the Franchisee must return to us the System (including all materials) and we have the first right of refusal to purchase all Assets (as described in Section XXIV.G), but any such purchase price will be reduced to account for the Loss the Franchisee incurred.

It is understood and agreed that, except as expressly provided herein or any other agreement that is executed, this Agreement includes no right of Franchisee to sub-franchise.

C. Cooperation Required

Franchisee shall cooperate reasonably with us to ensure that the various actions occur, which is necessary to obtain our acceptance of the Business location. In particular, Franchisee shall furnish any pertinent information as may be reasonably requested by us regarding Franchisee's business and finances.

D. Establishing Additional Franchise Businesses

If Franchisee desires to establish and operate additional IRIS Environmental® Laboratories businesses, we may in our sole discretion, grant Franchisee a license to operate additional Businesses for a reduced Franchise Fee of eighteen thousand dollars (\$18,000) per each additional Business subject to the payment of an option fee discussed elsewhere in this Agreement. Franchisee must meet minimum conditions: (a) Franchisee must satisfy our then-current qualifications and training requirements; and (b) Franchisee must execute our then-current franchise agreement.

X. OTHER FEES

A. Royalty Fees

In addition to the Initial Franchise Fee described in Section IX above, the following recurring or isolated payments are required to be made by the Franchisee. The Franchisee shall pay to us a "Royalty Fee" of five to seven percent (5%-7%) of Gross Revenues (Gross Revenues is defined in Section VI) or a flat two hundred and fifty to seven hundred and fifty dollars (\$250-\$750) per calendar month (whichever is greater) based on Franchisee's "Royalty Month" which payment begins immediately once the Franchisee's Business is open for operation and continues for the term of this Agreement (see chart below). The term "Royalty Month" shall be defined as starting the calendar month in which the Business is open for operation and is used as the baseline for each calendar month thereafter. The Business is deemed open for operation immediately after Franchisee completes our initial training program. If Franchisee's Business opens for operation on the twenty fifth (25th) of the month or any time thereafter, then Franchisee's Royalty Month will start at the beginning of the following month. The Royalty Fee is due on the seventh (7th) day of each month (for the prior month) and is to be received as we specify in writing. The Royalty Fee is uniform as to all persons currently acquiring an IRIS Environmental® Laboratories Franchise and is nonrefundable. If the Franchise Agreement is terminated, Franchisee may be required to continue such royalty payments as described in Section XXIV.H.

Royalty Month:	Franchisee's Royalty Payment Will Be:
Months 1 – 12	5% of Gross Revenues or \$250 (whichever is greater)
Months 13 – 24	6% of Gross Revenues or \$350 (whichever is greater)
Months 25 through the remainder of the Franchise Agreement	7% of Gross Revenues or \$750 (whichever is greater)

Any payment or report not actually received by us on or before the specified date shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to

us under this Agreement, Franchisee shall pay us, in addition to the overdue amount, a flat fee of twenty-five dollars (\$25) plus interest on such amount from the date it was due until paid at the lesser of the rate of one and one half percent (1.5%) per month or the maximum rate allowed by the laws of the state in which Franchisee's business is located or any successor or substitute law (referred to as the "Default Rate"), until paid in full.

B. System Advertising Fee

Franchisee will pay a System Advertising Fee equal to one percent (1%) of Gross Revenues or a flat fifty dollars (\$50), whichever is greater, per calendar month to be paid in the same manner as the royalty obligation that begins immediately once the Franchisee's Business is open for operation and continues for the term of the Agreement (as defined in Section X.A). The System Advertising Fee can be increased by us and such increase will not exceed three percent (3%) of Franchisee's Gross Revenue in any calendar year and/or an increase of more than twenty-five dollars (\$25) per month in any calendar year. If we increase the System Advertising Fee, Franchisee will be given ninety (90) days' notice prior to such increase.

The System Advertising Fee is to be received by us on or before the seventh (7th) day of each month for the prior month. This fee will be deposited into our System Advertising Account (the "Fund") for ongoing technology, new service and/or product development, and such national advertising or public relations programs as we, in our sole discretion, may deem appropriate to promote the mark IRIS Environmental[®] Laboratories. The Fund may also be used for local franchisee group advertising or marketing and Franchisee advisory council expenses; local, regional, national or international advertising or marketing; administration of advertising and marketing (including salaries, accounting, collection, legal and other costs), related expenses and any media (including media production costs) or agency costs. We will direct all such programs, and will have sole discretion over the creative concepts, materials, endorsements and media used in such programs, and the placement or allocation of such programs. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs. IRIS Environmental[®] Laboratories businesses owned or operated by us will contribute to the same basis to the fund.

We may disclose the identity of vendors who pay promotional allowances to us upon request and only after Franchisee's signing an appropriate non-disclosure agreement. If we require Franchisee to buy items from a vendor who pays these allowances, we may do one of the following: (i) place all or some of the allowances in the Fund or (ii) spend them directly on related advertising. This does not apply to fees we receive from purchases that are not required to be made by Franchisee from a specified source. We are not obligated to spend more on advertising and marketing than the amount of the Fund. Any unspent balance in the Fund at the end of the year may be carried over to later years and used for the purposes described in this Agreement. Neither we nor any of our members has any fiduciary duty to the Franchisee regarding any System Advertising Account.

Franchisee's failure to pay required advertising contributions is a material breach of this Agreement, subjecting Franchisee to all remedies at law and as set forth in this Agreement. We may delete Franchisee from advertising or marketing without notice if Franchisee fails to timely remit its System Advertising Fee.

C. Electronic Funds Transfer

We reserve the right to require Franchisee to remit fees and other amounts due to us hereunder via electronic funds transfer or other similar means utilizing our approved computer system or otherwise. If we notify Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by

us and/or perform such acts and deliver and execute such documents including the attached Schedule 1 “Authorization Agreement for Prearranged Payments” for direct debits from Franchisee’s business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest and related processing fees charged due thereon. Franchisee shall make funds available to us for withdrawal by electronic transfer no later than the due date for these payments. If Franchisee has not timely paid its Royalties and System Advertising obligations or has not reported the Business’s Gross Revenue to us (as defined in Section VI) for any reporting period, then we shall be authorized, at our option, to debit Franchisee’s account in an amount equal to (a) the fees transferred from Franchisee’s account for the last reporting period for which a report of the Business’s Gross Revenue was provided to us as required hereunder or (b) the amount due based on information retrieved from our approved computer system (whichever is greater).

D. Sample Testing Fees

Franchisee will be required to use our affiliate’s laboratory for testing of all asbestos, mold and lead samples that its field inspectors when performing Services. The sample testing fee depends on the type of testing required so for a physical sample to test for mold is twenty to forty-five dollars (\$20-\$45) per sample; a physical sample to test for asbestos is fifteen to fifty-five dollars (\$15-\$55) per sample; and an air sample to test for asbestos is twelve to fifty-five dollars (\$12-\$55) per sample all of which is contingent on the method of testing Franchisee prefers and the turnaround time. Sample testing fees do not include shipping and handling which is Franchisee’s responsibility, however if Franchisee sends ten or more samples at once to be tested (regardless of the type of testing, method and turnaround time) shipping and handling costs will be paid for by our affiliate. If Franchisee finds better pricing for testing asbestos, mold and lead samples in its local market, then our affiliate will price-match what is in Franchisee’s market provided such pricing can be verified per our guidelines as outlined in the Operations Manual. We may change our sample testing requirement and/or sample testing fees upon ninety (90) days’ written notice and Franchisee will be required to adhere to our new sample testing fee requirements at its own expense. Sample testing fees may be changed in response to any changes from our affiliate, any change in laws or regulations, increase in the United States Consumer Price Index, if additional testing functionality or features become available or if our affiliate believes that the conditions in the overall economy or in the market for testing asbestos, mold and lead samples warrant any change in fees. If Franchisee fails to use our affiliate’s laboratory for testing of all asbestos, mold and lead samples and/or fails to comply with the sample testing fees as stated above, such failure will be deemed a material breach of this Agreement as described in Section XXIII.C of this Agreement.

E. Software Fees

Franchisee will be required to use our privately labeled software owned by a third-party vendor for the operation of its Business. The software is a comprehensive client management platform that allows Franchisee to: organize client jobs, schedule jobs, route jobs, track the chain of custody for samples, send client notifications and create reports. Our privately labeled software also complements other third-party software and integrates with our privately labeled mobile app platform. We will provide Franchisee access to this software at no cost to Franchisee during the initial training program. There are ongoing fees for the usage and support of this software which is currently thirty-five to forty-five dollars (\$35-\$45) per user per month and is payable to us, our affiliates or approved vendors.

Franchisee is also required to use a specific digital signature software program for the operation of its Business. The digital signature software is a platform that makes signing documents electronically

convenient for Franchisee's clients for quick turnaround time and works with our privately labeled software. The use of the digital signature software may require Franchisee to sign a third-party license agreement. The current fee for the ongoing usage and support of this digital signature software is currently thirty to fifty dollars (\$30-\$50) per month regardless of the number of users or how many times Franchisee uses it and is payable to us, our affiliates or approved vendors.

It is Franchisee's responsibility to install, maintain and upgrade any hardware necessary to operate the software at its own expense. Franchisee acknowledges that software fees may be changed in response to any increase in the United States Consumer Price Index; if additional functionality and/or features available; or if we or the manufacturers of the software believe that conditions in the overall economy or in the market for such software warrant any change in fees. We, at our sole discretion, may change such software requirements (including fees, programs, codes and/or vendors) at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes. Franchisee acknowledges that Franchisee must comply with such changes in software requirements at its own expense. If Franchisee fails to use our privately labeled software and the digital signature software and/or fails to comply with the software fee requirements as stated above, such failure will be deemed a material breach of this Agreement as described in Section XXIII.C of this Agreement.

F. Mobile App Fee

Franchisee will be given access to our privately labeled mobile app platform owned by a third party for the operation of the Business at no cost to Franchisee. Franchisee will be required to use our mobile app platform in the operation of its Business and is responsible for the ongoing usage fee. Our mobile app is used by Franchisee's field inspectors to enter client profiles, upload job specifications and pictures that interfaces with our privately labeled software to generate chain of custody reporting. Currently the mobile app fee is forty-five dollars (\$45) per user per month then drops to thirty-three dollars (\$33) per user per month for three to ten (3-10) users or thirty dollars (\$30) per user per month for ten (10) or more users. The mobile app fee is payable to us, our affiliates or our approved vendors. It is Franchisee's responsibility to install, maintain and upgrade any technology, networking and software necessary to implement and continue to use our mobile app platform at its own expense. We, at our sole discretion, may change such mobile app platform requirements at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes. The mobile app fee may be changed in response to any change in laws or regulations, increase in the United States Consumer Price Index, if more functionality and/or features become available; or if we or the third party who developed and owns this mobile app believe that conditions in the overall economy or in the market for such mobile app functionality warrant any change in fees. Franchisee acknowledges that Franchisee must comply with such changes in mobile app requirements at its own expense. If Franchisee fails to use our privately labeled mobile app and/or fails to comply with mobile app fee requirements as stated above, such failure will be deemed a material breach of this Agreement as described in Section XXIII.C of this Agreement.

G. Virtual Phone System Fee

Franchisee will be required to use a virtual phone system platform for the operation of its Business. The virtual phone system is a platform that assigns a phone local number which rings into the Business and includes a dashboard for Franchisee access and manage. The virtual phone system allows Franchisee to: routes calls, track all incoming calls, collect statistics on incoming calls, record incoming calls and has reporting functionality. The use of the virtual phone system may require Franchisee to sign a third-party license agreement. Currently, the fee for the usage of the virtual phone system is twenty to thirty dollars (\$20-\$30) per number per month plus an additional five dollars (\$5) for each dedicated extension Franchisee chooses to add per month. The virtual phone software fee is payable to us, our affiliates or approved

vendors. It is Franchisee's responsibility to install and upgrade any technology, networking and software necessary to implement and continue to use the virtual phone system. We may change the virtual phone system fee requirement upon ninety (90) days' written notice and Franchisee will be required to adhere to our new virtual phone system fee requirements at its own expense. The virtual phone system fee may be changed in response to any change in laws or regulations, increase in the United States Consumer Price Index, if more functionality or features become available or if the manufacturers and/or vendors of the virtual phone system platform believe that the conditions in the overall economy or in the market for such virtual phone system functionality warrant any change in fees. If Franchisee fails to comply with our virtual phone system requirements, such failure may be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as set forth in this Agreement.

H. Web Page Maintenance and Promotion Fee

We, our affiliates and/or approved vendors will perform all web page changes, updates, content revision and perform all website promotions over the Internet for Franchisee. Franchisee will pay a rate of sixty-five to one hundred and fifty dollars (\$65-\$125) per hour (or current fair market rates) to us, our affiliates or approved vendors for such services. Any requests for changes, edits or updates to Franchisee's web page or any type of website promotion over the Internet must be approved by us in writing and the work is to be performed by either us, our affiliates or approved vendors. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request by email or any other form of written communication. We may change such web page maintenance, update and promotion requirements, at our sole discretion, and Franchisee shall have ninety (90) days after receipt of our written notice within which to adhere to the new web page maintenance, update and promotion requirements at Franchisee's expense, without any liability to us. If Franchisee fails to comply with our web page maintenance, update and promotion requirements within the timeframe mentioned above, such failure may be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as set forth in this Agreement.

I. Proposal Consulting Fee

We and/or our affiliates may perform consulting for you related to the preparation of proposals for customers at your request and at our option at a cost of \$250 per month. This service is optional and may be discontinued by us at any time with thirty (30) days' notice to you.

XI. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing is the responsibility of the Franchisee. We do not finance or guarantee the obligations of the Franchisee for an IRIS Environmental® Laboratories Business. The Initial Franchise Fee is due and payable upon execution of this Agreement and as set forth in Section IX.C of this Agreement.

XII. GENERAL OBLIGATIONS OF FRANCHISEE

A. Follow Operations Manual and Directives of Franchisor

Franchisee agrees that use of our System and adherence to our Operations Manual (the "Operations Manual" or "Manual"), and compliance with our standardized design and specifications for decor and signage, vehicle appearance standards, dress code and uniformity of the Business are essential to the image and goodwill thereof. The Manual contains mandatory and suggested specifications for the Business, standards and operating procedures and further define Franchisee's obligations under this Agreement. We

may change or add to the Manual to reflect changes in our image, specifications and procedures and methods of operation and will lend Franchisee copies of any changes or additions. Franchisee shall cooperate and assist us with any consumer or marketing research program, which we may institute from time to time. Franchisee's cooperation and assistance shall include, but not be limited to, test marketing new Services, equipment and products, purchasing a reasonable quantity of equipment and/or products to be tested, providing communication with us regarding such testing programs, the distribution, display and collection of surveys, comment cards, questionnaires, evaluations and similar items.

B. Operate Franchised Business Only

Franchisee shall use the System and the Names and Marks provided to Franchisee by us for the operation of the Business and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any other business other than that authorized pursuant to this Agreement, without our prior written approval. Neither Franchisee, nor any of its employees, may conduct any activity in the Business or in connection therewith which is illegal or which could result in damage to the Names and/or Marks or our reputation and goodwill. Franchisee will not allow the Franchised Business to be used for any immoral, unethical, unauthorized or illegal purpose.

Franchisee must conduct all business through its IRIS Environmental® Laboratories Business unless otherwise approved by us in writing. Franchisee must disclose to us any pre-existing businesses and if Franchisee is converting its existing business into an IRIS Environmental® Laboratories Business Franchisee agrees to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 2 "Pre-Existing Businesses" attached to this Agreement.

C. Comply with Laws

Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, wage and hour laws, labor laws, Workers' Compensation and unemployment laws, zoning laws, transportation laws, health and safety ordinances, laws and regulations that may be required for full and proper operation of the Business franchised under this Agreement in Franchisee's state of operation. There are also many state and local laws and regulations detailing how to define independent contractors for different purposes, such as tax, effect of applicable employment laws, unemployment compensation and workers' compensation that Franchisee is responsible for knowing. Franchisee must also comply with: the Resource Conservation and Recovery Act of 1976, the Clean Air Act, the Comprehensive Environmental Response Compensation and Liability Act, Federal Hazardous Waste Management laws Environmental Protection Agency ("EPA"), Occupational Safety and Health Administration ("OSHA"), National Emissions Standards for Hazardous Air Pollutants ("NESHAP"), Indoor Air Quality standards ("IAQ") and all health and sanitation laws. There are some states that may require Franchisee to have special certifications and/or licenses to perform asbestos, mold and lead inspection services. In addition, some states may even require that Franchisee have specified number of on-the-job experience in order to perform Services. Regardless of whether such certification or license is required, Franchisee will be required to follow all federal, state and local regulations concerning the proper handling of asbestos, mold and lead samples. If Franchisee does not have such certifications or licenses (such as an asbestos, mold and lead or home inspector certification or license or any other certification or license depending on what the Franchisee's state requires) in the state in which Franchisee wishes to operate the Business, then Franchisee must hire (or partner with) one individual who has such certification or license. Depending on the certifications and/or licenses that are required by Franchisee's state, such certifications and/or licenses or the certifications and/or licenses of Franchisee and/or Franchisee's partner must remain in good standing throughout the term of this Franchise Agreement. If Franchisee's certification and/or license (such as an asbestos, mold and lead or home inspector certification or license or any other certification or license

depending on what Franchisee's state requires) or Franchisee's partner's certification and/or license is revoked, suspended or restricted, or if an action to do so is begun by a governmental agency, Franchisee must immediately notify us in writing. Franchisee shall also furnish us with copies of certificates and endorsements evidencing that such required certification or license (such as any of the ones listed above) is valid within ten (10) days after each of the following events (i) at any renewal period and (ii) at all instances of any change to, addition to or replacement of any partner or employee who represents Franchisee's interest. Failure to maintain (including any lapse, alteration, or cancellation of) Franchisee's, its partner's or employee's state required certification or license; if such certification or license is revoked, suspended or restricted; and/or if any action is instituted by any governmental agency all of which require immediate notice to us, shall, in our sole discretion, be deemed a material breach of this Agreement as set forth in Section XXIII.C.

In addition to complying with all laws and licensing requirements, we require that Franchisee, all Owners (if you are an entity), managers and employees (including independent contractors if Franchisee chooses to hire independent contractors) who will be performing Services (and prior to performing Services) at job sites have successfully: completed and obtained asbestos training and certification from an EPA approved provider; completed mold and safety training according to EPA or Franchisee's local Department of Health approved guidelines and standards; and obtained accreditation or certification as a mold inspector (which in some states may require on-the-job experience requirements). Franchisee must have completed the asbestos, mold and lead training and obtained such certifications prior to attending our initial training program and is responsible for the costs of obtaining and maintaining such certifications during the term of your Franchise Agreement.

Franchisee must also comply with all consumer protection laws and regulations, including compliance with federal and/or state solicitation, telemarketing (for example, the "do not call" registry), email solicitation, state commercial bribery laws and laws that prohibit public adjustors from accepting remuneration from service providers, privacy and consumer credit and collection laws are generally applicable to all businesses that sell directly to the end-user. Such laws include but are not limited to: wage and hour laws, child labor laws, Workers' Compensation and unemployment laws, laws relating to non-discrimination in hiring and accessibility, zoning laws, transportation laws, fire codes and building construction, health and safety ordinances, Equal Employment Opportunity Commission ("EEOC"), Federal Trade Commission ("FTC") laws and other laws and regulations that may be required for full and proper operation of the Business franchised under this Agreement in Franchisee's state of operation. In addition, with respect to credit card transactions, client and/or account information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card users and must be at all times compliant with the payment card industry data security standards ("PCI Compliant"). Copies of all subsequent inspection reports, with regard to the conduct of the Business which indicates the Franchisee's failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to us within five (5) days of the Franchisee's receipt thereof. Franchisee agrees to indemnify us under Section XVIII of this Agreement which includes any claims arising out of Franchisee's failure to perform Franchisee's obligations as described above.

It is Franchisee's sole responsibility and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of an IRIS Environmental® Laboratories Business. Our standards may exceed any or all, of the requirements of any laws and regulations. We make no representations or assurances as to what licenses, permits, certifications, authorizations or otherwise will be required for Franchisee in the Franchisee's state or Territory in connection with an IRIS Environmental® Laboratories business. We may provide assistance and guidance to Franchisee when obtaining licenses,

permits, certifications and authorizations; however, it is Franchisee's sole responsibility to identify and obtain all licenses, permits, certifications and authorizations necessary for operation at its own cost. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all Business activities.

Franchisee shall agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to the Franchise Business as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee's indemnification responsibilities as provided in Section XVIII pertain to Franchisee's obligations hereunder. Franchisee agrees to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 3 "Executive Order 13224 and Related Certifications."

An IRIS Environmental® Laboratories Business can be operated home-based (we encourage franchisees to operate out of their home) however Franchisee can choose to operate out of a location (such as a small office space). If Franchisee operates the Business out of a location, such location is to be operated in compliance with all local, state and federal laws, including (without limitation) the American with Disabilities Act ("ADA"). Even though we may help to design the Business space, Franchisee is responsible for compliance with all applicable federal, state and local laws and regulations concerning access by persons with disabilities. Any required modifications to the Business are Franchisee's sole responsibility and expense. If Franchisee operates the Business out of a location (such as a small office space), Franchisee agrees to execute and deliver to us an ADA Certification in the form attached to this Agreement as Schedule 4 before Franchisee opens the Business and to confirm and certify that the Business and any proposed renovations comply with the ADA requirements.

D. Maintain Confidentiality of Proprietary Information

Neither Franchisee nor any of its owners, managers, partners, shareholders, officers, directors, agents, or employees, except as required in the performance of the duties contemplated by this Agreement, may disclose or use at any time, whether during the term of this Agreement or thereafter, any confidential and proprietary information disclosed to, or known by, Franchisee or any such person as a result of this Agreement. Such information includes, but shall not be limited to, confidential matters, trade secrets, such as our: Services, standards and specific methods, processes, procedures and techniques when performing Services; specifications for all equipment, products, supplies and services used and strategies for securing such items; sample testing price-match guarantee program, vendor and supplier relationships, proprietary referral relationship program, cost and pricing strategies, efficient scheduling and operational procedures, ongoing training programs, procedures for safety and quality control; vehicle appearance standards (including our vehicle graphic specifications), our privately labeled software and mobile app platform; website, intranet system, third-party software, Operations Manual, photographs, video presentations, forms, contracts, record keeping and reporting methods; recommended build out specifications with décor, color scheme and signage (if operating out of a location); guidelines for hiring, training and retaining employees and independent contractors (if you choose to hire independent contractors); proprietary referral program and sales presentations, client and/or account acquisition and retention programs; advertising, marketing and promotional materials, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the trade or industry about our Services, including information relating to discoveries, ideas, products, purchasing, accounting, website

development and design, promoting and marketing of our Services (collectively referred to as “Confidential Information” and further defined in Section XVI.A of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of “know how” and methods developed by us and licensed to Franchisee for the operation of an IRIS Environmental® Laboratories Business are particular to the asbestos, mold and lead inspection industry conducted by an IRIS Environmental® Laboratories Business. Franchisee agrees to take all steps necessary, at Franchisee’s expense, to protect against the disclosure and dissemination of the Confidential Information to any other person both during the term of this Agreement and subsequent to the termination or expiration of this Agreement without our prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation or in any other matter that affect our ownership rights to any or all of the above Confidential Information.

E. Maintain and Renovate the Premises

Franchisee shall at all times maintain the Premises in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Operations Manual. Franchisee shall make, at Franchisee’s expense, all additions, repairs, replacements improvements and alterations that may be determined by us to be necessary so that the vehicles (and if applicable the Franchisee’s small office if Franchisee chooses to operate out of a location) which are viewed by the public will conform to the uniform corporate image, as may be prescribed by us from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions, which may be reasonably specified by us.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Premises (if Franchisee choses to operate out of a location), any vehicles or signage (if applicable) does not meet our standards, we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives our notice, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, we have the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on Franchisee’s behalf, and Franchisee agrees to reimburse us on demand for any expenses we incur.

Franchisee shall maintain and refurbish the Premises and all vehicles at its expense, to conform to our design, trade dress, color schemes and presentation of Marks consistent with our designated image, including, without limitation, remodeling, redecoration and modifications to existing improvements.

F. Maintain Competent Staff

We will create and make available to Franchisee and its managing partners, members or shareholders training programs and other selected training materials as we deem appropriate. Franchisee must staff a position to have day-to-day supervision for the operation and management of the Business (referred to as “Manager”). Franchisee’s Business must be personally managed on a full-time basis by a Manager who has successfully completed our mandatory training and meets our then-current standards. The Manager may, but need not, be Franchisee or one of the Owners of the Business; however, this does not relieve Franchisee of its responsibility. This Operations Manager must have any license as may be required by Franchisee’s state (such as an asbestos, mold and lead or home inspector certification or license

or any other certification or license depending on what the Franchisee's state requires, as described in Section XII.C). Franchisee's Manager must be readily and continuously available to us. Franchisee will keep us advised, in writing, of all management personnel involved in the Business. Franchisee must replace and train a replacement Manager (who we may disapprove in our sole and absolute discretion) in accordance with our training program at its expense. Replacement Managers may attend our training program for a fee and subject to space availability. Currently, the fee is one hundred and fifty dollars (\$150) per person per day as described in Section XX.A of this Agreement. Franchisee or its Manager is responsible for all travel, room, board and food. We have the right to require that Franchisee's Manager be at the Business for any inspection we, our affiliates or third parties conduct.

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to hire and train field inspectors and administrative staff ("Employees") and to perform Services and sell products (if we authorize Franchisee to sell products in the future) according to our standards as outlined in the Operations Manual and Section XX.E of this Agreement. Franchisee, its Employees and any independent contractor (if Franchisee chooses to hire independent contractors) are prohibited from providing any type of services that require certain certifications or licenses that have not been approved by us in writing. Franchisee, its Owners, Manager and any Employee who will be performing Services, must have successfully completed and obtained asbestos training and certification from an EPA approved provider; completed mold and safety training according to EPA or Franchisee's local Department of Health approved guidelines and standards; and obtained accreditation or certification as a mold inspector (which in some states may require on-the-job experience requirements) as described in Section XII.C of this Agreement. Franchisee must ascertain all applicable laws and regulations. Failure of Franchisee to ensure that Franchisee, any of its Owners, Manager or any of its Employees (including independent contractors if Franchisee chooses to hire independent contractors) who perform Services complete, obtain and maintain such training and certifications during the term of this Agreement, may result in termination as described in Section XXIII.C. As Franchisee hires independent contractors and Employees, Franchisee can negotiate any rate for such services that is consistent with applicable federal and state laws and regulations. Franchisee is solely responsible for all independent contractors, employment decisions and functions including hiring (other than required use of background checks below), firing, establishing wage and hour requirements, disciplining, supervising and record keeping. Franchisee acknowledges that at no time will Franchisee or any of its independent contractors or Employees be deemed to be employed by us.

Franchisee must not use unethical tactics to recruit Employees or independent contractors. Franchisee shall properly hire Employees (subject to applicable employee protection laws) and independent contractors (if Franchisee chooses to use independent contractors) which include carefully screening all Employees and independent contractors by the use of background checks, before employing them, to ascertain fitness for employment. Specifically, Franchisee must use its best efforts, including taking every action required by applicable laws related to background checks of persons working in or representing the Business, to ensure that no person is employed who has a record of child molestation or abuse, immoral conduct, drug, alcohol or substance abuse; criminal behavior or any other pattern of conduct which might jeopardize the welfare of the clients or reflect adversely on our reputation or the System. Franchisee will indemnify us (as described in Section XVIII) for all claims arising out of or relating to Franchisee's use of independent contractors, its Employees and Franchisee's hiring, firing and discipline decisions regarding employees, including payment of wages, overtime, and any applicable benefits.

Franchisee will require its Employees and independent contractors (if Franchisee chooses to use independent contractors) to wear logoed polo shirts bearing the Marks to identify themselves while working at the Business and while servicing clients. Such uniform dress shall be of the design and color as we may prescribe from time to time, as set forth in the Operations Manual.

Franchisee will keep us advised, in writing, of all management and non-management personnel involved in the operation of the Business.

G. Open Business within Time Limit

Time is of the essence. The Franchisee must open the Business for operation and start performing Services within sixty (60) days after execution of this Agreement which includes having obtained our approval prior to opening, subject to Section IX.A of this Agreement. Prior to opening, Franchisee shall complete, to our satisfaction, all preparations of the Business, in accordance with specifications set forth in the Operations Manual and other written materials, and as required by local governmental agencies, including the acquisition of all equipment, products, supplies, vehicle (any type of new or used vehicle as described in Section XII.H of this Agreement), vehicle graphics, apparel, technology items and software, completion of the franchisee training program; and provision to us of all required local information, artwork and photos for the completion of the Franchisee's web page.

H. Operate Business in Strict Conformity to Requirements

Franchisee shall perform Services and operate the Business in strict conformity with such standards, techniques, and procedures as we may from time to time prescribe in the Operations Manual, or otherwise in writing, and shall not deviate without our prior written consent. In addition, Franchisee agrees to purchase equipment and products (as described in Section XII.I) and technology items (such as computer, tablet, printers, modems, etc.) and agrees to operate, service, repair, maintain and clean all such items according to our standards as outlined in the Operations Manual. Franchisee must keep all equipment and technology items in clean and good working order at all times and purchase only approved parts to repair its equipment and technology items from our approved vendors and suppliers. All maintenance to the equipment and technology items that cannot be completed by Franchisee must be performed by our approved vendors. Unless otherwise agreed to by us in writing, in no event shall Franchisee use any piece of equipment that is more than ten (10) years old; and computers, laptops or tablets that are more than ten (10) years old. Franchisee agrees to replace all equipment and computers, laptops or tablets at Franchisee's expense as such items (i) become obsolete or inoperable; or (ii) if, in our sole discretion, replacement is necessary because of new functionality, change in software, change in methods of service or because of health or safety considerations. Franchisee has ninety (90) days after Franchisee receives written notice from us to either remove or replace such equipment, computers, laptops or tablets. Failure of Franchisee to remove, replace and/or maintain its equipment and technology items as described above may result in termination as described in Section XXIII.C of this Agreement.

Franchisee is required to offer and perform only approved Services and sell approved products (if we authorize Franchisee to sell products in the future) in the manner and style we specify, which may, from time to time, be amended or modified in writing, designated and approved by us. Products and equipment that Franchisee is authorized to use in its Business are described in Section XII.I of this Agreement. All Services must be performed within the Franchisee's Territory as described in Section VI of this Agreement. Prior to opening the Business for operation, Franchisee must adequately supply its Business with an assortment of equipment, products and supplies (as described in Section XII.I); and use all equipment, products and supplies in accordance with our specifications. We will provide Franchisee with a written list of all Services Franchisee is required to offer in its Business during the initial training program. Nothing in this Agreement shall be construed to be a promise or guarantee by us as to the continued existence of a particular Service or product (if we authorize Franchisee to sell products in the future); nor shall any provision herein imply or establish an obligation on our part to reinstate any Service or product (if we authorize Franchisee to sell products) discontinued by us or for any liability to Franchisee for any loss of revenue incurred by Franchisee as a result of our decision to discontinue a particular Service or product.

Franchisee agrees that we have the right, in our sole discretion, to change, modify, add or discontinue any approved Service or product and specifications at any time, in our sole discretion. Franchisee promises to promptly accept and implement, in the operation of the Business, all such additions, modifications and changes at Franchisee's expense within ninety (90) days of receiving such notice. Additional services or products Franchisee desires to offer and/or sell in its Business must be authorized in writing by us (as described in Section XII.I). Failure of Franchisee to adhere to our approved Services and products that Franchisee is authorized to use and sell to clients (if we authorize Franchisee to sell products in the future), according to our standards and specifications and/or to adhere to any additions, modifications or changes to such standards and specifications after receiving written notice from us (as described above) will be considered to be in breach of this Agreement and we, in our sole discretion, may terminate this Agreement as described in Section XXIII.C.

Franchisee cannot implement, offer or sell any other service or product unless approved by us in writing. We will respond to Franchisee's request to implement, offer or sell a new service or product (if we authorize Franchisee to sell products in the future) by email or any other form of written communication within thirty (30) days from the date the request is received. Such approval or disapproval shall be made by e-mail or any other form of written communication. We shall have the right to require, as a condition of our approval and review, that Franchisee submit to us all materials and supporting documentation describing the service or product Franchisee wishes to implement, offer and/or sell in its Business. The cost of such investigation for approval shall be paid by the Franchisee (if applicable) and we shall have no liability for denying Franchisee's request. Failure of Franchisees to adhere to these guidelines will result in termination of this Agreement as specified in Section XXIII.C.

Franchisee must have a reliable vehicle and can use any type of new or used vehicle (referred to as "Vehicle") to travel to job sites. It is expected that Franchisee uses its existing Vehicle so long as such Vehicle meets our appearance standards. We require that any Vehicle Franchisee operates must not be more than twenty (20) years old, unless otherwise approved in writing by us, and must meet our appearance standards as specified in the Operations Manual. We will provide Franchisee with Vehicle appearance standards and Franchisee is responsible for the cost of the Vehicle and installation of all vehicle graphics. Vehicle graphics must be purchased from us, our affiliates or approved vendors or suppliers. Franchisee must maintain the Vehicle as outlined in Section XII.U of this Agreement.

Franchisee must accept credit and debit cards and may choose to use other payment systems and check verification services as specified by us, which we may change from time to time. Franchisee will honor any incentive, coupon, or loyalty programs, which we may institute from time to time, and Franchisee shall do so in compliance with our standards and procedures for such programs to the extent permitted by the laws of Franchisee's state. These programs may include, without limitation, membership programs, repetitive use for service and/or product programs, co-op programs and other local and national activities. Franchisee's full and complete participation in such programs are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

Franchisee agrees to fully comply with all mandatory specifications, standards, operating procedures and rules in effect which may change from time to time relating to: offering Services and products (if we authorize Franchisee to sell products in the future), utilizing our affiliate's laboratory for testing of all samples, safety, maintenance, cleanliness, sanitation, function and appearance of the Business (if operating out of a location) and its equipment; usage of technology items, virtual phone system platform, our privately labeled software and mobile app platform, third-party software, furniture, fixtures, décor and signage (if applicable). Franchisee is prohibited from promoting Services and selling products (if we authorize Franchisee to sell products in the future) through alternative channels of distribution (such as on Websites); however, if given permission to do so, as described in Section VI, Franchisee must adhere to

our Website standards as outlined in the Operations Manual. If Franchisee is given permission, which we are not obligated to grant, to promote Services and sell products through an alternative channel of distribution, all Services must be performed within Franchisee's Territory and all products (if we authorize Franchisee to sell products in the future) must be sold and shipped directly from the Accepted Location or at special events within its Territory. Currently, Franchisee is not permitted to promote or offer Services or sell any products in any other media or alternative channels of distribution, whether known or hereinafter invented. If Franchisee attempts to promote or offer Services or sells products through any alternative channel of distribution (as described above) without our prior written permission such action will be considered a breach of this Agreement and may result in termination of this Agreement as described in Section XXIII.C.

Franchisee is encouraged to accept the referral of any client or account from another franchisee, company-owned business or us who desires to receive Services from Franchisee. If Franchisee chooses not to accept the referral, then we may provide Services directly or through another franchisee or third party without compensation to Franchisee. We encourage all IRIS Environmental® Laboratories businesses, when owned by different individuals, to work out a referral or transfer arrangement. Franchisee can perform Services in other geographical areas outside its Territory where there is not an IRIS Environmental® Laboratories franchise or company-owned business in that area with our permission (as described in Section VI of this Agreement), provided once that area is sold or we have begun to operate in that area, Franchisee must no longer provide Services to clients and/or accounts therein. We shall use commercially reasonable efforts to address any IRIS Environmental® Laboratories business that violates this policy.

Franchisee must respond promptly to all inquiries and complaints to achieve client satisfaction. If Franchisee does not provide clients or accounts with satisfactory service and or fails to resolve complaints at the time complaint is registered or if Franchisee violates operating standards or this Agreement, we may, in addition to our other remedies, complete the services and bill the Franchisee, its clients or accounts for our services. Franchisee shall reimburse us for any expense incurred. In addition, there may be other System oriented programs designed to promote to the public the quality of service provided by an IRIS Environmental® Laboratories business that we may wish to implement on a system-wide basis and advertise and market. Franchisee shall be required to participate in the then-current specials or promotions as may be developed or modified periodically by us, in our sole discretion.

We may institute various programs designed to verify client satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) a toll-free number, online surveys, client comment cards, secret shoppers or otherwise. We will share results of such programs with Franchisee as they pertain to Franchisee's Territory, and Franchisee will reimburse us for all costs associated with any and all such programs if Franchisee is not in compliance with this Agreement and the System.

Franchisee recognizes that one of our primary methods of communication with franchisees is through announcements and/or memos we may periodically publish and distribute through an intranet system provided to franchisees on our website. Franchisee is responsible for knowing all of the information contained in the announcements, memos and the intranet system and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Business through our announcements, memos and intranet system. We will have no obligation for the hosting of the intranet system (for example if hosting company goes down or shuts down the intranet system for maintenance or security reasons) or to maintain the intranet system indefinitely and may dismantle it at any time without notice and without liability to Franchisee and the following will apply:

1. We have established policies and procedures for use of the intranet system. These policies, procedures and other terms of use may address the issues such as (i) restrictions on the use of abusive, slanderous or otherwise offensive language in electronic communications; (ii) restrictions on communications between or among franchisees that endorse or encourage breach of any agreement with us; (iii) confidentiality of materials that we transmit; (iv) password protocols and other security procedures; (v) grounds for suspending, or revoking Franchisee's access to the intranet system; and (vi) a privacy policy governing our access to and use of electronic communications that franchisees submit on the intranet system. Franchisee acknowledges that as administrator of the intranet system, we can access and view any communication that anyone posts on the intranet system. Franchisee further acknowledges that the intranet system and all communications that are posted to it will become our property, free of any claims of privacy or privilege that Franchisee or any other person may assert.
2. Upon receipt of notice from us that the intranet system has become operational, Franchisee agrees to purchase and install all necessary additions to their computers and to establish and continually maintain electronic connection with the intranet system that allows us to send messages to and receive messages from Franchisee. Franchisee's obligation to maintain connectivity with the intranet system will continue until expiration or termination of this Agreement.
3. We may use part of the System Advertising Fund that we collect under this Agreement to develop, maintain and further develop the intranet system.

We may require Franchisee to join and participate in industry specific, local or national associations. Such associations include but are not limited to Franchisee's local chapter of the Better Business Bureau, Chamber of Commerce, Business Network International or Realtor Associations. These associations are deemed invaluable and necessary for the continued growth of the Business. Franchisee is responsible for all membership fees and any related costs. We reserve the right to require Franchisee to join and participate in other professional organizations as we deem appropriate in our sole discretion. Franchisee's full and complete participation in such programs and associations are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

In the marketing and operation of Franchisee's Business, Franchisee will use each of, and only, the contracts, waivers and/or other forms and/or materials as are designated by us periodically. However, if Franchisee chooses to operate out of a location (rather than home-based), Franchisee may lease a space subject to the landlord's lease, as long as the lease contains all of the terms and conditions required by this Agreement; the lease term is adjusted to accommodate this Agreement (ideally the lease is coterminous with this Agreement but not required); and the Franchisee may execute its lender's standard promissory note, personal guaranty and security agreement provided that the terms and conditions of any promissory note, personal guaranty and security agreement do not affect or impair this Agreement, or any of our rights or remedies under this Agreement. If the Franchisee has two or more Owners or it is an Entity, then the Franchisee must submit a copy of its Operating Agreement, Partnership Agreement, or Shareholders Agreement and bylaws, as applicable for our review prior to execution as specified in Section XII.R of this Agreement.

All advertising and promotions by Franchisee in any medium shall be conducted in a dignified manner and shall conform to our standards and requirements as set forth in the Operations Manual. Franchisee shall have the right to offer and sell Services and/or products (if we authorize Franchisee to sell products in the future) at any prices Franchisee may determine, except that we reserve the right to establish

minimum and maximum rates and/or prices for any given Service or product nationwide to the extent allowed by federal and state laws. To clarify, Franchisee agrees that we have the right, in our sole discretion, to establish minimum and maximum rates for any Service or prices for any product (if we authorize Franchisee to sell products in the future) so long as such decisions are made with the honest belief that the measure we are adopting will help everyone in the System meet competition and succeed in the marketplace. Franchisee is prohibited from heavily discounting Services and products (if we authorize Franchisee to sell products in the future) offered for sale and must adhere to our minimum and maximum pricing guidelines, except as otherwise provided by applicable federal or state laws. If Franchisee elects to offer or sell any Service and/or product at any rate or price recommended by us, Franchisee acknowledges that we have made no guarantee or warranty that offering such Services and/or products at the recommended rate or price will enhance Franchisee's sales or profits. Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions promulgated by us periodically.

I. Use of Approved Equipment, Products, Supplies, Services and Vendors

Franchisee acknowledges that we have spent considerable time in determining what equipment, products, supplies, processes, methods, services and vendors to use in the operation of an IRIS Environmental® Laboratories business. Accordingly, Franchisee acknowledges that Franchisee is to use only approved equipment, products, supplies, services, vendors and suppliers that includes but is not limited to: equipment (such as: moisture meters, rotomometer, temperature gauges, asbestos, mold and lead high-volume pumps, battery-operated hand tools, etc.), technology items (such as computer, tablet, printers, modems, etc.), products (such as: testing sample cassettes, measuring wheels, flashlights, utility knives, chisels, hammers, plyers, personal protection equipment, etc.), supplies (such as: rags, containers, bags, cleaning and office supplies), Vehicles, vehicle graphics, apparel, marketing materials, printed advertising materials and promotional items, software, laboratory testing providers, merchant account providers, technology support providers, virtual phone system providers, mobile app platform providers and other products and services approved by us. We will provide Franchisee with a written list of approved vendors and/or suppliers for all equipment, products, supplies and services that Franchisee is authorized to use in its Business. We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and/or suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require Franchisee to buy from us, we will exercise commercially reasonable efforts to ensure that the product's price and quality will be comparable to similar products from other sources. We may take a portion of income earned from license fees, promotional fees, advertising allowances or rebates to spend on advertising or place in a separate franchise advertising account. If we require Franchisee to buy equipment, products, supplies or services from a vendor that pays such allowances, we may spend all such fees on related advertising or place them in the advertising account Fund as described in Section X.B of this Agreement. If we do not require the purchase, we do not need to place such funds in a separate account or use them on advertising. Franchisee, agrees that we may periodically and upon written notice, add to, modify or change such approved equipment, products, supplies, services, vendors and suppliers. Franchisee promises to promptly accept and implement, in the operation of the Business, all such additions, modifications and changes at Franchisees expense. In addition, Franchisee acknowledges that:

1. To insure the consistent high quality and uniformity of Services provided by IRIS Environmental® Laboratories franchised businesses, Franchisee must purchase equipment, products, supplies and services (as described above) from us, our affiliates or those approved vendors (including manufacturers, distributors and other sources) who demonstrate to our continuing satisfaction an ability to meet our standards and specifications. We are not liable to Franchisee for any loss or damage, or deemed to be in

breach of this Agreement, if we, our affiliates or approved vendors and/or suppliers cannot deliver, or cause to be delivered, Franchisee's order of the items mentioned above where such items are out-of-stock or discontinued. Franchisee is prohibited from purchasing equipment, products, supplies and purchasing or using services from unapproved vendors and/or suppliers who are not on our approved list without our written approval. All vendors and suppliers that Franchisee purchases from must be approved in writing by us and may be disapproved by us anytime thereafter. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by e-mail or any other form of written communication. If Franchisee purchases any equipment, products, supplies or purchase or uses services from any unapproved vendor or supplier without our permission, as described above, it may result in termination of this Agreement as specified in Section XXIII.C.

2. In approving any vendor or supplier, we may consider factors such as: price, quality, composition, performance, accuracy of product claims, durability, safety, technical specifications, frequency of delivery, design, service maintenance programs, determination of quality control, value, customer service strength, prompt attention to complaints, litigation against the supplier, reputation of supplier, any product recalls instituted by the United States Consumer Product Safety Commission, the supplier's financial strength and capacity to supply franchisee's needs promptly, reliably, and cost effectively. All vendors and suppliers must be approved in writing by us and may be disapproved by us anytime thereafter. If Franchisee desires to purchase unapproved equipment, products, supplies or purchase and/or use services from unapproved vendors or if Franchisee wants to offer unique products (if we authorize Franchisee to sell products) that blend in with Franchisee's community, Franchisee must submit to us a written request for such approval. We will respond to Franchisee's request within thirty (30) days from the date the request is received by email or any other form of written communication. We shall have the right to require, as a condition of our approval and review, that our representatives are permitted to inspect the facilities of the proposed vendor or supplier and that the proposed item is delivered to us or our designee for testing. The cost of such inspection and testing shall be paid by Franchisee, vendor or supplier, and we shall not be liable for damage to or for the return of any sample. We may require Franchisee's vendors to sign our pre-approved Confidentiality and Nondisclosure Agreement, guarantee our level of quality. We reserve the right to re-inspect the facilities and to re-test the equipment, products, supplies and services of any approved vendor or supplier and to revoke any approval if the vendor fails to continue to meet our high standards.
3. Franchisee will not make any claims against us with respect to any vendor and/or related supplier (including our affiliates) for equipment, products, supplies or services (as described above) necessary for the operation of the Business (and/or our designation of, or our relationship with, any vendor or supplier). WE MAKE NO WARRANTIES REGARDING ANY VENDOR, EQUIPMENT, PRODUCTS OR SUPPLIES, AND HEREBY DISCLAIM THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND THE IMPLIED WARRANTY OF INFORMATION CONTENT. WE MAKE NO WARRANTY THAT ANY VENDOR PROVIDED SOFTWARE WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN

HORSES OR WORMS. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Any claim with respect to any vendor-related and/or similar matters shall be made only against the vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. We will use diligent efforts to assist franchisees in resolving any disputes with vendors approved and/or designated by us.

4. Franchisee may be required to use and/or offer for sale all branded merchandise or Proprietary Products developed by us, which will be listed in the Operations Manual (currently not in effect). The term “Proprietary Products” is defined as all equipment, products, supplies, marketing materials and IRIS Environmental® Laboratories branded products all of which must be purchased by the Franchisee directly from us, our affiliates or approved vendors, unless the Franchisee has submitted and received written approval from us to use an alternate supplier. Currently we have not developed any Proprietary Products; however, if Proprietary Products are developed, we may become the only approved supplier for such items and failure to use and/or sell such Proprietary Products will result in termination of this Agreement as specified in Section XXIII.C of this Agreement.
5. Franchisee acknowledges that we currently do not require Franchisee to maintain in inventory a Minimum Representation of equipment, products and if developed Proprietary Products (however we retain the right to do so in the future). “Minimum Representation” shall be defined as the continuous maintenance of an amount of equipment, products or Proprietary Products meeting requirements as defined in the Operations Manual. If this requirement is implemented, Franchisee will be notified by email or any other form of written communication and will be given ninety (90) days to comply with such requirements at its own expense. Franchisee shall at all times comply with our Minimum Representation requirements and the terms of any auto-ship requirements (currently we do not have any auto-ship requirements, however we do require that Franchisee purchase updates for all advertising, promotional and marketing materials when designated as mandatory by us and as specified in the Operations Manual).
6. Franchisee shall not make changes to any equipment, products, Proprietary Products, supplies or any third-party products including changing the containers, packaging, labeling, promotional materials, advertising, cartons or the like without our or the manufacturer’s prior written approval, which may be withheld in our or the manufacturer’s sole discretion. Failure to adhere to these guidelines will result in termination of this Agreement as specified in Section XXIII.C.
7. Franchisee may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights to distribute any equipment, products and/or Proprietary Products inside or outside of Franchisee’s Territory without our written consent. We shall approve or deny Franchisee’s request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee’s written request. Failure to adhere to these guidelines will result in termination of this agreement as specified in Section XXIII.C of this Agreement.

8. Franchisee shall not manufacture or produce any piece of equipment, product or supply that is similar to, or competes with any of our Services, equipment, products or Proprietary Products used or offered in an IRIS Environmental® Laboratories business without our advanced written consent or manufacturer's consent, which may be granted or denied in our or the manufacturer's sole discretion. Violation of this provision shall be grounds for immediate termination as specified in Section XXIII.C of this Agreement.
9. Franchisee must inspect all equipment and products promptly upon receipt and may reject any piece of equipment or product that fails in any material respect to conform to manufacturer's description. Any product that has not been rejected within five (5) business days upon receipt shall be considered accepted. Rejected equipment or products must be returned to the manufacturer within three (3) days of the date on which manufacturer authorizes the return or as manufacturer specifies;
10. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at our sole option, we may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some IRIS Environmental® Laboratories businesses with some or all of the equipment, products and supplies that we require for use and/or sale (if we authorize Franchisee to sell products) in the development and/or operation of the Business. In this event, we may limit the number of approved vendors with whom Franchisee may deal, designate sources that Franchisee must use for some or all equipment, products, supplies, and services, and/or refuse any of Franchisee's requests if we believe that this action is in the best interests of the System. We shall have unlimited discretion to approve or disapprove the vendors or suppliers who may be permitted to sell equipment, products and supplies to franchisees;
11. Franchisee agrees to purchase, use, maintain and update at Franchisee's expense all software and computers systems, meeting our specifications, as we may modify them. Franchisee will be required to use our privately labeled software and mobile app platform (as described below) and purchase third-party software necessary to operate the Business from us, our affiliates or our approved vendors. We reserve the right to have independent electronic access to all information that Franchisee stores in any computer, laptop, tablet, phone system, mobile app or software used for the Business. Franchisee agrees to comply with our then-current Terms of Use and Privacy Policies and any other upgrade requirements regarding all computer systems and software, including Internet usage. Supplier and/or licensor charges for use, maintenance, support and/or updates of such required items are the Franchisee's responsibility.
12. We cannot estimate the future costs of the technology items and software or required service and/or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining all technology items (or additions and modifications) and software and required service and support. We have no obligation to reimburse Franchisee for any such costs. Within thirty (30) days after Franchisee receives notice from us, Franchisee agrees to obtain the technology item components and software that we may designate and to ensure that Franchisee's technology items and software, as modified, are functioning properly.
13. Franchisee will be required to use our privately labeled software and mobile app platform that is owned by a third-party vendor for the operation of the Business. If we develop

additional privately labeled software or mobile app platforms; or if we develop proprietary software or a proprietary mobile app platform in the future and require Franchisee to use such software, we will provide Franchisee with a ninety (90) day written notice to purchase (if applicable) and use such software for the operation of the Business. We will provide all update and upgrade requirements for our privately labeled software and mobile app platform (and proprietary software or proprietary mobile app platform if developed) as necessary. The installation, maintenance, repairs and upgrade costs for any privately labeled software and mobile app (or proprietary software or mobile app if developed in the future) will be the responsibility of the Franchisee. Currently the usage of our privately labeled software and mobile app platform ("Software") is subject to the following terms:

- a. Franchisee will use our Software on a computer system or device that: (i) meets our hardware specifications; and (ii) is located at the Premises or on a backup system if the original computer or device is inoperable. Franchisee will be licensed to use our Software only for Franchisee's internal, in-house data processing and data communications purposes and only in connection with the Business and not for re-marketing or redistribution under any circumstances;
- b. Franchisee acknowledges and agrees that a third-party vendor is the sole and exclusive owner of all right, title and interest in and to the Software, including all trade secrets and copyrights related to the Software, subject only to the rights we expressly license to Franchisee in this Agreement. This license will not provide Franchisee with title or ownership of the Software, but only a limited right of use. Franchisee agrees that Franchisee will not contest or otherwise seek to share, diminish or invalidate our ownership rights in our Software;
- c. Franchisee will not modify the Software in any way without our prior written consent. Franchisee will promptly disclose to us all ideas and suggestions for modifications or enhancements to the Software that Franchisee conceives or develops and we will have the right to use such ideas and suggestions. All modifications or enhancements made to the Software will be the property of a third-party vendor or us, without regard to the source or creator of the modification or enhancement, however we may provide incentive programs for such contributions;
- d. We will have the right at all times to access Software and to retrieve, analyze and use all the data in Franchisee's files stored on Franchisee's computer systems or any other devices. Additionally, Franchisee will electronically transfer all files and reports to us upon our request. All information that Franchisee stores in any computer, laptop, tablet or device that uses our Software shall become our confidential and proprietary information, and subject to all of the terms and conditions of this Agreement regarding our Confidential Information.
- e. Franchisee and Franchisee's employees will not make available the Software, or portions thereof, to any person other than Franchisee's or our employees without our prior written consent. Franchisee agrees that Franchisee will not: (i) copy the Software except as necessary for use in the Business; (ii) translate, reverse engineer, reverse compile, disassemble or create derivative works based on the Software; (iii) sublicense, rent, lease, sell or otherwise transfer the Software or any portion thereof, or any rights therein, to any person or entity. Failure to adhere to

these guidelines or allowing unauthorized usage of the Software will result in termination of this agreement as specified in Section XXIII.C of this Agreement;

- f. Franchisee acknowledges and agrees that the Software is currently our third-party vendor's valuable, proprietary product, the design and development of which took the investment of considerable time, money and the effort of skilled computer programmers. Franchisee will keep the Software and any data generated by the use of the Software confidential during and after the term of this Agreement and will maintain security precautions to maintain the secrecy of the Software and to prevent unauthorized access or use of the Software. Franchisee agrees that we will treat the Software as confidential and that the Software will contain substantial trade secrets of us and our third-party vendor that we have entrusted to Franchisee in confidence to use only as we authorize under this Agreement. We will claim and reserve all rights and benefits afforded under copyright law, patent law, intellectual property law and other laws relating to confidential and proprietary material. Franchisee agrees not to improperly use, disseminate, or disclose the Software, and to ensure that Franchisee's employees who gain access to the Software will protect it against improper use, dissemination or disclosure;
- g. THE SOFTWARE WILL BE PROVIDED ON AN "AS-IS" BASIS WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY, SYSTEM INTEGRATION, QUALITY OF COMPUTER PROGRAMS, INFORMATIONAL CONTENT, AND FITNESS FOR A PARTICULAR PURPOSE. ALL WARRANTIES AGAINST INFRINGEMENT ARE HEREBY DISCLAIMED EXCEPT WE REPRESENT THAT WE HAVE SUFFICIENT AUTHORIZATION TO LICENSE THE SOFTWARE TO FRANCHISEE. WE WILL NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE SOFTWARE MEET FRANCHISEE'S REQUIREMENTS OR THAT THE USE OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. WE MAKE NO WARRANTIES REGARDING ANY OPEN SOURCE SOFTWARE. In no event will we be liable to Franchisee for damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to the use of or inability to use the Software, even if we have been advised of the possibility of such damages, or for any claim by any other party. The foregoing limitations of liability are intended to apply without regard to whether other provisions of this Agreement have been breached or proven ineffective;
- h. Franchisee acknowledges and agrees that Franchisee's license to the Software will terminate immediately should Franchisee fail to adhere to any of Franchisee's obligations under this license or if this Agreement expires or is terminated for any reason;
- i. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of the Software license would cause us irreparable harm for which we would not have an adequate remedy at law; and that, in addition to other remedies available to us, we will be entitled to seek injunctive relief against any such violation;

- j. In the event Franchisee fails to adhere to any of Franchisee's obligations under this Agreement, or is no longer a franchisee of ours, or this Agreement expires or terminates for any reason, Franchisee will immediately (within five (5) days) terminate the use of the Software and destroy any and all material or information related to the Software or any data generated by use of the Software unless we specifically instruct otherwise; and
 - k. Franchisee must update all computer systems, hardware and devices upon our request to optimize performance of the Software.
14. Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither you or any managing partners, managing members, members or shareholders will make any claims) about any loss of data, loss of information, inability to use, failures, errors or any other occurrences relating to any computer, system hardware or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting themselves from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee's vendors, suppliers, lenders, landlords, clients and governmental agencies on which Franchisee rely, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems and use of backup systems.
15. We may set standards or specifications for leases, real estate, the construction and build out of the Business (applicable if Franchisee chooses to operate out of a location); furnishings, fixtures, décor items, signage and Internet or network access services, at our discretion, including our subjective determinations relating to quality, value and appearance.

Nothing in this Agreement shall be construed to be a promise or guarantee by us as to the continued existence of a particular piece of equipment, product, supply or service nor shall any provision herein imply or establish an obligation on our part and our affiliates to sell equipment, products, supplies or provide services to Franchisee if Franchisee is in default of any payment to us, our affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of items purchased (if applicable) or services to be performed (if applicable), we or our affiliates shall not be obligated to sell such items or perform such services for Franchisee.

J. Use Approved Design and Signage for the Premises

In operating an IRIS Environmental® Laboratories business and if Franchisee chooses to operate out of a location (rather than home-based), Franchisee must adhere to our signage standards and utilize signage designs in accordance with the standards and specifications recommended by us, or that which will continue to be recommended by us. Franchisee may be required to purchase signage from us, our approved suppliers, or submit an alternate supplier to us for approval. If Franchisee operates out of a location, Franchisee shall purchase or lease, subject to local building codes and regulations, such signs that provide maximum displays of our Names and Marks. Upon renewal of this Agreement, Franchisee shall be totally responsible for obtaining and equipping the Premises and all Vehicles with the signage (including vehicle graphics) that is approved for use by us at the time of the renewal of this Agreement. The color, size, design and location of said signage shall be as specified and/or approved by us. Franchisee shall not place

additional signs, posters, gaming machines, any type of games or rides, vending machines or other similar devices and décor items in the Business without our prior written consent.

K. Participation in the Operation of the Business

Franchisee acknowledges that an IRIS Environmental® Laboratories business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. Franchisee acknowledges that we have not represented that this business is going to be easy for Franchisee (or any of its Owners) and agrees to participate in the day-to-day operation of the Business. Franchisee may assign the supervision of the Business to an Owner or Manager once approved by us. Franchisee agrees that the Manager will supervise all Employees and independent contractors (if Franchisee chooses to use independent contractors). The Manager will also be responsible for providing continuing guidance, oversight, day-to-day management, instruction and properly process all reports or complaints.

L. Advertising the Business

Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising in any media it desires, provided that such advertising conforms to our standards and requirements as set forth in the Operations Manual or otherwise designated by us. Franchisee must expend a minimum of one thousand dollars (\$1,000) monthly on local advertising. Additionally, Franchisee must expend a minimum of five thousand dollars (\$5,000) on grand opening marketing. Franchisee shall, upon request, immediately provide Franchisor with documentation showing proof of such expenditures. Such advertising may include but is not limited to: Any type of media (media advertising is further described below), telephone, email, Internet, domain name, electronic network, directory and listings of the Business per our written approval. All items mentioned are our property and on termination will revert to us. Franchisee agrees to execute any and all documents needed to perfect such reversions. Franchisee shall not advertise the Business in connection with any other business, except with our prior written approval. Franchisee shall obtain our prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use thirty (30) days before the start of any such plans. Franchisee shall submit such unapproved plans and materials to us (by personal delivery, through the mail with return receipt if requested or any method we prescribe). Franchisee shall not use such plans or materials until they have been approved by us and shall promptly discontinue use of any advertising or promotional plans and material upon our request. Any plans or materials submitted by Franchisee to us, which have not been approved or disapproved in writing, within thirty (30) days of receipt, by us, shall be deemed not approved.

Franchisee will not independently advertise or promote the Business in any media (including on any Websites as defined in Section VI) without our prior written approval. If given permission, Franchisee can use any materials previously approved by us. Franchisee must submit a request to us to use unapproved materials (such as photographs or video presentations) for any type of media promotion in addition to any edits, changes or updates to Franchisee's web page and all such edits, changes or updates must be performed by us, our affiliates or approved vendors. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee will participate in, at its own expense, and cooperate with all advertising and promotional programs we or any advertising group of franchisees selects, including any franchise marketing council we may implement. Franchisee is not required to follow or maintain any sales price, except that we will set minimum and maximum prices and/or rates and will suggest prices and rates, to the extent allowed by federal or state law.

Franchisee shall at all times use its best efforts to promote and increase recognition of the Services and products offered (if we authorize Franchisee to sell products) by the Business pursuant to the System and Operations Manual, to effect the widest and best possible distribution of Services and products (if we authorize franchisees to sell products in the future) from the Business and to devote its best efforts to growing the Business.

M. Maintain Regular Business Hours

Franchisee's Business must be open for operation at a minimum 9am to 5pm Monday through Friday, except holidays as specified in the Operations Manual; or the hours otherwise approved in writing by us; or as required by the lease of the Premises on which the Business is operated (if applicable). Saturdays and Sundays are optional. It is required that the Franchisee respond to after hour inquiries immediately or within twenty-four (24) hours of the initial inquiry (as further described in the Operations Manual) and maintain an e-mail address for the Business to take messages and respond to clients outside of regular business hours.

N. Maintain Uniform Operating Standards

Franchisee understands and acknowledges that every detail of the operation of the Business is important to the Franchisee, we and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Services offered and products sold (if we authorize Franchisee to sell products) by the Business under our System, and to protect our reputation and goodwill.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing consumer demands. As a consequence, changes, modifications and variations to the System's standards, Services and products (if we authorize the sale of products in the future) offered may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation making changes to approved Services, equipment, products, supplies, methods, strategies and techniques as used in the operation of the Business; the adoption and use of new or modified trademarks, uniform dress requirements, Vehicle specifications, vehicle graphics, signage, software, hiring, training and retention programs, sales, advertising, promotion and marketing materials. Franchisee promises to promptly accept, implement, use in the operation of the Business, all such additions, modifications and changes at Franchisee's expense.

Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive, excessive, or illegal collection techniques or other activity; or sell any product which we determine to be harmful to the goodwill or to reflect unfavorably on the reputation of Franchisee or us, the Franchised Business, or the services and products sold thereof; or which constitutes deceptive or unfair competition, results in unfounded litigation against Franchisee's clients or otherwise is in violation of any applicable laws. The above limitations are closely related to the business image, purpose and marketing strategy of the System, and therefore any change therefrom would fundamentally change the nature of the business;

We will not require franchisee to make any changes, modifications and variations to the System that are not required of all franchisees (unless such change, modification or variation relates only to certain franchisees due to one or more unique factors such as geographic location, local laws, regulations or customs); furthermore, we may periodically meet with representative groups of franchisees and solicit their

input prior to the implementation of any material change or modification. Franchisee's failure to comply with modifications to the System within ninety (90) days of such written notice is an incurable default as described in Section XXIII.C of this Agreement.

O. Telephone Number of Business and Web Page

Franchisee understands and agrees that the telephone number(s), URL address, web page and if permitted, Website for the Business (and any mobile phone numbers) constitute a part of the System and are subject to the restrictions of this Agreement. Accordingly, Franchisee shall not change the telephone number(s), URL address, web page or Website for the Business without prior notice and written approval by us. Franchisee shall advertise and publicize the telephone number(s), URL address, web page and Website for the Business in the manner prescribed by us. As stated above, all telephone numbers, URL addresses, web page, Websites, Internet or similar connections, directory and listings for the Franchised Business are our property and upon termination will revert to us.

P. Disclose Discoveries and Ideas to Franchisor

Franchisee shall promptly disclose to us all products, equipment, discoveries, methods, techniques, formulas, processes, programs, photographs, video presentations, concepts, operational procedures, inventions or ideas, whether patentable or not, relating to our business, which are conceived or made by Franchisee or any Owner, agent, or employee of Franchisee solely or jointly with others, during the term of this Agreement, whether or not our facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, equipment, discoveries, methods, techniques, formulas, processes, programs, photographs, video presentations, concepts, operational procedures, inventions or ideas are the exclusive property of us, and that we shall have no obligation to compensate the Franchisee for any such discovery or idea. However, as a matter of corporate policy, we may, in our sole discretion, create an incentive program to reward Franchisee, its owners, employees or agents for any such new product, equipment, method, technique, formula, process, program, photograph, video presentation, concept, invention or improvement that we implement throughout the System. The Franchisee, its officers, directors, managers, members, partners and shareholders agree to execute all documents deemed reasonably necessary by us to assign all such patent, trade secret, trademark, copyright and intellectual property rights in any Franchisee discovery or idea to us. The term "all copyright and intellectual property rights" shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by franchisees within the System will be distributed to the other franchisees as a benefit of belonging to the System. The Franchisee agrees to execute all documents that we deem are reasonably necessary to carry out such transfer of intellectual property rights to us.

Q. Permit Franchisor to Enter the Premises

Franchisee shall permit us and our agents or representatives to enter the Premises during normal business hours for the purpose of conducting inspections of the operation of the Business with a twenty-four (24) hour notice to Franchisee (including onsite at job sites) to review business operations, previously recorded calls and service standards in general, in addition to removing samples of equipment, products and supplies without payment, for us to review to determine if such items meet our then-current standards and specifications. Franchisee shall cooperate fully with our representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from us or our agents, and without limiting our other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or

refuses to promptly correct immediately any deficiency detected during such inspection, we shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. The foregoing shall be in addition to any other remedies we may have pursuant to this Agreement.

R. Additional Requirements for Corporate Franchisee

If Franchisee is or becomes a corporation, limited liability company, general partnership or other organization or entity, the following requirements shall apply:

1. Franchisee shall confine its activities to the establishment and operation of the Business;
2. Franchisee's Certificate, Articles of Incorporation or Articles of Organization, Articles of Formation, Shareholders Agreement, Operating Agreement, Partnership Agreement and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Business and that the issuance, redemption, purchase for cancellation and transfer of voting stock, or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish us promptly upon request copies of Franchisee's Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Shareholders Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;
3. Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock or other ownership interest in Franchisee and shall furnish such list to us upon request;
4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) or the certificate of any other entity evidencing ownership except in accordance with the provisions of Section XV of this Agreement. All securities or other ownership interests issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO
THE TERMS AND CONDITIONS OF THIS FRANCHISE
AGREEMENT WITH IRIS ALLIANCE, LLC AS OF THE
SIGNING DATE. REFERENCE IS MADE TO SAID
AGREEMENT AND TO THE RESTRICTIVE PROVISIONS
OF THE ARTICLES AND BYLAWS OF THIS
CORPORATION;

5. Any individual or Entity who owns ten percent (10%) or more ownership in the Franchise Business, shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement, provided, however, that the requirements of this Section XII.R. shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-Held Corporation");
6. If Franchisee is or becomes a partnership, Franchisee shall furnish us a copy of its partnership agreement or comparable agreement, and any other documents we may

reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a limited liability company, Franchisee shall furnish us with a copy of its operating agreement and any other documents we may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a corporation, Franchisee shall furnish us a copy of its shareholders agreement bylaws, and any other documents we may reasonably request, and any amendments thereto, from time to time; If Franchisee is or becomes a business trust, Franchisee shall furnish us a copy of its trust agreement, and any other documents we may reasonably request, and any amendments thereto, from time to time;

7. Each individual or Entity holding a ten percent (10%) or greater ownership or beneficial ownership interest in the Franchisee's Business, directly or indirectly, (including each individual holding a fifty percent (50%) or greater interest in any limited liability company, partnership or corporation which has a ten percent (10%) or greater interest in the Franchisee's Business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 5 as such form may be amended or modified by us, from time to time (if such guaranty agreement is to be executed subsequent to the date hereof in accordance with the terms of this Agreement); and
8. From and after the date of this Agreement, Franchisee and its Owners shall not sell, transfer, assign, pledge, mortgage, hypothecate or encumber all or any direct or indirect ownership interest in Franchisee without first obtaining our written consent which consent shall be given or withheld within thirty (30) days of Franchisee's request.

S. Selection of Premises

If Franchisee chooses to operate out of a location, rather than home-based, Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining, and developing a space for the Business to be established under the Franchise Agreement and for the build out and equipping the business at such Premises. A typical IRIS Environmental® Laboratories franchise is operated out of a home or a small office space that has approximately five hundred (500) square feet of space. If Franchisee chooses to operate out of a location, the space for the Business must be enclosed and separate from other businesses with its own locking door, unless otherwise approved by us in writing. Franchisee may buy or lease the required real property and improvements from any source and on terms approved by us in writing. On the execution of any lease for the Business, Franchisee will deliver to us a copy of the executed lease and an option to assume the lease executed by the lessor in favor of us in a form acceptable to us. All improvements to the Business must be approved by us.

FRANCHISEE ACKNOWLEDGES THAT OUR ACCEPTANCE OF A PROSPECTIVE LOCATION AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A LOCATION DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US THAT THE IRIS ENVIRONMENTAL® LABORATORIES FRANCHISE OPERATED FROM THE LOCATION WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that if operating out of a location, we have spent considerable amount of time choosing and creating the decoration and outfitting of an IRIS Environmental® Laboratories business. It is part of our trade dress. Franchisee acknowledges and agrees that the design, layout and other characteristics of the Business for IRIS Environmental® Laboratories business constitutes and/or contains our Confidential Information and/or trade secrets. Franchisee agrees that the Premises for the Business shall be maintained and operated as follows:

1. Franchisee will maintain every component of the Premises such as: furnishings, fixtures, technology items and signage (if applicable) in good order and repair at all times as specified in the Operations Manual and may be required to upgrade such items as technology advances or in our sole discretion because of new functionality so as to always use our then-current specifications;
2. Franchisee will keep the Premises fully insured as specified in this Agreement and in the Operations Manual;
3. Franchisee will keep the Premises at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit such signage, colors and logos at the Premises and upgrade or review the same as specified in the Operations Manual;
4. Franchisee will not alter or in any way amend the appearance of the Premises, or any furnishings, fixtures or signage, contained within the Premises as specified in the Operations Manual;
5. Franchisee will maintain and upgrade the Premises and all furnishings, fixtures, equipment, technology items and signage (if applicable) as specified from time-to-time in the Operations Manual so as to always use our then-current specifications;
6. Franchisee shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Premises. Franchisee shall furnish to us, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or local governmental authority with jurisdiction over the Business; and
7. Franchisee may be required to use only approved service centers for repairs and maintenance of any equipment, technology items and signage on the Premises.

If Franchisee chooses to operate out of a location, Franchisee shall not execute a lease or sublease for the Business, or make any modifications or amendments to the lease, without our prior written consent, which we may grant, condition or withhold in our Business Judgment (as defined in Section XXI). Franchisee will deliver to us a copy of any lease for our review at least thirty (30) days before execution. Franchisee must deliver a copy of the signed lease or sublease to us within five (5) business days after it is signed. We do not offer legal services to Franchisee and Franchisee shall consult independent legal counsel for a legal review of the lease. Franchisee shall ensure that the lease for the Business contains, in an addendum or otherwise, the following provisions which:

- 1) Permit Franchisee to operate an IRIS Environmental® Laboratories business in accordance with this Agreement and the Manuals;
- 2) Provide that the Premises will be used only for the operation of an IRIS Environmental® Laboratories business, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;
- 3) Require the lessor to concurrently provide us with a copy of any written notices (whether of default or otherwise) to Franchisee under the lease and give us the right to cure any

default if we so choose; within fifteen (15) days following the expiration of the Franchisee's cure period under the lease;

- 4) Provide us with a right to take assignment and possession of the Premises, without the lessor's consent or any additional consideration. If we exercise this right and Franchisee is in good standing, we'll sign a sublease with Franchisee for the same rent Franchisee is paying. In any case, we won't have any liability for any obligations incurred prior to our occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment and will when signing this Franchise Agreement, sign the Collateral Assignment of Lease attached as Schedule 7. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;
- 5) Provide that the lessor consents to the use of the Marks, trade dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the Premises during normal business hours for purposes of inspection, to take steps to protect the Marks and trade dress and/or prevent/cure any default.
- 6) Not contain any clause providing that if the Franchisee sells the assets of its Business, or the stock/membership units/partnership units of the Business, Franchisee must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

T. Development and Construction of Premises

If Franchisee chooses to operate out of a location, rather than home-based, Franchisee must select and employ licensed contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by us, and for the preparation of working drawings necessary to complete construction and/or build out at the approved Premises. Franchisee may be provided with suggested plans and specifications (interior and exterior) for the build out of the Premises which may include specifications for storage, furnishings, fixtures, signage and all décor items. We may, if needed, review Franchisee's architect's final plans prior to implementation. Such plans and specifications are subject to alteration as may be necessary in our sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by us. Franchisee is responsible for the cost and installation of all build out specifications. We reserve the right to receive rebates, commissions or other forms of consideration from designated or approved vendors and suppliers involved in the construction and fixturing of the Premises and to use such rebates, commissions or other consideration in any way we deem appropriate in our sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

We would expect that if Franchisee operates the Business out of a location (such as a small office space), the space will need minimal construction improvements, if any. Costs may vary widely depending on such factors as property location, climate, the condition of the property and the extent of alterations required for the property. Franchisee shall be responsible for obtaining all zoning classifications, clearances, permits and certifications which may be required by state or local laws, ordinances or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Premises. After having obtained such approvals and clearances, Franchisee shall submit to us, for our approval, final plans for construction based upon the preliminary plans and specifications. Once approved by us, such final plans

shall not thereafter be changed or modified without our prior written permission. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold our authorization to open the Business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.

Franchisee shall comply with all federal, state and local laws, codes and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Premises. If Franchisee receives any complaint, claim or other notice alleging a failure to comply with the ADA or other law or regulation related to health or safety, Franchisee agrees that it shall provide us with a copy of such notice within five (5) days after receipt thereof.

If Franchisee operates out of a location, Franchisee shall not open the Business for operation until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including, but not limited to, materials, quality of work, signage, decor, paint, and we have given Franchisee written approval to open, which approval shall not be unreasonably withheld. Our approval to open the Business for operation does not constitute a waiver of our right to require Franchisee to conform the Business to our standards.

U. Maintain Appearance of Vehicle

Franchisee acknowledges and agrees that the design, layout, appearance and other characteristics of the Vehicle (any type of new or used vehicle so long as it is reliable as described in Section XII.H of this Agreement and as specified in the Operations Manual) to be used in the operation of an IRIS Environmental® Laboratories business constitute and/or contain Confidential Information and/or trade secrets of ours. Franchisee agrees that the Vehicle shall be maintained and operated as follows:

1. Franchisee will maintain the Vehicle and every component of the Vehicle in good working order and repair the Vehicle as needed as specified in the Operations Manual;
2. Franchisee will keep the Vehicle fully registered and roadworthy in accordance with applicable laws;
3. Franchisee will keep the Vehicle fully insured as specified in the Operations Manual.
4. Franchisee will keep the Vehicle at all times in a clean and tidy condition and free of any advertising or promotional material other than that required by law or the Operations Manual and will exhibit on approved graphics, signage, design, colors and logos on the Vehicle; and to upgrade or review the same as is specified in the Operations Manual;
5. Franchisee will not alter or in any way amend the appearance of the Vehicle as specified in the Operations Manual;
6. Franchisee will maintain and upgrade the Vehicle as specified from time-to-time in the Operations Manual so as to always use our then-current vehicle specifications for an IRIS Environmental® Laboratories Business; and
7. We strongly recommend that Franchisee uses an approved service center for repairs and maintenance of the Vehicle; and

8. Franchisee will drive, park and store the Vehicle in a safe and legal manner and location at all times.

V. Training

Prior to Franchisee's opening of the Business for operation, Franchisee, its Owners or Manager shall complete to our satisfaction our five (5) day training program required by this Agreement. We may, at our discretion, make available additional training programs, certifications, seminars, as well as refresher courses available to the Franchisee and/or Franchisee's designated individual(s) from time to time. We may, at any time, discontinue management training and decline to certify Franchisee and/or Franchisee's designated individual(s) who fail to demonstrate an understanding of the management training acceptable to us. If Franchisee or Franchisee's designated individual's management training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for management training to us. If Franchisee's new candidate does not adequately complete the management training, then we shall have the option of terminating this Agreement. We shall provide instructors, training materials for all required training programs; and Franchisee or its employees shall be responsible for all other expenses incurred by Franchisee, its employees, or agents in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

W. Ongoing Training and Support.

The Franchisee will have access to our personnel for questions, ongoing training and support by phone and e-mail during regular business hours (eastern time zone). We will continue to consult with and advise Franchisee on Services; provide a dedicated telephone line only for our franchisees free of charge, to answer any questions from Franchisee or its staff (Section XX.A of this Agreement), provide the Manual specifications in addition to vendor, supplier, equipment, product, marketing and operational updates as they become available; review advertising and supplier approval requests; and administer the System Advertising Fund.

XIII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

A. Overall Coverage Required

Before Franchisee opens its Business, Franchisee must purchase insurance coverage from a responsible carrier with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports (or comparable criteria as we may specify). Franchisee must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. Franchisee will procure and maintain general liability (this policy should include a property insurance rider for general tort, premises damage, personal and advertising injury) with minimum policy limits of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate or in amounts specified by us.

Franchisee must also procure and maintain "All Risks" or "Special Form" insurance (coverage for the full cost of replacement of the premises and all other property); business interruption insurance to fully insure loss of earnings for a period of one-hundred and eighty (180) days or longer as we may specify; and automobile liability insurance that includes hired and non-owned coverage with a minimum policy limit of one million dollars (\$1,000,000) including uninsured motorist/minimum of one hundred thousand dollars (\$100,000) or what is in accordance with Franchisee's state guidelines. Franchisee may also need to procure and maintain statutory workers' compensation insurance with limits of greater than \$100,000 or the minimum limits required by law.

If Franchisee opens a location for the Business, (then for) any construction, renovation, refurbishment or remodeling of the location, Franchisee may be required by us to require that the general contractor maintain, with an approved insurer, commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builders' risk and independent contractor's coverage) with limits of no less than one million dollars (\$1,000,000) per claim, naming Franchisee, us and our affiliates as additional insureds, as their interests may appear, together with workers' compensation and employer's liability insurance as required by law. It is Franchisee's responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

To the extent available, we may require Franchisee to obtain professional liability insurance (covers Franchisee for damages that do not result in property or bodily injury), product liability insurance (covers Franchisee for damages that result in injury from products that Franchisee distributes), employer's liability insurance, employment practices liability insurance, employee dishonesty insurance and crime insurance as well as other disability benefits type insurance as may be required by the statute or rule of each state, with policy limits one million dollars (\$1,000,000) or in the amount we specify.

All insurance policies will name Franchisee as certificate holder and us and our affiliates as an additional named insured with waiver of subrogation by Franchisee for the benefit of us. We may establish minimum standards for coverage to be met by underwriters for insurance and we have the right to audit Franchisee's insurance policies at any reasonable time without notice. Before opening for operation and prior to performing Services, Franchisee will obtain any other liability insurance required by law, provide us with certificates of insurance within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish us with certificates and endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to us and may be deemed a material breach of this Agreement as set forth in Section XXIII.C. If Franchisee fails to obtain the required insurance and to keep the same in full force and effect, we may, but shall not be obligated to, pay the premiums or acquire insurance and bill Franchisee. Franchisee shall reimburse us for the full cost of such insurance, along with a reasonable service charge to compensate us for the time and effort expended to secure such insurance. We may change these insurance requirements on reasonable notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage and death or otherwise, arising directly or indirectly out of the Franchised Business.

Franchisee shall notify us immediately in writing of the occurrence of any material event that does or could give rise to an insurable claim by Franchisee or the Franchised Business and no later than the date on which Franchisee notifies its insurance carrier.

We reserve the right to change or modify (including increasing) the required minimum coverage limits. We make no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee agrees to seek the advice of its insurance advisor regarding the appropriate types of coverage and coverage limits Franchisee may need to sufficiently protect its Business. Franchisee acknowledges that we shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance.

coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this Agreement, Section XVIII. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this Agreement.

Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

Franchisee shall furnish us with certified copies of each of the insurance policies described above on either the earlier of the opening of the Business for operation and starts performing Services or sixty (60) days following the date this Agreement is executed.

XIV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting and Records

Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis are essential to the efficient operation of the Business. If Franchisee is not qualified to maintain accurate financial records, in our reasonable determination, the Franchisee agrees to hire a qualified bookkeeper who will maintain the financial records of the Franchise and who will attend the Business not less than once every two weeks for that purpose.

Franchisee shall maintain during the term of this Agreement and shall preserve for a minimum of five (5) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting system described by us or in the Operations Manual or otherwise specified in writing. Franchisee will keep its books and records related to the Business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide us with all hard copy and digital copies of reports we prescribe on or before the seventh (7th) day of each month or daily if we require. Franchisee will deliver or provide electronic access to business records (we will have independent access to all information that Franchisee stores in any computer, laptop, tablet, phone system, mobile app or software used for the Business), including an itemized report of Franchisee's Gross Revenue (as defined in Section VI) for the prior period on a form we prescribe which will include payment for that periods' or months' fees due and may include, to the extent we require:

1. Franchisee's profit and loss statements, payroll records, certification or records of Gross Revenue (as defined in Section VI), phone log reports, vendor summary reports and report of account receivables for the month, week, day or period reported; and/or
2. Copies of any invoices and client contracts with updated location information in any format we specify;
3. Copies of all invoices for purchases of equipment, products and supplies;

4. Copies of all merchant account printouts received from the Franchisee's merchant account banking provider (i.e. records of credit and debit card transactions);
5. Copies of all bank deposits and bank deposit records made by the Franchisee; and
6. A complete list of all clients and/or accounts, their email addresses, physical addresses and telephone numbers, who have canceled or terminated Service, filed a complaint (internally or with third parties such as the Better Business Bureau) or sought any type of refund during the preceding month, by the seventh (7th) day of each month.

Franchisee acknowledges and agrees that we, at all times during and after termination, expiration or cancellation of this Agreement, have the right to access (electronically or otherwise) all Business Records of the Business. We may use, transfer, copy or analyze such Business Records as we determine in our sole discretion to be in the best interest of the System. For purposes of this Agreement, "Business Records" means all records, documents, insurance policies, databases and the like (whether in print, electronic or any other form), including all names, addresses, phone numbers, email addresses, client records, phone logs, contracts, purchase agreements, vendor and/or supplier records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of an IRIS Environmental® Laboratories business, including but not limited to clients, employees, vendors and other professionals related to the Business.

Franchisee shall obtain specific technology items and use specific mobile app platform and software, including, without limitation, a license to use our Software or third-party software from any of our vendors in accordance with Section XII.I of this Agreement and the Operations Manual. Franchisee agrees to pay all costs in connection with obtaining the technology items and Franchisee agrees to pay any software and mobile app fees (as described in Sections X.E and X.F of this Agreement) and any software license or maintenance fee (if required). Franchisee agrees to maintain, upgrade, update, etc. its technology items and any additional licenses for any software as necessary (upgrades, maintenance and support for our Software will be provided by us as described in Section XX.I). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of our Software that we license to Franchisee and other products and services that we furnish to you related to its technology items.

Franchisee will adopt a fiscal year as designated by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to us accounting, tax and other information or copies of documents, as we request.

B. Franchisor's Right to Audit

We or our agents may enter the Franchisee's Premises to examine or audit Franchisee's business at any reasonable time with twenty-four (24) hour notice. We will examine, inspect or audit Franchisee's database and Business Records, which records will include, but will not be limited to: payroll records, ledgers, sales reports, timecards, phone logs, check stubs, bank deposits, bank statements, merchant account printouts, receipts, sales tax records and returns, payroll tax records, insurance policies and other documents. We will bear the cost of the audit except for when, Franchisee fails to report as required or understates Gross Revenue by two percent (2%) or more for any reported time period; in which case Franchisee will pay the audit costs in addition to amounts owed to us plus interest at eighteen percent (18%) per annum (1.5% per month) for all understated Gross Revenues or the maximum rate allowed by the laws of the state in which Franchisee's business is located as specified in the Operations Manual. Franchisee will immediately pay us all sums owed. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

In addition to the cost of the audit described above, Franchisee shall reimburse us for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at our discretion, submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to us. If an inspection discloses an understatement in any payment to us of two percent (2%) or more, twice within any two (2) year period, such act or omission shall constitute grounds for immediate termination of this Agreement, as set forth in Section XXIII.C. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

C. Method of Payment

All payments Franchisee makes to us will be by any method we specify, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer (as described in Section X.C of this Agreement). All payments to us and dollar amounts stated in this agreement are in United States dollars unless otherwise expressed. Notwithstanding any other provision in this Agreement to the contrary, in the event the United States currency is redeemed, renominated or another currency is issued in its place the new currency will be required. If a conversion of royalties or other payments from another currency is made, the conversion shall be made as of the date the payment is due, or the date the payment is actually made, whichever is more beneficial to us. Franchisee is responsible for any fees associated with payment methods other than cash or check.

D. Submission of Financial Statements

Franchisee will provide us with a copy of Franchisee's annual financial statements including a profit and loss statement and a balance sheet and containing complete notes and disclosures. Such statements will be prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), by an independent accountant, and will be delivered to us within ninety (90) days after Franchisee's fiscal year end.

E. Disclosure of Financial Statements

Franchisee hereby grants us permission to release to Franchisee's lenders or prospective lenders and to our purchasers or prospective resell purchasers, any financial and operational information relating to Franchisee and/or the Business; however, we have no obligation to do so. Should we have acquired Franchisee's business and intend to sell it to a prospective franchisee, we may show such buyer Franchisee's financial statements and related information.

Franchisee also authorizes us to make reasonable inquiries of Franchisee's bank, suppliers and creditors concerning the Business and hereby directs such persons and companies to provide to us such information and copies of documents pertaining to the Business as we may request.

XV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USES OF NAMES AND MARKS

A. Names and Marks are Owned by Franchisor

We warrant with respect to the proprietary Names and Marks that:

1. Pursuant to a License Agreement between us and IRIS Environmental Laboratories, LLC or Ricardo M. Eustaquio, we have been granted the exclusive right to use the Names and Marks to establish IRIS Environmental[®] Laboratories franchises in the United States.
2. We are taking and will take such steps as are reasonably necessary to preserve and protect the ownership and validity of such Names and Marks; and
3. Franchisee acknowledges that there may be third party pre-existing users or applicants/registrants of trademarks, trade names, or business names similar to the Marks. We and Franchisee shall investigate such use, applications, or registrations, if any, and we shall in our sole discretion decide on the appropriate action to be taken. Any unsuccessful challenge made by us shall not constitute grounds for the termination of this Agreement. In the event we determine in our sole judgment that challenging any such third party's use of the Marks will not likely be successful, or would not be economically feasible to achieve, or if Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such trademark claim by a prior registrant or any pre-existing user, or any other such trademark claim, or if we shall deem it necessary or appropriate to change the name of the Franchise in order to mitigate any potential exposure or damages arising under any trademark claim, Franchisee shall promptly change the name of its Franchise, and thereafter utilize an alternative name established by us. We shall have no obligation to reimburse the Franchisee for any costs, causes of action, damages, demands, expenses, fines, liabilities, or penalties, arising out of such a trademark, service mark, logo or trade name change.
4. We will use and permit Franchisee and other franchisees to use the Marks in compliance with the System and standards attendant thereto and contained in the Operations Manual as well as our policy statements, which underlie the goodwill associated with and symbolized by the Marks.

B. Franchisee is Licensed to Use Names and Marks

With respect to Franchisee's franchised use of the Names and Marks pursuant to this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Names and Marks as are approved in writing by us for Franchisee's use and shall use them only in the manner authorized and permitted by us and that in any use whatsoever of our Names and Marks that the Names and Marks are identified as being registered to or owned by IRIS Environmental Laboratories, LLC or Ricardo M. Eustaquio with exclusive rights given to us to offer franchises;
2. Franchisee shall use the Names and Marks only in connection with the operation of the Business and in advertising for the Business conducted at or from the Franchisee's web page and Accepted Location;
3. Franchisee shall use and display, as we may require in the operation of the Business, a notice in the form approved by us indicating that Franchisee is a "Franchise" of IRIS Environmental[®] Laboratories and that the Names and Marks are used by Franchisee under such Franchise. Franchisee must indicate to third-parties that it is "independently owned and operated" and that we own the Marks and Franchisee uses them under a license;

4. Unless otherwise authorized or required by us, Franchisee shall operate and advertise the Business under the Name and Mark “IRIS Environmental® Laboratories”;
5. Franchisee’s right to use the Names and Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use shall constitute an infringement of our rights and material breach of this Agreement;
6. Franchisee must obtain our approval for any use of any item of printed or digital material of any kind bearing any of the Names and Marks, unless we supplied the item. We shall approve or deny Franchisee’s request, which approval is our sole discretion, within thirty (30) days of receipt of Franchisee’s written request. If we fail to respond to Franchisee’s request within said thirty (30) day period, Franchisee’s request shall be deemed denied. Franchisee shall use such notices of Trademark registrations and copyrights as we specify;
7. Franchisee shall not use the Names and Marks to incur any obligations or indebtedness on our behalf;
8. Franchisee shall not use the Names and Marks or any part thereof as part of its corporate or other legal name;
9. Franchisee shall not use the Names and Marks or any part thereof in any form on the Internet or any Website including, but not limited to: addresses, domain names, URLs, links, metatags, locators and search techniques;
10. Franchisee shall comply with our instructions in filing and maintaining the requisite trade name or fictitious name registration, and shall execute any documents deemed necessary by us or our counsel to obtain protection for our Names and Marks or to maintain their continued validity and enforceability; and
11. In the event any litigation involving the Names and Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify us and shall cooperate fully with us in defending such litigation. Franchisee agrees to execute any and all instruments and documents, render such assistance and do such acts or things as may, in our sole opinion, reasonably be necessary or advisable to protect and maintain our interests or any other interested party in the Names and Marks. Other than what is stated in this Agreement, we are not obligated to protect Franchisee’s right to use the Names and Marks or protect Franchisee against claims of infringement or unfair competition with respect to them and may direct Franchisee not to use the Names and Marks or to change the Names and Marks at Franchisee’s expense. We will control any and all such litigation, arbitration and mediation involving our Names and Marks. The Franchisee has no authority to institute any litigation, file in arbitration or institute any request for mediation regarding our Names and Marks, nor does the Franchisee have any authority to enter into any settlement negotiations. Although we are not contractually obligated to protect the Names and Marks or Franchisee’s right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.;
12. During the term of this Agreement and any renewal, Franchisee shall identify itself as the owner of the Business in conjunction with any use of the Names and Marks, including, but not limited to, on invoices, order forms, receipts and contracts, as well as at such conspicuous locations on the Premises as we may designate in writing. The form and

content of such identification shall comply with standards set forth in the Operations Manual; and

13. Franchisee further agrees to follow all of our quality standards that are inherent in our Names and Marks. Such quality standards are contained in the Operations Manual, as well as various policy statements issued by us, and may be changed from time to time at our sole discretion.

C. Franchisee Will Not Challenge our Rights in Our Names and Marks

Franchisee expressly understands and acknowledges that:

1. As between the Parties hereto, IRIS Environmental Laboratories, LLC or Ricardo M. Eustaquio is the owner and has all right, title and interest in and to the Names and Marks and the goodwill associated with and symbolized by them;
2. The Names and Marks are valid and serve to identify IRIS Alliance, LLC System and those who are franchised under the System;
3. Franchisee shall not directly or indirectly contest the validity or the ownership of the Names and Marks;
4. Franchisee's use of the Names and Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Names and Marks, except the non-exclusive Franchise granted herein;
5. Any goodwill arising from Franchisee's use of the Names and Marks in its Business under the System shall inure solely and exclusively to our benefit and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Names and Marks;
6. We reserve the right to substitute different Names and Marks for use in identifying the System, the Business and other franchised businesses operating there under;
7. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add Names and Marks. We cannot and do not make any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, we have no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding the Names and Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar, to ours with superior rights;
8. Franchisee hereby agrees not to register or attempt to register the Names and Marks in Franchisee's name or that of any other firm, person or corporation.
9. The right and license of the Names and Marks granted to Franchisee is nonexclusive, and we thus have and retain the rights, among others:

- a. To use the Names and Marks in connection with selling Services, products and equipment (if we authorize franchisee to sell products and/or equipment in the future);
 - b. To use the Names and Marks to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements. Franchisee may not establish a presence on the Internet except as we may specify and only with our prior written consent. We retain the right to approve any linking to or other use of IRIS Environmental® Laboratories website;
 - c. To grant other licenses for the Names and Marks, in addition to those licenses already granted to existing franchisees; and
 - d. To develop and establish other systems using similar Names and Marks, or any other proprietary marks, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.
10. Franchisee understands and acknowledges that we have the unrestricted right to engage, directly or indirectly, through our employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products and equipment (if we choose to sell products and/or equipment in the future) and/or Software bearing the Names and Marks licensed or other names or marks, including without limitation, products included as part of the System. Franchisee shall not under any circumstances engage in any wholesale trade or sale of products, equipment and/or Software for resale and/or independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any product, equipment and/or Software or non-System products, equipment or software without our written consent.

D. Ownership of Intellectual Property

Franchisee acknowledges that we are the exclusive owner of the intellectual property which includes the following: Names and Marks (some by license from IRIS Environmental Laboratories, LLC or Ricardo M. Eustaquio), all Confidential Information, all intellectual property associated with the Names and Marks and the System, all vendor and supplier relationships, Employees (including independent contractor, if Franchisee chooses to hire independent contractors) and client and/or account lists and all such phone listings/addresses/URLs held by Franchisee. Franchisee agrees that Franchisee will not use these lists for any purpose other than in relation to the Franchised Business. Franchisee will, on demand, promptly deliver to us a complete list of Franchisee's clients and/or accounts, Employees and independent contractors (if Franchisee chooses to hire independent contractors) including information we may request related to such clients and Employees. The use of any or all such intellectual property shall not create in Franchisee, its managing partners, members or shareholders title or interest in or to any of it except as expressly provided in this Agreement. Neither Franchisee nor any of its Owners shall directly or indirectly assert any right, title or interest in or to any of the Marks or any other part of the intellectual property other than as provided for in this Agreement. Franchisee acknowledges that we shall own all intellectual property rights to any materials provided to the Franchisee by us, or developed by the Franchisee pursuant to this Agreement. Such ownership rights shall be in all media, whether now known or hereinafter invented, by all means, methods and processes, including complete and entire interactive rights and rights to derivative works.

XVI. SPECIFIC OBLIGATIONS OF THE FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Franchisee Shall Learn Proprietary Matters

Franchisee acknowledges that it will obtain knowledge of proprietary matters, techniques and business procedures of ours that are necessary and essential to the operation of the Franchise, without which Franchisee could not effectively and efficiently operate such business, including, without limitation, knowledge regarding our: System, Services, specific methods, processes, procedures and techniques when performing Services; privately labeled software and mobile app platform, vendor and supplier relationships, Vehicle appearance standards and operational strategies of the Business and the Operations Manual. Franchisee further acknowledges that such proprietary information was not known to Franchisee prior to execution of this Agreement and that our methods are unique and novel to the System. Franchisee acknowledges that Confidential Information shall also include:

1. Persons, corporations or other entities, which are, have been or become franchisees of the System and any investors therein;
2. Persons, corporations or other entities, which are, have been or become clients and/or accounts of Business;
3. The terms of and negotiations relating to past or current Franchise Agreements with respect to the System;
4. The operating procedures of the System, including without limitation: how to execute Services, how to use the equipment and products necessary to perform Services and best practices for handling samples; how to prepare and write reports; service standards, quality control strategies, safety procedures; managing Employees and independent contractors (if Franchisee chooses to hire independent contractors); cost and pricing strategies, how to perform sales presentations, execute our proprietary referral program, how to use contracts, forms and waivers; record keeping and accounting procedures, website information and maintenance;
5. The economic and financial characteristics of the System and franchisees, including without limitation: pricing policies, profitability, earnings and losses and capital and debt structures;
6. The Services and products (if we authorize Franchises to sell products) offered to clients and accounts of an IRIS Environmental® Laboratories business, including, without limitation, the scope of services performed and services refused as well as all future service and product development plans, marketing strategies; and
7. All documentation of the information listed in Sections XVI.A.1 through XVI.A.7 including, without limitation, our training program and Operations Manual. During the term of this Agreement and for a period of five (5) years, following the expiration or termination of this Agreement, Franchisee agrees not to use, divulge, directly or indirectly, any Confidential Information, without our prior written consent. Nothing contained herein shall be construed so as to require Franchisee to divulge any secret processes, formulas, or the like.

B. Franchisee's Employees Will Not Disclose Confidential Information

Franchisee must keep the methods of operations (confidential information found in the manuals and other documents) and Operations Manual confidential and not disclose them except to Franchisee's employees, agents and representatives, as must have access to it in order to operate the IRIS Environmental® Laboratories business. Franchisee is encouraged to follow all our security procedures, which include the execution and delivery to us of an approved nondisclosure or non-competition agreement from its Manager (Employees, independent contractors, agents or representatives are also encouraged) within one week after they are hired. These agreements state that such person shall not, during the course of his/her employment, representation, or agency with Franchisee, or for a period of three (3) years thereafter, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any person, firm or corporation, any of our Confidential Information.

The Operations Manual (and all other manuals) are and remain our exclusive property. We will loan Franchisee one copy (hard or electronic) for the term of this Agreement. Franchisee must return the Manuals (and/or destroy any electronic version of the Manual) to The Operations Manual contains mandatory and suggested specifications, standards and operating procedures that we prescribe for franchised businesses and contain information about Franchisee's other obligations under this Agreement. We may change or add to the Operations Manual to reflect changes in our image, specifications, and procedures and methods of operation, and will lend Franchisee copies of any changes or additions. However, we will not make any change that will change Franchisee's fundamental status and rights under this Agreement. Franchisee cannot copy any part of the Operations Manual (except for designated training sections), either physically or electronically. If Franchisee's copy of the Operations Manual is lost, destroyed or significantly damaged, Franchisee must replace the Operations Manual at its own expense as set forth in Section XX.G.

C. Relationship with Former Franchisees

Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) are in a position to compete unfairly with Franchisee and/or other members of the System and to cause great injury to the reputation of the System and the Names and Marks. Franchisee therefore agrees as follows:

1. Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisee, or allow any former franchisees to copy or otherwise obtain, any Confidential Information; any advertising or promotional materials produced by us or which bear any of our Names and Marks; any other materials (such as photographs or video presentations) or publications of ours, including, without limitation, the Operations Manual; any directory or roster of franchisees or approved vendors and suppliers, any other client or account lists or mailing lists pertaining in any way to the System; or any other information about the System, business or Confidential Information which is not available to the public.
2. Franchisee will not refer prospective clients and/or accounts to any former franchisee.
3. Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time and place of any meetings of franchisees.
4. If Franchisee observes any former franchisee using any of our Names and Marks in any way or utilizing a business facility (including any vehicles) for which our Names and

Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observations to us along with all details available to Franchisee.

5. Franchisee shall in general have no dealings with former franchisees.
6. The provisions of this Section XVI.C shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:
 - i. Franchisee receives a new franchisee directory in which such franchisee does not appear; or
 - ii. Franchisee receives written notice from us that one or more particular franchise agreements have expired or a franchisee has been terminated.

D. Injunctive Relief is Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of this Section XVI will cause us irreparable injury, and we shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements; Franchisee waives any requirements for the posting of any bond(s) relating thereto. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by us in obtaining specific performance of, or an injunction against, violation of requirements of this Section XVI. The foregoing remedies shall be in addition to any other legal or equitable remedies, which we may have.

E. Franchisor's Patent Rights and Copyrights

We do not own rights in or to any patents that are material to the Franchise at this time. However, we claim copyright protection for the Operations Manual, Software, website and all promotions, marketing, sales, advertising materials (including all photographs and video presentations) and operations literature. Such copyright protection and ownership shall extend to all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including rights to interactive works, and derivative works. Furthermore, we claim rights to certain trade secrets and Confidential Information as discussed above.

F. Franchisee Shall Not Contest our Ownership Right to Any Confidential Information, Trade Secrets, Patents or Copyrights

Franchisee expressly understands and acknowledges that:

1. We are the owner of all Confidential Information, trade secrets, copyrights, and patent rights are valid;
2. Franchisee shall not directly or indirectly contest the validity or the ownership of our Confidential Information, trade secrets, copyrights, and patents;
3. Franchisee's use of our Confidential Information, trade secrets, copyrights, and patents does not give Franchisee any ownership interest or other interest in or to the Confidential

Information, trade secrets, copyrights, and patents, except the non-exclusive Franchise granted herein;

4. Any goodwill arising from Franchisee's use of our Confidential Information, trade secrets, copyrights and patents in our Business under the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any licensed Confidential Information, trade secrets, copyrights, and patents;
5. We reserve the right to substitute different Confidential Information, trade secrets, copyrights, and patents for use in operating and maintaining the System.
6. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add any new Confidential Information, trade secrets, copyrights and patents. We cannot and do not make any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, we have no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding any licensed Confidential Information, trade secrets, copyrights, and patents.
7. Franchisee hereby agrees not to register or attempt to register any Confidential Information, trade secrets, copyrights, and patents in Franchisee's name or that of any other firm, person or corporation.
8. The right and license of the Confidential Information, trade secrets, copyrights, and patents granted to Franchisee is nonexclusive, and we thus have and retain the rights, among others:
 - a. To use the trade secrets, Confidential Information, patents, and copyrights in connection with offering Services and products;
 - b. To use the trade secrets, Confidential Information, copyrights, and patents to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements.
 - c. To grant other licenses for the trade secrets, Confidential Information, copyrights, and patents, in addition to those licenses already granted to existing franchisees; and
 - d. To develop and establish other systems using similar trade secrets, Confidential Information, patents, and copyrights, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.
9. Franchisee understands and acknowledges that we have the unrestricted right to engage, directly or indirectly, through us or our employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products and equipment (if we choose to sell products and/or equipment in the future) bearing the trade secrets, Confidential Information, patents, and copyrights licensed, including without limitation, products included as part of the System.

XVII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS

A. Franchisee Must Notify Franchisor of Lawsuits

Franchisee shall notify us in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee (including if Franchisee or any of its Owners are charged with or found guilty of a felony as defined in its state), and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Business, including, without limitation, any criminal action or proceedings brought by Franchisee against its employees, clients or other persons. The Franchisee shall give us advance written notice of Franchisee's intent to institute legal action against us, specifying the basis for such proposed action, and shall grant us thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

B. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Business. Franchisee shall pay us an amount equal to any sales tax, gross receipts tax or similar tax imposed on us with respect to any payments to us required under this Agreement, unless tax is credited against income tax otherwise payable by us.

C. Franchisee May Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the site of the Business, or any improvements thereon.

XVIII. SPECIFIC OBLIGATION OF FRANCHISEE RELATING TO INDEMNIFICATION

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name or the name of any of our officers, directors, shareholders and employees. Franchisee further understands and agrees that we, and our officers, directors, shareholders and employees, shall in no event assume liability for, or be deemed liable as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Business or any claim or judgment arising there from against Franchisee.

For the purposes of this indemnification, the terms "claim, loss or obligation" will include compensatory, exemplary or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts, judgments, compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing claims, losses or obligations.

Franchisee shall defend, indemnify and hold us and our officers, members and employees harmless against all fines, suits, proceedings, claims (including but not limited to, any safety and security claims, claims of injury, claims of theft, claims arising as a result of the operation and/or maintenance of equipment and/or Vehicles, claims of neglect, abuse, death, vicarious or other liability), demands, actions, losses,

damages, costs, expenses, fees (including legal fees, disbursements and related expenses), penalties and/or any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any act, error and/or omission of Franchisee (including the ownership, operation and/or management of the Business) and/or any referral, service provider, supplier or other agent/independent contractor, Employee of Franchisee's including acts, errors or omissions committed or incurred, negligent or intentional acts in connection with Franchisee's operation of the Business and infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. This provision includes any liability arising from labor or employment law violations as well as any liability related to joint employer and harassment claims. This provision includes all claims as indicated above, of ours, directly against Franchisee (without a third-party involvement) due to acts or omissions of Franchisee in which we suffer damages including but not limited to, harm to our goodwill and reputation.

We will have the right to control all litigation, including selection and management of counsel, and to defend and/or settle any claim, against and/or including us and/or our-related persons/entities, or affecting our and/or their interests with no obligation to Franchisee and without affecting our rights under this indemnity or otherwise. Franchisee may appoint separate independent counsel to represent Franchisee's interest in such suits, proceedings, claims, etc., all at Franchisee's expense. Franchisee's indemnification obligations survive termination of this Agreement.

XIX. MISCELLANEOUS COVENANTS OF FRANCHISEE

A. Covenants are Independent

The Parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which we are a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement.

B. Franchisee's Principals

The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an entity, all managing partners, general partners, members, managers, shareholders, officers, directors, and other operational personnel whom we designate as Franchisee's Principals and all holders of an ownership interest in any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The Franchisee's initial Principals shall be listed on Schedule 6 of this Agreement.

C. Franchisee Will Not Compete Against Franchisor

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training, our Confidential Information and our System.

Franchisee agrees that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a period of two (2) years from the date of (i) a transfer permitted under this Agreement; (ii) the expiration or termination of this Agreement (regardless of the cause for termination); or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the

enforcement of this Section XIX.C, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any type of asbestos, mold and lead inspection business, laboratory testing facility or any business using any aspect of the System, the overall IRIS Environmental® Laboratories business concept, with similar Services and/or products of an IRIS Environmental® Laboratories business within a ten (10) mile radius of the Premises designated hereunder, or within a ten (10) mile radius of any other System franchise or company-owned business in existence or planned as of the time of termination or expiration of this Agreement, as identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement.

The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement. This covenant not to compete is given in part in specific consideration for access to trade secrets provided as a part of our training or ongoing support programs. In any jurisdiction in which the covenant contained in this Section XIX or any part of it is deemed not enforceable in whole or in part, Franchisee hereby grants us an option to purchase Franchisee's Business on expiration or termination of this Agreement. In such case, we may exercise this option by giving thirty (30) days' written notice to Franchisee (Sections XXII.C and XXII.E). Upon termination or expiration, Franchisee will deliver to us a list of these Assets (as described in Section XXIV.G) and their cost as well as receipts evidencing their cost. Franchisee must relinquish possession on receipt of payment, but no later than ninety (90) days after expiration or termination. Franchisee's other post termination obligations under this Agreement and by law remain in effect on termination or expiration of this Agreement.

D. Exception to Covenant Not to Compete

Section XIX.C hereof shall not apply to ownership by Franchisee or any of its Owners of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the Federal Securities Exchange Act of 1934.

E. Franchisee Will Not Divert Business

During the term of this Agreement and for a period of two (2) years following the expiration or termination of this Agreement, Franchisee agrees that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

1. Solicit, service, sell or attempt to divert business directly or indirectly to any competitor by direct or indirect inducement or otherwise, or to any client or account of its Business or any other franchisees including company-owned businesses under IRIS Environmental® Laboratories business with which or with whom Franchisee has had contact during the term of this Agreement to any competitor by direct or indirect inducement or otherwise; or
2. Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Names and Marks or the System or both; or
3. Induce, directly or indirectly, any person (regardless of position) who is at that time employed by us or by any other franchisee of ours, to leave his or her employment. This also applies to any person (regardless of position) who was at any time during the prior twelve (12) months employed by us, company-owned business or by any other franchisee of ours. The only exception is if Franchisee receives written consent by us or any other

franchisee and works out some type of an arrangement to compensate the former employer for actual costs and expenses related to replacing the person.

F. Franchisor Is Entitled to Injunctive Relief

In addition to any and all other remedies and damages to which we are entitled, in order to protect our Names and Marks, Services, Confidential Information, proprietary materials and rights, and goodwill, we may seek a permanent injunction and the preliminary or temporary equitable relief we deem necessary, to restrain the violation of this Agreement by Franchisee or any persons, parties, and entities acting for Franchisee. Franchisee agrees that we may obtain the injunctive relief and enter it in any court or arbitration forum that we deem appropriate.

In recognition of the difficulty in determining on an expedited basis the value of, and our necessity to avoid irreparable harm and to protect, our Names and Marks, Services, Confidential Information, proprietary materials and rights, and goodwill, Franchisee waives, to the extent permitted by law, the right to interpose the defense that we have an adequate remedy at law. Franchisee further waives any requirement that we post a bond or other security, to the extent permitted by law.

G. Covenants Are Enforceable Independent of Claims and Set-Off

Franchisee expressly agrees that the existence of any claim it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants of this Section XIX. Franchisee agrees to pay all damages, costs and expenses (including reasonable attorney's fees) incurred by us in connection with the enforcement of this Section XIX. Franchisee further agrees that we shall be entitled to set off any amounts owed by us to Franchisee against any loss or damage to us resulting from Franchisee's breach of this Section XIX.

H. Disclosure of Contact Information in FDD

Franchisee acknowledges that its contact information will be included in our Franchise Disclosure Document in the future, as required by New Jersey and other state agencies and the Federal Trade Commission, and that such inclusion may result in prospective franchisees contacting Franchisee.

XX. OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE OR SERVICES

We will provide the Franchisee with the following assistance and services:

A. Training Programs

We will provide Franchisee with an initial training program at our headquarters or another location of our choice. The initial training program will take place after Franchisee pays the Initial Franchisee Fee, but before Franchisee opens for operation. We will provide this five (5) day training program without charge to Franchisee and/or up to two of its Owners and/or Managers (total of three people) as designated by Franchisee any time before the date Franchisee anticipates the Opening of the Business (as defined in Section IX.B). Franchisee will, however, be responsible for travel, accommodation and other costs for all its attendees. Franchisee must attend and satisfactorily complete training prior to Franchisee conducting business and opening the Business for operation. If Franchisee, its Owners or Manager fails to timely complete the initial training program to our satisfaction, Franchisee has the right to appoint another Manager to be trained by us at Franchisee's expense and if the other Manager does not satisfactorily complete the initial training program to our satisfaction, then we may terminate this Agreement as described

in Section XXIII.C. Any person designated by Franchisee to replace a previously trained Owner or Manager must be trained by Franchisee within thirty (30) days of first employment, at Franchisee's cost. For a second or subsequent franchise, we will not be obligated to provide additional training to Franchisee.

We may reasonably require Franchisee, its Owners and/or Managers to receive or attend and complete to our satisfaction additional or advanced training from time to time. Any such training before the Opening (as defined in Section IX.B) of the Business will be at no charge to Franchisee. Thereafter, Franchisee must pay for such training at our actual cost of up to one hundred and fifty dollars (\$150) per person per day plus costs associated with attending the training such as travel, room and board or our expenses if such training is held onsite at Franchisee's location. Franchisee must also pay travel, food, and accommodations and all other related expenses of its trainees. We may attempt to use distance learning techniques where possible, to minimize these costs.

Depending on availability, we may provide additional training to Franchisee or its Owners and/or Managers at Franchisee's request. Franchisee may be required to pay us any additional costs over and above the additional training fees such as travel that we reasonably incur should training be held at Franchisee's Business. If additional training is held at our corporate headquarters, Franchisee will be responsible for travel, food and accommodations and other expenses of its trainees.

We offer training resources, such as an Operations Manual, to assist franchisees at their business location. Franchisee acknowledges that its compliance with the Operations Manual is vitally important to us and other System franchisees and is necessary to protect our representation and the guidance of the Names and Mark and to maintain the uniform quality of operation throughout the System. However, while the Operations Manual is designed to protect our reputation and the goodwill of the Names and Marks the Operations Manual is not designed to control the day-to-day operation of the Business. Franchisee shall give us not less than a two (2) week notice of when Franchisee is available for training. Training dates must be mutually agreed upon by Franchisee and us.

- i. We shall also offer additional training resources to the Franchisee to be determined by us, for the operation, advertising and promotion of the Business including refresher training programs, seminars, workshops, annual conference and/or information available through the intranet system for the benefit of the Franchisee and the Franchisee's employees. We may charge a reasonable fee for additional training if deemed appropriate (distinct from continuing education as described below) but not to exceed the additional training fee. Any and all traveling, living and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending our training shall be paid by Franchisee.
- ii. We may conduct an annual conference at such place as shall be designated by us for all Franchisees but initially will most likely be at our headquarters. A registration fee for each participant may be required not to exceed five hundred dollars (\$500) per person plus its expenses and Franchisee will be responsible for costs associated with attending the conference such as travel, room and board. We reserve the right to increase the registration fee a reasonable amount based on reasonable criteria.
- iii. We may provide refresher or continuing education "Continuing Education" sessions through the phone, web based (webinars), video or at locations designated by us but most likely at our headquarters. Continuing Education sessions (other than by phone, webinars or video) may have a registration charge of one hundred

and fifty dollars (\$150) per person per day. Franchisee is responsible for costs associated with attending the meetings such as travel, room and board or our expenses (such as travel, room and board) if we provide such training at Franchisee's location. The training programs will normally not exceed two (2) days and it is expected that we may have quarterly programs subject to special need. The content will cover particular aspects of the franchise including but not limited to: sales presentations, processes and how to acquire clients and/or accounts; new equipment, products or services; best practices for hiring employees and independent contractors (if you choose to hire independent contractors), trends in the industry, guidelines for preparing reports, operational guidelines, safety, website and software developments, sales, marketing, administration and so forth. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria.

We may, but are not obligated to, offer additional training resources to the Franchisee to be determined by us, for the operation, advertising and promotion of the Business which may include certification programs, seminars, workshops, annual convention and information available through franchisor's intranet system for the benefit of the Franchisee and the Franchisee's employees. After the completion of the initial training program, any additional training may be subject to a fee of up to one hundred and fifty dollars (\$150) per person per day. Any and all traveling, living and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending any training shall be paid by the Franchisee.

As part of the initial training program, we will provide Franchisee with: a written list of approved Services and products (currently we do not authorize the sale of products but may do so in the future) Franchise is required to offer, perform and sell in its Business; a written list of approved equipment, products, supplies and services (as described in Section XII.I) Franchisee is authorized to purchase and use; a written list of approved vendors and suppliers to purchase equipment, products, supplies and purchase or use services from; a written list of Vehicle appearance standards; specifications, maintenance and operation for all technology items; strategies for purchasing equipment, products and supplies; recommended procedures and standards for hiring and training Employees and independent contractors (if Franchisee chooses to use independent contractors), operational and service standards, safety procedures, suggested rates for Services and pricing products (if applicable) in addition to sales training, networking, advertising and marketing (including photographs and video presentations) that have been developed by us (or our affiliates) and are necessary in the operation of each Business. We reserve the right, in our sole discretion, to add, modify, change or discontinue any Service or product we authorize you to offer and sell in addition to any piece of equipment, product, supply or service we authorize you to purchase and use in the operation of your Business from time to time as specified in Sections XII.H and XII.I of this Agreement. Franchisee will be responsible for all costs associated with the administration of such changes.

We will provide Franchisee with a startup kit during the initial training program that includes promotional and marketing materials to help accelerate the opening of the Franchisee's Business. This startup kit will be provided to Franchisee during the initial training program and will include an inventory of: fifty (50) presentation folders, one hundred (100) custom brochures, five hundred (500) business cards and two (2) logoed polo shirts in addition to samples of cassettes that will be useful in the operation of the Business. We will provide this startup kit to Franchisee at our cost. Replenishment of any one of these items in the startup kit shall be at Franchisee's cost.

We will also provide Franchisee with access to our Software at no cost during the initial training program (Franchisee will be responsible for the software and mobile app fee for the usage and ongoing

support of such items as described in Sections X.E and X.F). Basic training for the Software and all other software programs necessary to run the Business will be provided as part of the initial franchise training program. We will also provide specifications for technology items and other software programs necessary to operate the Business. We shall also provide guidance for the requirements, if any, for all technology items and related software programs. In addition, we may provide technical support, ongoing assistance, consultation, and upgrade requirements for Franchisee's technology items and software programs. We will update and make changes to our Software (and any proprietary software if developed in the future) as we deem necessary. We will provide recommendations for third-party software programs necessary for the operation of the Business. All costs associated with installation, upgrading, protecting and maintaining the technology items, our Software and all other software programs necessary for the operation of the Business is the sole responsibility of the Franchisee.

We will provide up to two (2) days of marketing assistance and guidance onsite at Franchisee's Business for marketing and operational assistance. Franchisee shall give us not less than thirty (30) days' notice of when Franchisee wants us to provide such marketing assistance and guidance. The dates for our visit for such assistance and guidance must be mutually agreed upon by Franchisee and us. Such assistance shall be completed no earlier than the opening date of Business for operation and completed no later than ninety (90) days once the Business is open for operation. Any costs incurred by us in connection with our onsite assistance and guidance within the timeframe as described above will be paid by us. If Franchisee does not take advantage of our onsite assistance and guidance within the timeframe described above, then we are not obligated to provide such assistance to Franchisee without charging Franchisee for the actual wages and travel expenses incurred by us. For Franchisee's second and subsequent Businesses, we will provide the same type of onsite assistance and guidance as described above; however, Franchisee will be responsible for actual wages and travel expenses incurred by us. In such circumstances where Franchisee is responsible for actual wages and travel expenses, we will provide Franchisee with invoices for amounts owed and we may require Franchisee to pre-pay all or a portion of the actual amounts incurred by us. Additional support requested by Franchisee will be subject to the training charges as described in Section XX.A.

We will provide additional guidance in the operation of the IRIS Environmental® Laboratories Business and provide assistance, to resolve operational challenges Franchisee may encounter outside the scope of the Operations Manual. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically via an intranet system, free of charge, to answer questions from Franchisee and its staff (during regular business hours eastern time zone). Guidance may also be furnished in writing, telephonically, through training programs and/or onsite consultations, web-based computer training, among other methods. Onsite consultations are subject to additional training fees as mentioned above.

We will provide guidance to Franchisee in its efforts to obtain all certifications, licenses and permits required to operate the Business. Ultimately, however, it is Franchisee's responsibility and obligation to ascertain all legal and regulatory requirements for the Business and obtain and maintain all such certifications, licenses and permits and all out of pocket costs associated with obtaining and maintaining such certifications, licenses and permits as described in Section XII.C of this Agreement.

We may, from time to time, provide to Franchisee, at Franchisee's expense, such advertising and promotional plans and materials for local advertising and may direct the discontinuance of such plans and materials, from time to time. All other advertising and promotional materials that Franchisee proposes to use must be reviewed and approved by us, pursuant to Section XII.L of this Agreement.

We may provide announcements, memos, bulletins, brochures, manuals and reports, if any, as may from time to time be published by us or on our behalf regarding our plans, policies, developments and activities. In addition, we may provide such communication concerning new equipment, products, developments, techniques and/or improvements to management of the Business that we determine are relevant to the operation of the Business and communication with other franchisees by means of an intranet system. We may also establish a Franchisee elected peer group whose main purpose will be to mentor, support each other and regularly communicate to franchisees. We have the power to dissolve, merge or change such peer advisory groups.

We shall provide guidance for establishing a standardized accounting, bookkeeping and cost management control systems. We will provide Franchisee with all update and upgrade requirements for technology items and related software programs in response to changes in the Operations Manual, or changes in its policies that are communicated to Franchisee in writing. The cost for such updates and/or upgrades is Franchisee's responsibility.

We will provide a dedicated phone line only for our franchisees, free of charge, to answer any questions from Franchisee or its Manager (during regular business hours, eastern time zone). Franchisee will also be able to send us questions and suggestions using Internet email or intranet system as described above. We will consult with Franchisee at no additional charge regarding policies, sales, marketing and operational issues.

All obligations of ours under this Agreement shall benefit only the Franchisee, and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation.

B. Web Page

We will provide to Franchisee an IRIS Environmental® Laboratories URL or web page housed within the corporate website at no additional cost. Franchisee may customize parts of the web page with our approval however the look is to remain consistent as specified in the Operations Manual. Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the web page and/or any Website promotions over the Internet must be performed by us, our affiliates and/or approved vendors at Franchisee's cost. Upon approval of Franchisee request, which must be submitted in writing, Franchisee is responsible for the cost of such changes. Franchisee may neither establish nor use any Website without our prior written approval and if such approval is granted Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information on a Website, regarding the Business as described in Section VI of this Agreement. Such approval may be revoked at any time by us in our sole and absolute discretion. We shall own all copyright and other intellectual property rights to the web page, as well as the contents of the corporate website or any other Website upon expiration or termination of this Agreement as described in Section XXIV.E. This shall include ownership rights in all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including interactive rights and rights to derivate works.

C. Premises Selection

The Franchisee has the responsibility for selecting the Premises for the Business. Whether Franchisee chooses to operate out of its home or out of a location (such as a small office space as described in Section XII.S) we will review and approve or disapprove the location of Premises and will not unreasonably withhold its approval. If Franchisee chooses to operate out of a location, we must review and approve the lease prior to the lease being signed. If Franchisee proposes to purchase property, we must

review and approve the purchase contract prior to being signed. We will have the right, but not the obligation, to inspect the Premises prior to opening. Franchisee is responsible for all lease negotiations.

We do not represent that we have any special expertise in selecting locations, and/or negotiating leases. Our approval of a location is not a representation or warranty that the IRIS Environmental® Laboratories business will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed location for the Business meets our minimum criteria for identifying locations. Franchisee agrees that our approval or disapproval of a proposed location does not impose any liability on us, or our employees, agents, members, or owners.

D. Premises Layout and Design

If Franchisee chooses to operate the Business out of a location (rather than operate from home) and provided that Franchisee leases a space in an existing building, we may provide Franchisee with guidelines for the layout and design of the Premises prior to the Franchisee signing a lease. The build out, costs of leasehold improvements, signage and other items necessary for finishing out the Premises are the responsibility of the Franchisee. Franchisee must adhere to all local zoning ordinances, regulations, fire, health and building codes, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. In addition, Franchisee may be required to adapt, at Franchisee's expense, the suggested plans and specifications to the Premises, subject to our approval, as provided in Section XII.T of this Agreement, which will not be unreasonably withheld, provided that such plans and specifications conform to our general criteria.

If Franchisee chooses to open a location for its Business, Franchisee understands and acknowledges that we have the right to modify the suggested plans and guidelines for the Premises as we deem appropriate, periodically (however we will not modify the suggested plans and guidelines for the Premises developed pursuant to this Agreement once those plans and specifications have been given to Franchisee).

E. Hiring Employees and Independent Contractors

We will provide Franchisee with recommended guidelines when hiring Employees (defined in Section XII.F of this Agreement) and independent contractors (if Franchisee chooses to use independent contractors) for the Business. These guidelines are provided for reference only and Franchisee acknowledges that it bears sole responsibility for hiring, training, managing and firing Employees and independent contractors. Further, Franchisee acknowledges that we are not responsible for and do not direct or control the conduct of Franchisee's Employees. Such recommendations and suggestions will be covered in the initial training program and are specified in the Operations Manual. Franchisee understands that such recommendations and suggestions will be updated and may change periodically at our discretion. Franchisee can negotiate any rate or wage for its Employees and independent contractors (if Franchisee chooses to hire independent contractors). Franchisee may be provided with a recommended rate or wage schedule and may elect to use, subject to applicable laws, these rates or wages as a guide when hiring Employees and independent contractors. Franchisee acknowledges that we have made no guarantee or warranty that using such recommended or suggested rates or wages will enhance Franchisee's sales or profits. Rate or wage negotiations with Employees and independent contractors are the sole responsibility of the Franchisee. Franchisee acknowledges that it is fully in charge of hiring all its Employees and independent contractors (if applicable) and for managing such individuals on an on-going basis. Our input as to hiring and management of Employees and independent contractors are suggestions and guidelines which we believe are important, and except for specific requirements set forth in this Agreement or the Manual, Franchisee is responsible for making all employee related decisions.

Failure of Franchisee to adhere to our guidelines and standards when hiring Employees, which may include the requirement of criminal background checks for all prospective Employees and independent contractors that go to job sites (if Franchisee chooses to hire independent contractors) may be considered a breach of this Agreement, and we may terminate, in our sole discretion the Agreement, except where the Franchisee has reasonable cause to deviate from our standards as described in Section XXIII.C of this Agreement.

F. No Warranties Other than in Writing

With respect to any equipment, products, supplies and/or services (as defined in Section XII.I) provided by us or our affiliates and/or any person/company referred/approved by us or our affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability and suitability for a particular purpose being expressly disclaimed. In addition, we make no warranties regarding any open source code contained in any software that we may provide to the Franchisee. We do not warrant that any such software shall be free of bugs, viruses, worms, or Trojan horses.

We are not liable for any guarantee or warranty the Franchisee, its Owners, Manager or Employees of the Franchisee make to a client, account or to any third party. Franchisee will fully comply with any guarantee program, warranty program any other type of service program that we may develop and implement. Franchisee will not misrepresent or omit or fail to state any warranty or guarantee to its clients, accounts or third parties.

G. Operations Manual

We will revise the Operations Manual and the contents of any other manuals and materials created or approved for use in the operation of the Business, from time to time as we deem necessary to improve on the methods of operations. Franchisee expressly agrees that each new or changed standard shall be deemed effective upon receipt by Franchisee or as specified in such standard. We will lend Franchisee the confidential Operations Manual for the initial training program and if Franchisee satisfactorily completes training, for the term of this Agreement. If the copy of the Operations Manual loaned to Franchisee is lost, stolen or destroyed before Franchisee returns it to us, Franchisee must replace the Operations Manual at its own expense.

The Operations Manual is designed to protect the System and the Names and Marks associated with the System, and not to control the day-to-day operation of the Business. Franchisee, at all times will remain responsible for the operation of the Business and all activities occurring at or associated with the Business.

Franchisee shall at all times treat the Operations Manual, and any of our written directives, any business plans and specifications, and any other manuals created for or approved for use in the operation of an IRIS Environmental® Laboratories business, and any supplements thereto, and the information contained therein, in trust and as confidential information, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

The Operations Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by us, shall at all times remain our sole property and shall at all times be kept and maintained in a secure place at the Premises.

Franchisee shall at all times ensure that its copy of the Operation Manual is kept current and up-to-date; and, in the event of any dispute as to the contents of the Operation Manual, the master copy of the Operation Manual maintained by us at the corporate offices shall be controlling.

Any suggestions the Franchisee may have concerning the improvement of our website or Franchisee's web page, Services, equipment, products, vendors and suppliers, service format, recommended procedures, sales strategies and methods, advertising, promotional and marketing materials are encouraged and shall be considered by us when adopting or modifying the standards, specifications and procedures for the System.

H. Selecting Vendors, Suppliers and Vehicle Specifications

We will provide Franchisee a written list of approved vendors and suppliers that may include or be limited to us or our affiliates for all equipment, products, supplies and services (as described in Section XII.I) that Franchisee may use in the operation of the Business. We may make arrangements with vendors for certain equipment, products, supplies and services at negotiated costs that would benefit the entire System. Franchisee may submit in writing alternate vendors or suppliers to us for approval as described in Sections XII.H and XII.I of this Agreement.

We will also provide Franchisee with a written list of appearance standards (including vehicle graphics if Franchisee chooses to use such graphics to advertise its Business) necessary for the operation of the Business. Franchisee is encouraged to use its own Vehicle or can purchase a used or new Vehicle for the operation of the Business as specified in Section XII.H of this Agreement. All costs associated with obtaining and maintaining the Vehicle are the sole responsibility of the Franchisee.

I. Availability of Equipment, Products and Supplies

We will use commercially reasonable efforts to ensure that authorized vendors and suppliers, which may include or be limited to us and our affiliates, maintain a reasonable supply of such equipment, products and supplies (as described in Section XII.I) for purchase by Franchisee when applicable. We may require that the Franchisee purchase such items from us or our affiliates. We will provide Franchisee with a written list of our approved vendors and Franchisee is responsible for acquiring such items necessary for the operation of its Business. All items that are provided by us or our affiliates will be competitively priced, taking into account equivalent quality and other reasonable considerations.

We reserve the right to establish suggested rates and prices for Services and products (if we authorize Franchisee to sell products) from time to time based on competition prevalent within the asbestos, mold and lead inspection industry (as further described in Section XX.K). We reserve the right to publish inventory and minimum representation requirements in the Operations Manual and such requirements may be amended from time to time by us and in our sole discretion.

We also reserve the right to implement a centralized purchasing system for franchisees and to negotiate prices and terms with vendors and suppliers and to receive rebates or other financial incentives from such purchases by franchisees. We may utilize such rebated funds in any manner we choose in our sole discretion as more fully described in Section XII.I. If developed, we reserve the right to require Franchisee and other franchisees to purchase all equipment, products, supplies and services through our proprietary intranet system.

J. Advertising and Promotion

We may develop and provide creative materials for local and regional advertising and make such advertising materials available to our franchisees for publication or distribution in the Franchisee's market area at Franchisee's own expense. We shall provide specific guidelines for advertising initiated by individual franchisees and shall reserve the right to disapprove any advertising, which, in our opinion, is not in accordance with these guidelines. However, no approval shall be unreasonably withheld or denied. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in our opinion, be detrimental to any franchisee or any part of the System or the Franchise.

K. Suggested Rates and Pricing for Services and Products

We shall provide Franchisee with guidance and suggested rates and/or pricing for Services and products (currently we do not authorize Franchisee to sell products and described in Section XII.I of this Agreement) offered by its franchisees. Franchisee shall have the right to offer Services and products at any rate or price Franchisee may determine, except that we reserve the right to establish minimum and maximum rates and pricing for any given Service or product nationwide to the extent allowed by federal and state laws as explained in Sections XII.H and XII.I of this Agreement. Suggested rates and pricing for Services and products (if we authorize Franchisee to sell products) may vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions. If Franchisee elects to offer any Service and/or product at any rate or price recommended by us, Franchisee acknowledges that we have made no guarantee or warranty that offering such Services or products at the recommended rates and/or prices will enhance Franchisee's sales or profits.

We will provide to Franchisee a sample set of forms including contracts, waivers, client agreements, marketing materials and various operational forms for use in an IRIS Environmental[®] Laboratories Business. We do not warrant the completeness, legality or enforceability of any agreements or forms. Franchisee must retain its own counsel to review and revise such agreements and forms to comply with applicable federal and state laws. At our discretion, any and all forms used by Franchisee shall be subject to our review and approval and our decision of such approval will be provided within thirty (30) days after such forms are received by us.

We will continue to research and develop new services and products as we deem appropriate and in our sole discretion. We may conduct market research and testing to determine consumer trends and salability of new services and products (if we decide to allow franchisees to sell products in the future). If we choose Franchisee, Franchisee will participate in a market research program to test new services or products in the Business and provide us with timely reports and other relevant information regarding that market research. We will own all copyright and other intellectual property rights to all such reports provided by the Franchisee pursuant to this Section, in all media whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including complete and entire derivative rights and rights to interactive works. If Franchisee participates in any test marketing, Franchisee agrees to purchase, at Franchisee's expense, a reasonable quantity of equipment and products being tested, effectively promote such services and/or products and make a good faith effort to sell them. Franchisee shall participate in and comply with all sales and promotional programs and/or Product promotions established by us periodically.

L. Business Planning Assistance

After Franchisee signs this Agreement, we may review and comment on any business plan and pro forma financial projections Franchisee prepares. We do not represent that we have any special expertise in reviewing or developing business plans. Our review and commentary of a business plan or financial pro forma is not a representation or warranty that the Franchisee's business will be profitable or that

Franchisee's sales will attain any pre-determined levels. Our review and commentary is intended only to provide information sharing to Franchisee and Franchisee agrees that such review and commentary does not impose any liability on us. Franchisee specifically acknowledges that we have not reviewed or commented on any business plan or pro-forma prior to the Effective Date of this Agreement.

XXI. VARYING STANDARDS

Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole and absolute discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular Business or circumstance, business potential, demographics, density of population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation of such Franchisee's Business. Franchisee shall not have any right to object to a variation from standard specifications and practices granted to any other franchisee and shall not be entitled to require us to grant to Franchisee a like or similar variation, unless the laws of the Franchisee's state expressly requires us to grant such similar variation.

Franchisee acknowledges that when we use the phrases "sole and absolute discretion", "sole discretion" and/or "Business Judgment", whether in this Agreement or another context, you and we agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions except that we will not do so arbitrarily. We shall use our judgment in exercising such discretion based on our assessment of the interests we consider appropriate and will not be required to consider Franchisee's individual interests or the interests of any other franchisee(s). Franchise, we and all other franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, Franchisee and we agree that the ultimate decision-making responsibility for the System must be vested in us. So long as we act in compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

XXII. RELOCATION, ASSIGNMENT, TRANSFER, SALE OR REPURCHASE OF FRANCHISED BUSINESS

A. Relocation

Any relocation of the Premises (1) shall be to a location within the Territory (unless waived by us), (2) requires our prior written consent, which we may grant, condition or withhold in our Business Judgment (and may be withheld, in any case, if you are not in good standing), (3) will be at Franchisee's sole expense and (4) may require that Franchisee (and each Owner) sign the general release.

B. General Requirements for Assignment by Franchisee

Franchisee shall not voluntarily or involuntarily transfer or encumber any interest in or ownership or control of Franchisee, the Franchised Business or this Agreement (however Franchisee is allowed to transfer up to twenty percent (20%) of its shares or other ownership interests as described below), except in the ordinary course of business, or make any lease or sublease of any property Franchisee is leasing or subleasing in connection with the Business, without our prior written consent, which will not be unreasonably withheld. Any attempted transfer of any interest in the Business without our prior written consent will be a default under the terms of this Agreement and will be voidable by us. In granting any such consent, we may impose reasonable conditions, including, without limitation, the following:

1. Franchisee must be in full compliance with the terms of this Franchise Agreement, including being paid in full on all fees due and having settled all outstanding accounts with us, our affiliates and all suppliers;
2. The proposed transferee (or its partners, members, managers, directors, officers, or controlling shareholders, if it is a corporation, limited liability company or partnership) must meet our then-applicable standards;
3. The proposed transferee (or its owners if an Entity, managers, directors or officers) must not operate a franchise, license another or operate other business offering services and products similar to those offered by an IRIS Environmental® Laboratories business without our permission;
4. We shall charge a flat transfer fee of two thousand five hundred dollars (\$2,500) to Franchisee when transferring a part of its Business (defined as up to forty-nine percent (49%) of the stock, membership units, partnership units, assets or share of any business trust); or a flat transfer fee of ten thousand dollars (\$10,000) when Franchisee transfers its entire Business upon our written consent. The term “flat transfer fee” means that Franchisee shall pay this amount regardless of whether our actual cost to process the transfer is higher or lower than such amount. The transfer fee will include, but not be limited to, reasonable attorney’s fees actually incurred, the cost of investigating the transferee and our administrative expenses (including employee salaries, sales staff commissions, travel costs, telephone charges, out of pocket costs properly attributable to the transfer). In addition, if the transferee was already in our lead database at the time of first contact between Franchisee and the transferee, we may require Franchisee to pay the flat two thousand five hundred dollars (\$2,500) or ten thousand (\$10,000) fee described above, plus the amount of any broker fees that we are responsible for paying to third parties (does not include our employees);
5. Transferee must pay for and successfully complete the training programs then required of new Franchisees at a cost of one hundred and fifty dollars (\$150) per person per day and our expenses, subject to increase from time to time;
6. Franchisee shall have substantially complied with all of the terms and provisions of this Agreement, any amendment hereof or successor hereto, or any other agreements between the Franchisee and our subsidiaries or affiliates and, at the time of transfer, shall not be in default;
7. Franchisee shall have executed a general release, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;
8. The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall enter into a written assumption agreement, in a form satisfactory to us, assuming and agreeing to discharge all of Franchisee’s obligations, known by transferee after reasonable inquiry, under this Agreement;

9. The transferee must meet our subjective and objective standards, including experience, talent, skills, educational, managerial, business, and financial capacity; has the aptitude and ability to conduct an IRIS Environmental[®] Laboratories business; and has adequate financial resources and capital to operate the Business; and the transferee's Manager must complete the training program to our satisfaction;
10. The transferee (and, if an Entity its Owners of a beneficial interest in the transferee as we may request) shall execute and agree to be bound by the then current form of this Agreement, which form may contain provisions that materially alter the rights or obligations under this Agreement. Alternatively, we may in our sole discretion require the transferee to sign the then current form of this Agreement then being used by us, but where the term will end on the expiration date of this Agreement and with such renewal term, if any, as may be provided by this Agreement and the following requirement apply: (i), the transferee shall sign all other ancillary agreements as we may require for the Franchise Business as required under the then current form of this Agreement, which agreements shall supersede this Agreement in all respects, and (ii) additional changes to the terms of the Agreement may be made at our sole discretion, which include, without limitation, higher royalty fee payments, advertising contributions and renewal rights;
11. The transferee's royalty payments will not start over. For all transfers, royalty payments will continue at the Franchisee's current tier level based on Franchisee's Royalty Month (as defined in Section X.A) and the corresponding then current royalty structure;
12. The transferee, at its expense, shall upgrade the Business (including all Vehicles) to conform to the then-current standards and specifications of the System and shall complete the upgrading and other requirements within the time specified by us;
13. Franchisee shall remain liable for all of the obligations to us in connection with the Business incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;
14. Franchisee must obtain and submit satisfactory evidence of transfer or consent of lenders, lessors and governmental authorities for all material permits, approvals and licenses;
15. Franchisee may transfer up to twenty percent (20%) of its shares or other ownership interests to any person or entity, in the aggregate, without invoking this provision, provided that in connection with any such transfer of more than ten percent (10%) ownership the transferee executes the same Guaranty and other agreements which would be required upon execution of this Agreement by Franchisee, if such transferee had then been the owner of such percentage of Franchisee's ownership interests. Franchisee's transfer of an ownership interest without complying with the foregoing, or transfers of more than twenty percent (20%) ownership in the Franchisee's entity, in one or more transfers, without our prior written approval is a material breach of this Agreement;
16. The transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Business from the original Franchisee, and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable;

17. The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales;
18. Franchisee agrees that we may (but are not required to) discuss with Franchisee and/or the proposed transferee any matters related to any transfer and/or proposed transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of the Franchise, etc.). Franchisee expressly consents to any such discussions by us and we may contact any proposed transferee directly regarding such matters or otherwise;
19. Neither Franchisee nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed to be an approval of the terms, nor any indication as to any likelihood of success or economic viability;
20. Franchisee and its Owners and/or Principals will agree not to compete, not to divert clients or accounts of ours, or attempt to hire employees, after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in Section XIX.C of this Agreement; and
21. Franchisee and its Owners and/or Principals will not directly or indirectly at any time or in any manner (except with respect to other IRIS Environmental® Laboratories business that Franchisee or its Principals own and operate) identify itself or any business as a current or former IRIS Environmental® Laboratories business or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of an IRIS Environmental® Laboratories business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us as described in Sections XXIV.A and XXIV.C of this Agreement.

In addition, the Franchisee must submit copies of the draft Asset Purchase Agreement or Stock (Membership Unit) (Partnership Unit) Purchase Agreement, all draft Promissory Notes, and Security Agreements, with the transferee, regardless of whether they are Franchisee financed or lender financed. In addition to all other grounds for rejection, we have the right to reject any proposed purchase of the assets of the Franchised Business or the stock, membership units, or partnership units of the Franchised Business on the grounds that the proposed transferee has in our sole opinion taken on too much debt.

C. Transfer, Sell or Assignment by Franchisor and our Right of First Refusal

We have an unrestricted right to purchase, transfer or assign our rights or obligations under this Agreement to any transferee or other legal successor to the interests of ours.

We will have a right of first refusal regarding any proposed transfer, by Franchisee or an Owner of Franchisee, subject to this Agreement. During the term of this Agreement, if Franchisee, or any of its Owners wish to sell, assign or otherwise transfer an interest in this Agreement, the Franchised Business and/or its assets, or an ownership interest in Franchisee (collectively the “Interest”), then Franchisee will comply with the requirements of Sections XXII.B, XXII.C, XXII.E and XXIV.G of this Agreement.

Franchisee will notify us within ten (10) days after Franchisee has commenced discussions or communications even if preliminary, regarding such a proposed transfer and then send us written updates of the status of such discussions or communications every thirty (30) days thereafter unless and until such discussions or communications have ceased, in which case Franchisee must notify us in writing within five (5) business days that such discussions or communications have ceased. Whether the discussions have ceased or not, at our option, we may require Franchisee to send us, by certified mail or other receipted delivery, copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction as well as any materials Franchisee sends to the buyer or transferee. Before agreeing to any such transaction, Franchisee and its Owners agree to obtain from a responsible and fully disclosed buyer, and then send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating to any proposed transfer. The bona fide offer with the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer a ten thousand dollar (\$10,000) earnest money deposit (if a proposed disposition is part of a transaction involving additional IRIS Environmental® Laboratories businesses, operating under other franchise agreements or license agreements with us, the proposed buyer must pay you this earnest money deposit for each IRIS Environmental® Laboratories business, involved).

To enable us to determine whether we will exercise our option, Franchisee or its Owners, shall provide such information and documentation, including financial statements, as we may require (as noted below). In the event that we elect to purchase said Interest, closing on such purchase must occur within ninety (90) days from the date of notice to the Franchisee of the election to purchase said Interest by us. Failure of us to exercise the option afforded by this Section XXII.C shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XXII.B, with respect to a proposed transfer of any Interest. Any later change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by us as in the case of an initial offer.

We may, by delivering written notice to Franchisee or its Owners within thirty (30) days after we receive both an exact copy of the offer and the Preliminary Due Diligence Package (the date on which we have received the exact copy of the offer and the Preliminary Due Diligence Package is called the “Trigger Date”), notify Franchisee of our non-binding preliminary intent to purchase or not to purchase the interest proposed to be sold. The “Preliminary Due Diligence Package” is information and copies of documents (where applicable) that Franchisee supplies to us which consists of Franchisee’s financial statements (including monthly revenue information) for the preceding three (3) years, a copy of the Business’s current lease or sublease (if applicable), information about the number and compensation of Employees working at the Business, client records and the Franchisee’s merchant account printouts for the past three (3) years, the Franchisee’s bank deposits for the past three (3) years, and a description of competing asbestos, mold and lead inspection businesses and/or any other type of businesses offering similar Services and products (if we sell products in the future) operating within the Territory. If we notify Franchisee within thirty (30) days after the Trigger Date (the “First Notice Deadline”) that we are preliminarily interested in exercising our right of first refusal, we will have an additional thirty (30) days after the First Notice Deadline both to conduct our due diligence and then to notify you of either our binding intent to exercise our right of first refusal or our decision not to exercise this right. This additional period is called the “Due Diligence Deadline”. If we elect to purchase the interest proposed to be sold for the price and on the terms and conditions contained in the offer:

- 1) We may substitute cash for any other form of payment proposed in the offer (such as ownership interests in a privately-held entity);
- 2) Our credit will be deemed equal to the credit of any proposed buyer, meaning that, if the proposed consideration includes promissory notes, we may provide promissory notes with

the same terms as those offered by the proposed buyer, except as to subordination. Regarding subordination, you acknowledge and agree that our obligations under the promissory notes then outstanding to any and all lenders, although senior to the equity rights of our owners will also be senior to the promissory notes given to you;

- 3) We will have an additional thirty (30) days after the Due Diligence Deadline to close; and
- 4) We must receive, and Franchisee agrees to provide, all customary representations and warranties given a seller of assets of a similar business or the ownership interests in a similar legal entity, as applicable, including, without limitation, representations and warranties regarding:
 - i. Ownership and condition of and title to ownership interests and/or;
 - ii. Liens and encumbrances relating to ownership interests and/or assets;
 - iii. Validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased;
 - iv. All equipment, products, supplies, technology items, software and Vehicles are in good working condition and suitable for use;
 - v. No litigation or administrative proceedings pending against the Franchisee, or any of its officers, directors, or Owners arising out of the Franchisee's business;
 - vi. There are no notices from any federal, state, or local governmental authority to make any changes to the Business or that negatively affect it;
 - vii. The Franchisee has the authority to sell the assets of its business, including a copy of all director and/or Owner resolutions;
 - viii. The Franchisee will comply with the Bulk Sales Act, if it is required under the laws of the Franchisee's state;
 - ix. There will be no material adverse change in the operation of the Franchisee's business between the date of signature of any Asset Purchase Agreement, and the date of settlement;
 - x. There are no tax or employee claims or issues; and
 - xi. The Franchisee will not enter into any transaction between the date of signature and the date of settlement other than in the ordinary course of business.

D. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in IRIS Environmental® Laboratories Business, the executor, administrator, or personal representative of that person must transfer his interest to a third party approved by us within six (6) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer. However, in the case of a transfer by devise or

inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased Franchisee shall have six (6) months to dispose of the deceased's interest in the Business, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within six (6) months, we may terminate this Agreement.

Upon the death of the Franchisee or if an Entity an Owner who owns more than forty-nine percent (49%) or more of the Business, or in the event of any temporary or permanent mental or physical disability of such person, a manager shall be employed for the operation of the Business who has successfully completed our training courses to operate the Business for the account of Franchisee. If after the death or disability of the named Owner, the Business is not being managed by such trained manager, we are authorized to appoint a manager to maintain the operation of the Business until an approved transferee will be able to assume the management and operation of the Business, but in no event for a period exceeding ninety (90) days without the approval of the personal representative of the Principal; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Business during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Business, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager, shall be charged to such fund. As compensation for the management services provided, in addition to the fees due, we shall charge such fund the full amount of the direct expenses incurred by us during such period of management for and on behalf of Franchisee, provided that you shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee, the Principal or personal representative of the Principal, or any person or entity having an interest therein for any debts, losses or obligations incurred by the Business, or to any creditor of Franchisee or the Principal during any period in which it is managed by our appointed or approved manager.

Within thirty (30) days after any transfer by law, including devise or inheritance, the Business to Franchisee's heirs or successors or the heirs or successors of Franchisee's Owners, the heirs or successors must notify us in writing and make application for approval of assignment of the Franchise. The application for assignment is subject to the same conditions, procedures and costs as assignment of any other franchise except that there will be no transfer fee.

E. Transfer, Sale or Assignment to a Third Party

If we do not exercise our right to purchase within thirty (30) days pursuant to Section XXII.C, Franchisee may thereafter transfer, sell or assign the Interest to a third party, but not at a lower price or on more favorable terms than disclosed to us in writing. The sale is subject to our prior written approval as specified in this Agreement.

If Franchisee does not complete the sale to the proposed buyer within ninety (90) days after we notify Franchisee that we do not intend to exercise our right of first refusal (whether or not the First Notice Deadline or the Due Diligence Deadline has expired) or if there is a material change in the terms of the sale (which Franchisee must communicate promptly to us), we will have an additional right to accept the sale during the thirty (30) day period following either the expiration of that ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option. If Franchisee does not complete the sale to the proposed buyer within an additional ninety (90) days, then any proposed sale or transfer thereafter once again must comply with all of the provisions Sections XXII.B, XXII.C and XXII.E, as though there had not previously been a proposed sale or transfer.

In addition to its other obligations, such as obtaining our prior written approval, if Franchisee sells or offers to sell ownership interests, the sale of which is regulated by any applicable law, Franchisee must: (i) fully comply with all applicable laws, (ii) disclose to offerees and purchasers that neither we nor our employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering, (iii) ensure that we have a reasonable time to review any reference to us or our franchisees in any prospectus or offering documents before their distribution or use, (iv) pay us actual legal costs incurred for our review, (v) indemnify us, our officers, owners, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from any and all obligations to any person, entity or governmental agencies arising out of or relating to the offer, sale or continuing investment, (vi) sign such further indemnities and provide such further assurances as we may reasonably require and (vii) disclose our ownership rights to all trademarks, service marks, trade names, logos, trade secrets, copyrights, and patents.

If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. We and Franchisee may execute an addendum setting forth certain of these amendments applicable in certain jurisdictions, so long as and to the extent that then applicable laws referred to in the addenda remain in effect.

F. Resale Assistance of Franchised Business

Franchisee may, at any time, request our assistance in locating a buyer for its Business. We may, at our option, provide such assistance in accordance with the policies and procedures as set forth in the Operations Manual. We reserve the right to charge Franchisee a fee to cover our reasonable costs and expenses (including the time committed by our employees) incurred in providing such assistance. If we elect to assist Franchisee in finding a buyer for the Business in any way, we make no promises or commitments to Franchisee that a buyer will be located or that anyone will be willing to purchase the Business at a price acceptable to Franchisee. We reserve the right to reject any proposed sale based on our determination, in our sole discretion, that the purchase price or purchase terms agreed to between Franchisee and any prospective buyer is excessive or will not enable the buyer to succeed as a franchisee in the System, and by requesting our assistance Franchisee waives any liability claims it may have against us for such rejection.

XXIII. TERMINATION OF FRANCHISE

A. Impact of Statutes Upon Franchise Agreement

Some state laws provide certain rights to franchisees located in a particular state, including: (1) limitations on our ability to terminate a franchise except for good cause; (2) restrictions on our ability to deny renewal of a franchise; (3) circumstances under which we may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of the statute; and (4) provisions relating to arbitration. To the extent that the provisions of this Franchise Agreement are inconsistent with the terms of such state laws, the terms of the applicable state laws may control in those states.

Termination or modification of a lease or contract upon the bankruptcy of one of the Parties may be unenforceable under the Bankruptcy Act of 1978, Title II, U.S. Code, as amended.

B. Termination by Franchisor with Right to Cure

Except as otherwise provided in this Agreement, upon any material default by Franchisee under this Agreement or any other agreement between Franchisee and us or our affiliates, we may terminate this

Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Any breach relating to any violation of health or safety laws must be cured within seventy-two (72) hours of notice or such shorter period prescribed by law. Any default for failure to pay monetary amounts must be cured within five (5) days or shorter period as is provided by law.

We may invoke our rights under this Section XXIII.B if, among other things, Franchisee fails to pay any required sums contemplated by this Agreement or any other agreement between Franchisee and us (and/or our respective affiliates).

C. Termination of Franchise without Right to Cure

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and we, at our option, may terminate this Agreement and all rights granted under it without affording Franchisee any opportunity to cure the breach, effective immediately upon us notifying Franchisee in writing of such breach, if Franchisee does any of the following:

1. Fails to open the Business and start performing Services within the specified time limits as provided in Section IX.B above;
2. Fails to attend and satisfactorily complete the initial training program before Franchisee anticipates opening the business but no later than sixty (60) days after Franchisee signs this Agreement;
3. Attends the initial franchise training program and we determine, in our sole discretion, that the Franchisee, its managing partners, members, shareholders or Manager has failed the initial training program and does not appoint another Manager to attend; or another Manager appointed by Franchisee fails the initial training program and/or is deemed not qualified to manage an IRIS Environmental[®] Laboratories business (as described in Section XX.A);
4. Abandons, surrenders, or transfers control of the operation of the Business to a third-party without our permission; or fails to continuously and actively operate the Business for seven (7) consecutive days, unless otherwise given permission by us or precluded from doing so by damage to the premises of the Business due to war, act of God, civil disturbance, natural disaster, labor dispute or other events beyond Franchisee's reasonable control;
5. Fails or refuses, on more than three occasions during the term of this Agreement, to submit when due for a reasonable time thereafter any financial statement, tax return or schedule, or to pay when due Royalty Fees, or any other payments due to us or our affiliate;
6. Operates the Business in a manner that violates any federal, state, or local law, rule, regulation or ordinance (which includes failure of Franchisee to use its best efforts when hiring Employees, including taking every action required by applicable laws related to

criminal background checks for all prospective Employees and independent contractors that go to job sites, if Franchisee chooses to use independent contractors);

7. Franchisee, its partner, Employee or anyone representing Franchisee's interest fails to maintain any certification or license that is required by its state, such as: an asbestos, mold and lead or home inspector certification or license (including any lapse, alteration, or cancellation or such license) and/or if such state required certification or license is revoked, suspended or restricted; if any action is instituted by any governmental agency; or if any other business or professional license, certification or permit required by law is suspended or revoked, or otherwise not maintained continuously and actively in full force and effect, and in good standing (as described in Section XII.C);
8. Is unable to provide Services and/or products (if we authorize Franchisee to sell products in the future) associated with the System; or failure of Franchisee to ensure that Franchisee, any of its Owners or Employees (including independent contractors) who perform Services complete, obtain and maintain asbestos, mold and lead training and certifications (as described in Section XII.F);
9. Fails, for a period of fifteen (15) days after notification of non-compliance by us or any appropriate authority, to comply with any federal, state or local law, ordinance or regulation applicable to the operation of the Business;
10. Violates any health, safety or sanitation law, ordinance or regulation, or operates the Business (including operating any Vehicles) in an unsafe manner; and does not begin to cure the violation immediately and to correct the violation within seventy-two (72) hours or a shorter period as required by applicable law once Franchisee receives notice from us or another party;
11. Has made a material misrepresentation or omission on the application for the Franchise;
12. Transfers, assigns or sub-franchises this Agreement without having our prior written consent, as set forth herein;
13. Discloses or divulges, to any unauthorized person, the contents of the Operations Manual, training materials or any other Confidential Information provided to Franchisee by us;
14. Fails to adhere to our Vehicle appearance standards and fails to reasonably maintain the Vehicle as specified by us and Sections XII.H and XII.U of this Agreement;
15. Fails to comply with modifications to System standards as required by us within a ninety (90) day period from the time of written notice by us;
16. Offers Services and/or sells products or equipment (if we authorize Franchisee to sell products and/or equipment) through any alternative channel of distribution without our permission; or engages in any other activity, which has a material adverse effect on us or our Names and Marks;
17. Makes or allows any unauthorized use or copy of Confidential Information, Software and/or Proprietary Products (if developed) or seek to challenge our ownership rights in the System, including our Confidential Information, Software and/or Proprietary Products;

18. Makes any changes to any equipment, products or Proprietary Products (if developed) such as changing containers, packaging, labeling, etc. (as described in Section XII.I of this Agreement);
19. Engages in any activity to translate, reverse engineer, reverse compile, change or disassemble any derivative works based on our Confidential Information, equipment, products, Proprietary Products (if developed) and/or Software;
20. Manufactures or produces any piece of equipment or product that is similar to, or competes with any equipment, product or Proprietary Product used, offered or sold in the Business without our advance written consent;
21. Engages in activity to distribute, act as an exclusive distributor or secure exclusive rights to distribute any Proprietary Products or third-party products or equipment offered or sold in the Business without our written consent;
22. Engages in activity to sublicense, rent, lease, sell, distribute or otherwise transfer our Confidential Information and/or Software or any portion thereof, or any rights therein, to any person or entity;
23. Exhibits a reckless disregard for the physical or mental well-being of Employees, clients, us or our representatives, or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior as determined in our sole and absolute discretion;
24. Fails to procure and maintain all required insurance coverage (including any lapses, alterations, or cancellations to the insurance policies) as defined in Section XIII of this Agreement;
25. Fails or refuses to: (i) use our affiliate's laboratory for testing of all asbestos, mold and lead samples; and (ii) adhere to our sample testing fee requirement as described in Section X.D of this Agreement;
26. Fails or refuses to: (i) use our privately labeled software and mobile app; (ii) use our approved mobile app platform in the operation of the Business; and (iii) adhere to our software and mobile app fee requirements as described in Sections X.E and X.F of this Agreement;
27. Fails or refuses to: (i) offer, modify, change or discontinue any Service, product, Proprietary Product or equipment (if we authorize Franchisee to sell products and equipment in the future) as we specify; or (ii) execute and perform Services according to our standards (as described in Sections XII.H and XII.I of this Agreement) (as described in Sections XII.H and XII.I of this Agreement)
28. Implements any type of service or sells any products or equipment not approved by us in writing, as described in Section XII.H of this Agreement;
29. Fails or refuses to: (i) purchase and/or use any equipment, products, Proprietary Products (if developed), supplies or purchases or uses services as specified by us; (ii) purchase

equipment, products, Proprietary Products, supplies or uses services from us, our affiliates or approved vendors; (iii) purchase, maintain, remove or replace all equipment and technology items (clean, service and repair) as specified by us; or (iv) cease using and/or remove any piece of equipment, product, supply or other items necessary for the operation of the Business deemed to constitute a violation of this Agreement by us (as described in Sections XII.H and XII.I of this Agreement);

30. Fails or refuses to comply with our inventory requirements or minimum representation requirements or terms of any auto-ship programs (if applicable) as set forth in the Operations Manual; or if Franchisee purchases and uses any equipment, products and supplies or purchases and/or uses services from any unapproved vendor or supplier without out permission as described in Section XII.I of this Agreement;
31. Engages in Target Marketing to solicit clients and/or accounts outside the protected Territory or Franchisee refuses to refer special events, clients and/or accounts to other franchisees or company-owned businesses as described in Section VI of this Agreement;
32. Uses the Names and Marks or any part thereof in any form on the Internet, including but not limited to, Websites (including addresses, domain names, URLs, links, metatags, locators, etc.), search techniques and co-branding arrangements without our prior written consent;
33. Is convicted of a felony or has pleaded nolo contendere to a felony, or is convicted on charges relating in any way to the possession or use of illegal drugs, controlled substances or steroids or is charged or convicted of a crime of moral turpitude;
34. Engages in unfair business practices or unethical conduct;
35. Fails to discharge within a reasonable time any valid lien placed against the property of the Business (if applicable);
36. Makes an assignment for the benefit of creditors or an admission of the Franchisee's inability to pay its obligations as they become due;
37. Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against him, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Business, or the claims of creditors of Franchisee or the Business are abated or subject to a moratorium under any laws;
38. Becomes insolvent or makes a general assignment for the benefit of creditors;
39. If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee;
40. If a receiver or other custodian (permanent or temporary) of the Business, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise;

41. If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee;
42. If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved or is wound up;
43. If execution is levied against Franchisee's business or property or against any ownership interest in Franchisee;
44. If any real or personal property of Franchisee's Business shall be sold after levy by any sheriff, marshal, or constable;
45. If, in material violation of the terms of Sections XII, XVI, XX and/or XX.II;
46. If Franchisee maintains false books or records, or submits any false reports to us;
47. If any inspection of Franchisee's records discloses an under-statement of payments due to us of two percent (2%) or more, two or more times in any two (2) year period;
48. If Franchisee's business has three (3) or more material complaints reported to a governmental entity or other public forum (material complaints are determined in our sole and absolute discretion) with respect to the Business in any twelve (12) month period.

D. Termination by Franchisee

If we violate a material and substantial provision of the Agreement and fail to remedy or to make substantial progress toward curing the violation within thirty (30) days after receiving written notice from Franchisee detailing our alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. Any termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of a material and substantial provision of this Agreement by us and our failure to cure such breach within thirty (30) days after receipt of written notice thereof, shall not be permitted.

E. General Effect of Termination

On termination or expiration, all of Franchisee's post-termination obligations, including covenant not to compete, non-disclosure, return of the Operations Manual and other proprietary materials, and indemnity, will remain in full force and effect. If this Agreement terminates for any reason prior to its expiration date, we will be entitled to our royalties and other fees for either the remainder of the term of this Agreement or two (2) years (whichever comes first) and to all other applicable remedies (as described in Section XXIV.H).

F. Territory Alteration as an Alternative to Termination

If Franchisee is in default of the Franchise Agreement, as an alternative to termination, we may modify or completely eliminate any rights that Franchisee may have with respect to the protected status of its Territory, effective ten (10) days after delivery of written notice to Franchisee. In addition, we may modify or completely eliminate Franchisee's Territory.

XXIV. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Franchisee Shall Cease Using Names and Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any Confidential Information, methods, trade secrets, procedures, descriptions of Services and products associated with us and the Names and Marks and any proprietary marks and distinctive forms, slogans, tag lines, symbols, signs, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signage, décor, Vehicles with graphics, advertising materials, stationery, forms, and any other articles, which display the Names and Marks. If Franchisee operates out of a location, Franchisee shall make or cause to be made, at its expense, changes directed by us in signage, buildings, structure, Vehicles and premises so as to effectively distinguish the surviving business entity, if any, from its former appearance as an IRIS Environmental® Laboratories business, and from other existing IRIS Environmental® Laboratories businesses. Franchisee shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information, as well as return all information that is considered to be Confidential Information under the terms and conditions of this Agreement back to us.

B. Franchisee Shall Cease Operating Business and Refrain from Notifying Clients and/or Accounts

Franchisee shall immediately cease to operate the Business under this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former Franchisee of ours.

In addition, Franchisee shall not give notice of termination or expiration of this Agreement to Franchisee's clients and/or any accounts without our prior written consent. We shall have the sole right to notify all of Franchisee's clients and/or accounts of the termination or expiration of this Agreement at the time and manner we determine to be most appropriate. All existing clients and account lists of the Franchisee shall be our property. Franchisee shall assist us in transferring all clients and/or accounts to another franchisee, company-owned business or to us upon termination or expiration of this Agreement at such times and in the manner we require.

Franchisee must immediately tender all new or used inventory of our Proprietary Products (if applicable), décor, signage (including vehicle graphics), promotional, advertising and marketing materials in addition to all Confidential Information to us and/or our designated affiliates or destroy, if notified by us in writing to do so, all inventory of such items in a timely manner as in accordance with the terms of the Operations Manual and as specified in Section XXIV.G of this Agreement.

C. Franchisee May Not Adopt Confusingly Similar Names and Marks

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Names and Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Names and Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us or a former association or connection with us.

D. Franchisee Shall Cancel Assumed Names and Transfer Phone Numbers

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Names and Marks. Franchisee shall take all actions necessary to transfer all phone numbers, addresses, domain names, Websites, email, listings and location contacts for the Business to us or our designee, including but not limited to authorizing all telephone, Internet, Websites, email addresses, electronic network, directory and listing entities to effectuate the same.

E. Franchisee Shall Transfer or Terminate Domain Name and Web Page

Upon termination or expiration of this Agreement, Franchisee agrees that, we will have the absolute right to notify InterNIC, ICANN and all other Internet authorities of the termination or expiration of Franchisee's right to use all domain names, web page, Websites, mobile apps and other search engines for the Business and to authorize the above and other search engines to transfer to us or our designee all domain names, web page, Websites, mobile app platforms and search engines associated with the Business. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, web page, Websites, mobile apps and search engines related to the Business and that we have the full right and authority to direct the above Internet authorities and all search engines to transfer Franchisee's domain names, web page, Website, mobile apps and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this Agreement will constitute a release by Franchisee of the above Internet authorities from any and all claims, liabilities, actions and damages that Franchisee may, at any time, have the right to allege against them in connection with this provision.

F. Franchisee Must Return Operations Manuals and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee will immediately return to us all copies of the Operations Manual, training materials and any other materials, which have been loaned to Franchisee by us. Franchisee further agrees to turn over to us all items containing any of the Marks, and all client lists and contracts for the Franchised Business.

G. Franchisor May Purchase Assets

We shall have the first right of refusal to purchase or assume Franchisee's interest in the Franchised Business, or in its assets on the same terms as those contained in a bona fide offer from a third party. As used in this Section, "Assets" means all equipment, products, Proprietary Products, furnishings, fixtures, décor items, technology items, Vehicles, signage, inventory (non-perishable products, supplies in addition to advertising and marketing materials), leasehold improvements and the lease or sublease for the Business (if applicable). This right is governed by time limits and procedures described in this Agreement with respect to our right of refusal in the event of an assignment. If we exercise our right of first refusal, Franchisee must transfer Franchisee's interest in the Franchised Business and in the Assets.

If Franchisee is selling its Assets, we shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all Assets related to the operation of the Business and all items bearing our Names and Marks, at the lesser of Franchisee's cost or fair market value. The cost shall be determined based upon a five (5) year straight line depreciation of Franchisee's original costs. For any Asset that is five (5) or more years old, the Parties agree that fair market value shall be deemed to be ten percent (10%) of the Asset's original cost. However, for any items that display our Marks such as products and equipment (excluding Vehicles) and regardless of when the item was purchased, the fair market value is agreed to be five percent (5%) of the original cost

and zero for any type of marketing and/or promotional materials. If we elect to exercise any option to purchase herein provided, we shall have the right to set off all amounts due from Franchisee.

H. Franchisee Must Pay Monies Owed to Franchisor; Liquidated Damages

Franchisee shall pay to us, within thirty (30) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, System Advertising Fee contributions, other advertising fees, payments or any other sums owed to us by Franchisee, which are then unpaid. Franchisee shall pay to us all damages, costs, and expenses, including reasonable attorney's fees, incurred by us in obtaining injunctive or other relief for the enforcement of any provisions of Section XIX.

In the event of termination of this Agreement prior to its expiration date, Franchisee acknowledges that the Parties have considered the following in determining the amount of Liquidated Damages ("Damages"): (1) that the amount of the Damages is reasonable under the circumstances existing at the time this Agreement is made; (2) that the amount of Damages bears a rational relationship to the damages the Parties anticipate would flow from the breach of this Agreement; (3) the agreement to the amount of the Damages is necessary because actual damages are difficult to prove; and (4) the amount of the Damages are not so large that they act as a penalty. Franchisee accordingly agrees that in such event it shall be obligated to pay to us, the amount of the Damages which is a total of all Royalty Fees and System Advertising Fee payments that we would have received, if this Agreement remained in effect until its scheduled expiration date. The amount of the Damages shall be calculated based on the average monthly Royalty Fee payment and the average System Advertising Fund Fees paid to us during the previous twelve (12) months for either the remaining term of this Agreement or two (2) years (whichever comes first). If the Franchisee has not made twelve (12) months of payments, then the number of payments it has made will be used to calculate the average of Royalty Fee and System Advertising Fund Fee payments. Such payments shall be due to us within thirty (30) days after the effective Date of Termination or expiration of this Agreement.

Except as otherwise provided in this Agreement, Franchisee shall retain whatever interest it may have in the Assets of the Franchised Business.

XXV. ENFORCEMENT

A. Franchisee May Not Withhold Payments Due Franchisor

Franchisee agrees that he or she will not withhold payments of any Royalty Fees, System Advertising Fees or any other amounts of money owed to us for any reason, on grounds of alleged nonperformance by us of any obligation. All such claims by Franchisee shall, if not otherwise resolved by us and Franchisee, be submitted to arbitration as provided in this Agreement. The Franchisee has no right of offset or set off to any amounts due and owing to us.

B. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements.

C. Mediation

The Parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration as set forth in Section XXV.D. Any Party to this Agreement may initiate mediation by serving a written demand on the other Party stating the particulars of the demand being served. Mediation fees shall be divided equally among the Parties involved. Before any mediation commences, the Parties will agree to a date and/or certain event which will constitute a completion of the mediation process. If, for any dispute or claim to which this paragraph applies, any Party commences an action without first attempting to resolve the matter through mediation or refuses to mediate after a request has been made, then the other Party (“Mediating Party”) shall be entitled to recover attorney’s fees and costs, even if such Mediating Party was not otherwise entitled to recover its attorney fees and cost in any arbitration or legal action between the Parties pursuant to the terms of this Agreement. This mediation provision applies whether or not the arbitration provision is initiated. It shall be held at the same venue as for arbitration as described in Section XXV.D.

D. Arbitration

Except as we elect to enforce this Agreement by judicial process, injunction, or specific performance (as provided above), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Franchisee prescribed by us, or any obligation of ours, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or us, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration in Union County, New Jersey. Arbitration must be in accordance with the then current Commercial Rules of the American Arbitration Association (“AAA”) and, where applicable, the provision of the Federal Arbitration Act, i.e. 9 USC §1, et al; and provided that at the option of us or the Franchisee that the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association which could include an attorney with twenty years or more franchise experience. The actual selection of the arbitrator from the list will be in accordance with the procedures for selecting an arbitrator under the Commercial Rules of the AAA. The Parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 1-3 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. The Parties further agree that arbitration will be conducted on an individual and not a class-wide or multiple plaintiff basis.

The Party discovering an arbitrable claim will have one (1) year from the date of discovery but not to exceed two (2) years from the date the claim occurred, in which to settle the claim or to commence arbitration on the claim. Otherwise the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the New Jersey Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Unless specifically provided for by applicable statute, no punitive or exemplary damages shall be awarded against either us or Franchisee, or entities related to them, in an arbitration proceeding or otherwise, and are hereby waived. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of us. During the pendency of any arbitration proceeding hereunder, we and Franchisee shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally, and the prevailing Party shall be entitled to recover reasonable attorney fees from the other Party, provided should there be no prevailing Party each Party shall pay their own attorney fees.

This arbitration provision shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as we deem to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to us and/or to protect our Names and Marks or any claim or dispute involving or contesting the validity of any of our Names and Marks, or any claim or dispute involving any of our Confidential information, trade secrets, or copyrights provided by us to the Franchisee under this Agreement.

E. Rights of Parties Are Cumulative

The rights of us and Franchisee are cumulative, and the exercise or enforcement by us or Franchisee of any right or remedy shall not preclude the exercise or enforcement by us or Franchisee of any other right or remedy hereunder which we or Franchisee is entitled by law to enforce by the provisions of this Agreement or of the Operations Manual.

F. Judicial Enforcement, Injunction and Specific Performance

Notwithstanding anything to the contrary contained in Section XXV.D above relating to arbitration, we shall have the right to enforce by judicial process our right to terminate this Agreement for the causes enumerated in Section XXIII of this Agreement, to collect any amounts owed to us for any unpaid Royalty Fees, or other unpaid charges due hereunder, arising out of the business conducted by Franchisee pursuant hereto, and to pursue any rights we may have under any leases or subleases (if applicable), sales, purchases, or security agreements or other agreements with Franchisee. We shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If we secure any such injunction or orders of specific performance, Franchisee agrees to pay to us an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel and living expenses, and any damages incurred by us as a result of the breach of any provision of this Agreement.

G. New Jersey Law Applies

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the state of New Jersey, and venue for arbitration or litigation shall lie in Union County, New Jersey, or in the applicable United States District Court for New Jersey.

H. Attorney Fees

In the event that either Party incurs any expenses (including but not limited to reasonable attorney's fees and reasonable expert witness fees) in enforcing the provisions of this Agreement by arbitration or legal action, the prevailing Party shall be entitled to recover such expenses directly from the other.

I. Binding Effect

This Agreement is binding upon the Parties hereto and their respective permitted assigns and successors in interest.

J. Entire Agreement/Integration/No Other Agreements/Manual(s) May Change

This Agreement and all exhibits to this Agreement constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to Franchisee. Except for those acts permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement shall be binding on either Party unless mutually agreed to by the Parties and executed by their authorized officers or agents in writing. The Operations Manual may be amended at any time by us, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

K. Force Majeure

Except for monetary obligations or as otherwise specifically provided in this Franchise Agreement, if either Party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the Party required to perform such work or act under the terms of this Agreement not the fault of such Party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in this Franchise Agreement.

XXVI. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective Parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other Party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

XXVII. COUNTERPARTS

This Agreement and any amendments or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the Parties hereto.

XXVIII. TIME IS OF THE ESSENCE

Time is of the essence. The Parties to this Agreement hereby agree that time is of the essence with respect to each of their respective duties and obligations under this Agreement.

XXIX. APPROVALS AND WAIVERS

Whenever this Agreement requires our prior approval or consent, Franchisee shall make a timely written request to us therefore, and such approval or consent shall be obtained in writing.

We make no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefore.

No failure of ours to exercise any power reserved to us by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the Parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Waiver by us of any particular default or breach by Franchisee shall not affect or impair our rights with respect to any subsequent default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by us to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair our right to exercise the same, nor shall such constitute a waiver by us of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXX. AUTHORITY

Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or partnership, warrant to us, both individually and in their capacities as owners or officers, that all of them as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in such entity as set forth in Section XXII.

XXXI. REPRESENTATIONS AND WARRANTIES BY THE FRANCHISEE

Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement, our Disclosure Document and applicable exhibits, in a timely fashion as required; and that before signing this Agreement, Franchisee was given ample opportunity to review and examine our Disclosure Document and was furnished with copies of the documents. **NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE DISCLOSURE DOCUMENT WAS MADE.**

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE, ALL MANAGING PARTNERS, MEMBERS OR SHAREHOLDERS, HAVE BEEN ADVISED TO HAVE THIS AGREEMENT AND ALL OTHER DOCUMENTS REVIEWED BY AN ATTORNEY AND THAT FRANCHISEE, ALL MANAGING PARTNERS, MEMBERS OR SHAREHOLDERS HAVE READ, UNDERSTOOD, HAD AN OPPORTUNITY TO DISCUSS AND AGREED TO EACH PROVISION OF THIS AGREEMENT. THE FRANCHISEE AND MANAGING PARTNERS, MEMBERS OR SHAREHOLDERS AGREE THAT THERE HAS BEEN NO PRESSURE OR COMPULSION BY FRANCHISOR OR ITS AGENTS TO SIGN THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE AND ITS OWNERS IS SPECULATIVE AND WILL BE DEPENDENT ON PERSONAL EFFORTS AND SUCCESS IS NOT GUARANTEED. FRANCHISEE AND MANAGING PARTNERS, MEMBERS OR SHAREHOLDERS ACKNOWLEDGE AND REPRESENT THAT IT HAS ENTERED INTO THIS AGREEMENT AND MADE AN INVESTMENT ONLY AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE OPPORTUNITY, INCLUDING HAVING RECEIVED A LIST WITH THE FRANCHISE DISCLOSURE DOCUMENT OF OTHER CURRENTLY AND PREVIOUSLY OPERATED IRIS ENVIRONMENTAL® LABORATORIES FRANCHISES.



SIGNATURE PAGE

IN WITNESS WHEREOF, the Parties hereto have duly executed, sealed and delivered this
IRIS Alliance, LLC Franchise Agreement in duplicate on this date
_____/_____, 20____.

FRANCHISOR:

IRIS Alliance, LLC

Address for Notices:

Signed: _____

IRIS Alliance, LLC
2333 Route 22 West
Norwood, NJ 07083
Telephone: (908) 206-0073
Fax: (908) 206-0093
Attn: Rodrigo Eustaquio

Name: _____

Title: _____

Date: _____

FRANCHISEE:

Signed: _____

Address for Notice:

Name: _____

Date: _____

Telephone: _____
Fax: _____
Attn: _____

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____



SCHEDULE 2
IRIS ALLIANCE, LLC
PRE EXISTING BUSINESSES

As a condition precedent to the effectiveness of the Franchise Agreement and in consideration of the terms and conditions of the Franchise Agreement, Franchisee represents and warrants to Franchisor as follows:

1. Entities and as an entity owned by [Franchisee and or affiliates of Franchisee] currently operate a business known as _____ (“Pre - Existing Business”).
2. Any and all existing franchise agreements, stockholder agreements, partnership agreements, option agreements or any other third-party rights relating to the Pre – Existing Business, do not contain any covenants, terms and conditions which do now, or may in the future, prohibit the execution of the Franchise Agreement and the participation of any of the owners, managers or employees of the Franchisee in the Franchised Business, and
3. Other than the consents of Franchisee and Franchisor there is no other third-party consent required for the acquisition of the franchise to be legally binding and effective, and
4. There are no existing restrictive covenants, other than those which the Pre -Existing Business has waived, binding on Franchisee or any of its partners, owners, agents representatives or employees that would be breached by the acquisition and operation of the Franchised Business obligations of Franchisee to Franchisor, and
5. The Pre-Existing Business provides the following goods and services to its clients at the following locations:

5.1 Services and products of Pre-Existing Business(es)

5.2 Location(s) of Pre-Existing Goods Business(es)

and from the date hereof will continue to operate as [an independent organization] and shall not carry out any other businesses directly or indirectly competing with the Franchised Business, and

6. Franchisee shall convert the entire Pre-Existing Business into the Franchised Business and shall hence forth operate that business as the Franchised Business under the trade name “IRIS Environmental® Laboratories”, and
7. Franchisee agrees that any business currently operated or to be operated by any affiliate of Franchisee outside of the Franchised Business which later becomes a part of the Franchised Business shall be folded into the Franchised Business after notice and approval by Franchisor, and
8. Franchisee shall indemnify, defend and hold harmless Franchisor and its affiliates, against all losses, costs, proceedings, judgments, liabilities, expenses, court costs, and reasonable fees of attorneys and other professionals, arising out of or resulting from any breach of the representations and warranties set out in this Exhibit or in connection with any willful or negligent act or omission of Franchisee or Franchisee’s employees or agents, including but not limited to such act or omission that contributes to any economic damage, bodily injury, sickness, disease or death. This indemnity shall survive termination of the Franchise Agreement.

FRANCHISEE

Signed: _____

Printed Name: _____

Title: _____

Date: _____



SCHEDULE 3
IRIS ALLIANCE, LLC
EXECUTIVE ORDER 13224 AND RELATED CERTIFICATIONS

If the Franchisee is an individual or individuals, the Franchisee certifies that he/she/they are not, nor to my/our best knowledge have I/us been designated, a terrorist and/or a suspected terrorist, nor am I/us associated and/or affiliated in any way with any terrorist and/or suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

If the Franchisee is a company, the person(s) signing on behalf of the Franchisee certify(ies) that, to the Franchisee's and such person's best knowledge, neither the Franchisee, such person, and/or any owners, officers, board members, similar individuals and/or affiliates/associates of the Franchisee have been designated, a terrorist and/or a suspected terrorist, nor is the Franchisee or any such persons and/or affiliates/associates owned, controlled, associated and/or affiliated in any way with any terrorist and/or a suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

Franchisee agrees to fully comply and/or assist Franchisor in its compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations, including properly performing any currency reporting and other obligations, whether relating to the Franchise or otherwise, and/or required under applicable law. The indemnification responsibilities provided in the Franchise Agreement cover the Franchisee's obligations hereunder.

FRANCHISEE

Signed: _____

Printed Name: _____

Title: _____

Date: _____



SCHEDULE 4
IRIS ALLIANCE, LLC
ADA & RELATED CERTIFICATIONS

IRIS Alliance, LLC (“Franchisor”) and _____ (“Franchisee”) are parties to a franchise agreement dated, _____20____ (the “Franchise Agreement”) for the operation of an IRIS Environmental® Laboratories Business (the “Business”).

In accordance with Section XII.C of the Franchise Agreement, Franchisee certifies to Franchisor that the Business and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act and all local zoning regulations and building codes. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Business. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to indemnify Franchisor, its members, managers, officers, employees and agents, and each and all of the Franchisor-Related Entities, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee’s compliance (or failure to comply) with the Americans with Disabilities Act, all local zoning regulations and building codes and otherwise, as well as the costs, including attorneys’ fees, related to the same.

FRANCHISEE

Signed: _____

Printed Name: _____

Title: _____

Date: _____



SCHEDULE 5
IRIS ALLIANCE, LLC
FRANCHISE AGREEMENT: INDIVIDUAL GUARANTY

(USE FOR CORPORATE, PARTNERSHIP OR OTHER ENTITY FRANCHISEE)

This Guaranty is to the Franchise Agreement between IRIS Alliance, LLC ("Franchisor") and _____ ("Franchisee") dated the _____ day of _____, 20____.

1. The undersigned agree, individually and on behalf his or her martial community, to personally and unconditionally guarantee the performance of Franchisee under the Franchise Agreement and to perform all obligations under this Agreement on default by Franchisee. The undersigned further agree to pay any judgment or award against Franchisee obtained by Franchisor. Guarantors are also bound by covenants of the Agreement that by their nature or terms survive the expiration or termination of the Agreement, including but not limited to non-competition, indemnity and non-disclosure provisions.
2. Each Guarantor has consulted legal counsel of his/her own choosing as to his/her responsibilities and liabilities under this Guaranty.
3. Each Guarantor waives:
 - a. Notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed;
 - b. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed;
 - c. Any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability;
4. Each Guarantor consents and agrees that:
 - a. Liability under this Guaranty is joint and several with any other guarantor and the Franchisee;
 - b. Each will render any payment or performance required under this Guaranty on demand, if Franchisee fails or refuses punctually to do so;
 - c. Each will individually comply with the provisions and all subsections of the Agreements and associated documents;
 - d. Liability is not contingent or conditioned on our pursuit of any remedies against Franchisee or any other persons; and

IRIS Environmental® Laboratories
Franchise Agreement – 3-20-2024

- e. Liability is not affected by any extension of time, acceptance or part performance, release of claims, or other compromise that Franchisor may grant Franchisee or other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.
 - f. Each waives acceptance and notice of acceptance by Franchisor; waives notice of demand, and waives protest and notice of default, except as may be required by the Franchise Agreement.
5. Each Guarantor further hereby consents and agrees that:
- a. Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of Franchisee, other guarantors, and the other owners of the Franchisee;
 - b. This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by an abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by impairment, modification, change, release or limitation of the liability of the Franchisee or its estate in bankruptcy or any remedy for enforcement resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency
 - c. Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and;
 - d. Guarantor agrees to pay all reasonable attorneys' fees and costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in the enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under Section XXV.D of the Agreement, including without limitation, the obligation to submit to binding arbitration the claims described in Section XXV.D of the Agreement in accordance with its terms.

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

Dated on the _____ date of _____ 20____.

(Set forth the name, address and percentage ownership of each owner of Franchisee, their spouse and their percentage ownership, if applicable):

NAME	ADDRESS	PERCENTAGE
Signed _____	_____ _____ _____	_____
Printed _____		
Signed _____	_____ _____ _____	_____
Printed _____		
Signed _____	_____ _____ _____	_____
Printed _____		
Signed _____	_____ _____ _____	_____
Printed _____		



SCHEDULE 6
IRIS ALLIANCE, LLC
STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPLES

- A. The following is a list of all managing partners, shareholders, partners or other investors in Franchisee, including all investors who own or hold direct or indirect interest in Franchisee and a description of the nature of their interest.

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>

- B. In addition to the persons listed in paragraph A., the following is a list of all Franchisee's Principals described in and designated pursuant to Section XIX.B of the Franchise Agreement. Unless designated as a controlling Principal, each of Franchisee's Principals shall execute the Confidentiality Agreement in the form set forth in Schedule 8.



SCHEDULE 7
IRIS ALLIANCE, LLC
COLLATERAL ASSIGNMENT OF LEASE

Franchisee: _____

Franchisor: IRIS Alliance, LLC

Date of this Collateral Assignment of Lease (the "Assignment"): _____

The Franchisee, to effect various provisions of that certain Franchise Agreement dated _____, 20 __, by and between Franchisee and Franchisor (the "Franchise Agreement"), hereby collaterally assigns to Franchisor (subject to the terms and conditions below) all of Franchisee's right, title and interest in, to and under that certain lease (the "Lease") dated _____ 20__, between Franchisee and _____, ("Landlord"), for that property commonly known as: _____ (the "Premises"), a copy of which Lease is attached to this Assignment.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and notwithstanding anything in the Lease to the contrary, it is hereby agreed as follows:

No material modification or amendment of the Lease shall occur or be effective without the prior written consent of Franchisor.

Except as provided in the Franchise Agreement, the Franchisor will not take possession of the Premises under this Assignment until and unless there is a termination, cancellation, rescission or expiration of the Franchisee's rights, or a default by Franchisee, under the Lease, any sublease and/or the Franchise Agreement. In such event(s), the Franchisor (or its designee) may (but has no obligation to) take possession of the Premises and assume the Franchisee's rights under the Lease, and, in such event, Franchisee will have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to the Franchisor or its designee, without the Landlord's further consent. The Franchisee will fully cooperate therewith and do all acts necessary or appropriate thereto. The Franchisor will have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, the Premises or otherwise until and unless the Franchisor takes possession of the Premises pursuant to this Assignment and, in any event, the Franchisor will only be responsible for those obligations accruing with respect to the Lease after the date of such express assumption. Upon taking possession of the Premises, Franchisor shall be obligated from that date forward to perform all of the duties and obligations of Franchisee under the Lease. Franchisor shall notify Landlord, in writing, within three days of taking possession of the Premises.

The Franchisee will not permit any surrender, termination, amendment or modification of the Lease and will elect and exercise all options to extend the term of or renew, or assume in bankruptcy, the Lease not

less than thirty (30) days prior to the last day that said rights must be exercised. If the Franchisee does not do so, Franchisor may to the extent consistent with the United States Bankruptcy Code (but has no obligation to) do such acts for the account of Franchisee and without any liability or obligation of the Franchisor. Failure of the Franchisor to exercise any remedy hereunder shall not be a waiver of any of its rights. The rights and remedies of the Franchisor under this Assignment are in addition to those which the Franchisor has under the Franchise Agreement or otherwise. This Assignment shall bind, and benefit, Franchisor and Franchisee and their respective successors and assigns. With respect to the Franchisor and Franchisee the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement shall apply to this Assignment, and/or any matter related in any way to it, but the Franchisor may, in any event and at its option, proceed with any action in court for possession of the Premises and any related remedies. If there is more than one Franchisee, their obligations are joint and several. As between Landlord and Franchisor and/or Franchisee, the dispute provision of the Lease shall apply.

In the event Franchisee shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Landlord shall give written notice thereof to Franchisor and Franchisor shall have the right (but not the obligation) to cure such default. Landlord shall not take any action with respect to such default under the Lease, including without limitation any action in order to terminate, rescind or avoid the Lease, for a period of fifteen (15) days following expiration of any cure period Franchisee may have under the Lease with respect to such default; provided, however, that in the case of any default which cannot with diligence be cured within said additional fifteen (15) day period, if Franchisor shall proceed promptly to cure such default and thereafter prosecute the curing of such default with diligence and continuity, the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of such default with diligence and continuity.

Landlord will recognize and accept the performance by Franchisor of any act or thing required to be done by Franchisee under the terms of the Lease and will accept such performance as if it were performed by Franchisee.

Landlord agrees that in any case commenced by or against Franchisee under the United States Bankruptcy Code, the Franchisor shall have standing to appear and act as a party to the Lease for purposes of the Bankruptcy Code, (but shall not have any obligations under the Lease unless Franchisor expressly assumes the Lease). Landlord shall, during Franchisee's bankruptcy case, serve on the Franchisor a copy of all notices, pleadings or documents which are given to Franchisee, and service shall be in the same manner as given to Franchisee. If the Lease or Franchisee's rights under the Lease are terminated, whether by reason of default of Franchisee or Landlord, rejection of the Lease in any bankruptcy case, voluntary surrender and acceptance, or otherwise, then Landlord shall give written notice of such termination to Franchisor. Franchisor or its nominee shall have the option, exercisable by written notice to Landlord delivered not later than the 30th day after written notice that the termination has occurred, to receive from Landlord a new lease of the Premises on the same terms and conditions as the Lease, for the remaining term of the Lease (that is, the portion of the term that would remain absent the termination and the conditions or events causing the same), and such same terms and conditions shall include any extension rights provided for in the Lease.

Any notice or other communication required or permitted to be given under this Assignment shall be in writing and addressed to the respective party as set forth below. Notices shall be effective (i) on the next business day if sent by a nationally recognized overnight courier service, (ii) on the date of delivery by personal delivery and (iii) on the date of transmission if sent by facsimile during business hours on a business day (otherwise on the next business day) (with receipt of confirmation). Any party may change the address at which it is to receive notices to another address in the United States at which business is

conducted (and not a post-office box or other similar receptacle), by giving notice of such change of address in accordance with this provision.

Notices to Franchisor, Franchisee or Landlord shall be addressed as follows:

[Insert applicable notice addresses].

This Assignment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

If any portion or portions of this Assignment shall be held invalid or inoperative, then all of the remaining portions shall remain in full force and effect, and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion or portions held to be invalid or inoperative.

This Agreement shall be governed by and construed in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment under as of the date first above written.

FRANCHISEE:

Signature

Signature

Printed Name

Printed Name

LANDLORD

FRANCHISOR:

IRIS Alliance, LLC

By _____

By _____

Its _____

Its _____



SCHEDULE 8
IRIS ALLIANCE, LLC
CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made and entered into _____ 20____, between IRIS Alliance, LLC, a New Jersey limited liability company (hereinafter referred to as “us,” “we” “our” or “Franchisor”),
_____ (hereinafter referred to as “you”)

RECITALS:

WHEREAS, we have acquired the right to develop a unique system (the “System”) for the development and operation of asbestos, mold and lead inspection businesses under the name and mark “IRIS Environmental® Laboratories” (“Business”); and

WHEREAS, the System includes but is not limited to certain trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin, including, but not limited to the mark IRIS Environmental® Laboratories and such other trade names, service marks, and trademarks as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System’s high standards of quality, appearance and service standards; our Services, standards and specific methods, processes, procedures and techniques when performing Services; specifications for all equipment, products, supplies and services used and strategies for securing such items; sample testing price-match guarantee program, vendor and supplier relationships, proprietary referral relationship program, cost and pricing strategies, efficient scheduling and operational procedures, ongoing training programs, procedures for safety and quality control; Vehicle appearance standards (including our vehicle graphic specifications), our privately labeled software and mobile app platform; website, intranet system, third-party software, Operations Manual, photographs, video presentations, forms, contracts, record keeping and reporting methods; recommended build out specifications with décor, color scheme and signage (if operating out of a location); guidelines for hiring, training and retaining employees and independent contractors (if you choose to hire independent contractors); proprietary referral program and sales presentations, client and/or account acquisition and retention programs; advertising, marketing and promotional materials; all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in the operation of the System (“Trade Secrets”); and

WHEREAS, the Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by Franchisor competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, Franchisor has granted you a limited right to manage and participate in the operation of a Business using the System and the Trade Secrets for the period defined in the franchise agreement made and entered into _____, 20____ (“Franchise Agreement”) between you and Franchisor; and

WHEREAS, you and Franchisor have agreed in the Franchise Agreement on the importance to Franchisor and to you and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for you to have access to and to use some or all of the Trade Secrets in the management and operation of your Business using the System; and

WHEREAS, you have agreed to obtain from your staff written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, each member of your staff wishes to remain, or wishes to become your employee; and

WHEREAS, you will receive and use the Trade Secrets in the course of operating the Business;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the Parties agree as follows:

1. Franchisor shall disclose to you some or all of the Trade Secrets relating to the System.
2. You shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in connection with the management and/or operation by you of the Business using the System for so long as you are licensed by Franchisor to use the System.
3. You shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.
4. You shall not at any time disclose or permit the disclosure of the Trade Secrets except to your staff then only to the limited extent necessary to train or assist your staff in the management or operation of a Business using the System.
5. That all information and materials, including without limitation, drawings, specifications, techniques and compilations of data which Franchisor shall designate as confidential shall be deemed the Trade Secrets for the purposes of this Agreement.
6. You shall surrender the Confidential Franchise Operations and Procedures Manual and such other manuals and written materials as Franchisor shall have developed ("Manuals") described in the Franchise Agreement and any other material containing some or all of the Trade Secrets to you or Franchisor, upon request, or upon conclusion of the use for which the Manuals or other information or material may have been furnished to the You.
7. You shall not, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System or the Names and Marks.
8. The Manuals are loaned by Franchisor to you for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.
9. In further consideration for the disclosure to you of the Trade Secrets and to protect the uniqueness of the System, You agree that for two (2) years following the earlier of the

expiration, termination or transfer of all of your interest in the Franchise Agreement, you will not, without our prior written consent:

- a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or client of the Business to any competitor.
 - b. Employ or seek to employ any person who is at the time employed by us or any franchisee or developer of ours, or otherwise directly or indirectly induce such persons to leave that person's employment.
 - c. Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business which is the same or is similar to the Franchise including, but not limited to, any type of asbestos, mold and lead inspection business, laboratory testing facility and/or related business which is the same as or similar to the Business including, but not limited to, any which offers similar Services and products to an IRIS Environmental® Laboratories which business is, or is intended to be, located within a ten (10) mile radius of the location approved in the Franchise Agreement or of any Business (which includes company-owned businesses and/or other franchise businesses) in existence or under construction as of the earlier of: (i) the expiration or termination of, or the transfer of all or your interest in, the Franchise Agreement;
10. You undertake to use your best efforts to ensure that Employee acts as required by this Agreement.
 11. You agree that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.
 12. You agree to pay all expenses (including court costs and reasonable legal fees) incurred by Franchisor and you in enforcing this Agreement.
 13. Any failure by Franchisor or you to object or to take action with respect to any breach of this Agreement by you shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by you.
 14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF NEW JERSEY. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT IN NEW JERSEY IN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS; PROVIDED, HOWEVER, WITH RESPECT TO

ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF, THE FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION. THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

- 15. The Parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having a valid jurisdiction in an unappealed final decision to which Franchisor is a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.
- 16. This Agreement contains the entire agreement of the Parties regarding the subject matter hereof. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made herein. This Agreement may be modified only by a duly authorized writing executed by all parties.
- 17. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or facsimile, telegram or telex, (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective Parties.

If directed to Franchisor, the notice shall be addressed to:

IRIS Alliance, LLC
2333 Route 22 West
Union, NJ 07083
Attention: Rodrigo Eustaquio, President
Fax: 1 (908) 206-0093
Telephone: 1 (800) 908-6679

If directed to you, the notice shall be addressed to:

Attention: _____
Fax: _____
Telephone: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile, telegram or telex shall be deemed given upon transmission, provided confirmation is made as provided above.

Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall effected by giving fifteen (15) days written notice of such change to the other party.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its successors, assigns and transferees. The respective obligations of you and your staff hereunder are personal in nature and may not be assigned by you or your staff, as applicable.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below:

IRIS Alliance, LLC

a New Jersey limited liability company

Signature: _____

Printed Name: _____

Title: _____

YOU:

Signature: _____

Printed Name: _____

Title: _____



SCHEDULE 9
IRIS ALLIANCE, LLC
GENERAL RELEASE

This Release is made on _____, 20____, between IRIS Alliance, LLC, a New Jersey limited liability company (“Franchisor”) and its officers, directors and agents (“Affiliates”), and _____ (“Franchisee”).

RECITALS

- A. Franchisor and Franchisee entered into a Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) in which Franchisor granted franchisee the right to located, develop, and operate an IRIS Environmental® Laboratories business (the “Franchised business”), and Franchisee assumed obligations to located, develop, and operate the franchised Business.
- B. As a condition to Franchisor’s consent to the transfer of the Franchised Business, Franchisee is willing to release franchisor from certain obligations arising from the Franchise Agreement and related agreements, and any claims franchisee may have against each Franchisee as described herein.

AGREEMENT

1. RELEASE AND COVENANT NOT TO SUE

Subject to the terms of this Release, and in consideration for the consent described above, Franchisee and the undersigned individual guarantors, if applicable, hereby release and discharge and hold harmless Franchisor, its principals, agents, shareholders, officers, directors, employees, successors, assigns, subsidiaries, and affiliated groups and each of them (“Affiliates”), from any and all losses, claims, debts, demands, liabilities, actions, and causes of action, of any kind, whether known or unknown, past or present, that any of them may have or claim to have against Franchisor or its Affiliates and any of them before or on the date of this release, arising out of or related to the offer, negotiation, execution, and performance of the Franchise Agreement, the operation of the Franchised Business, and all circumstances and representations relating to such offer, negotiation, execution, performance, and operation (collectively, “Released Claims”, except as specifically reserved:

Franchisee and guarantors agree that Released Claims shall specifically include any claim or potential claims under the Title 14 Sections 14-201 through 14-233 of the Maryland Annotated Code and laws otherwise governing relationships between franchisors and franchisees. Franchisee and guarantors hereby covenant and agree that none of them will bring any action against Franchisor or its Affiliates in connection with any Released Claim.

2. **NO ADMISSION**

Nothing contained in this Agreement shall be construed as an admission of liability by either party.

3. **NO ASSIGNMENT**

Each party represents and warrants to the other that it has not assigned or otherwise transferred or subrogated any interest in the Franchise Agreement or in any claims that are related in any way to the subject matter of this Release. Each party agrees to indemnify and hold the other fully and completely harmless from any liability, loss, claim, demand, damage costs, expense and attorneys' fees incurred by the other as a result of any breach of this representation or warranty.

4. **ENTIRE AGREEMENT**

This Release embodies the entire agreement between the parties and supersedes any and all prior representations, understandings, and agreements with respect to its subject matter. There are no other representations, agreements, arrangements, or understandings, oral or in writing, and signed by the party against whom it sought to be enforced.

5. **FURTHER ACTS**

The parties agree to sign other documents and do other things needed or desirable to carry out the purpose of this Release.

6. **SUCCESSORS**

This Amendment and Release shall bind and insure to the benefit of the parties, their heirs, successors, and assigns.

7. **GOVERNING LAW; JURISDICTION**

This Release shall be construed under and governed by the laws of the State of New Jersey, and the parties agree that the courts of Union County, New Jersey, shall have jurisdiction over any action brought in connection with it, except to the extent that the Franchise Agreement is governed by the laws or venue provisions of another state.

8. **SEVERABILITY**

If any part of this release is held invalid or unenforceable to any extent by a court of competent jurisdiction, this Release shall remain in full force and effect and shall be enforceable to the fullest extent permitted, provided that it is the intent of the parties that it shall be entire, and if it is not so entire because it is held to be unenforceable, then this Release and the consent given as consideration for it shall be voided by frustration of its purpose.

9. **VOLUNTARY AGREEMENT**

Each party is entering into this Release voluntarily and, after negotiation, has consulted independent legal counsel of its own choice before signing it, is signing it with a full understanding of its consequences, and knows that is not required to sign this Amendment and Release. The parties acknowledge and agree that this Amendment and Release constitutes a release or waiver executed

pursuant to a negotiated agreement between a Franchisee and a Franchisor arising after the Franchise Agreement has taken effect and as to which each part is represented by independent legal counsel.

IRIS Environmental® Laboratories Franchisee

By _____

Its _____

By _____

Its _____

EXHIBIT B

DIRECTORY OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS

AGENTS FOR SERVICE OF PROCESS

EXHIBIT B

DIRECTORY OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS

FEDERAL

FEDERAL TRADE COMMISSION

Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W.
Room 238
Washington, D.C. 20580
202-326-2970

STATE FRANCHISE REGULATORS & AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

California Department of Business Oversight
Commissioner for the Department of Business Oversight
One Sansome Street Suite 600
San Francisco, CA 94104-4428
866-275-2677

FLORIDA

State Department of Agriculture and
Consumer Services
P.O. Box 6700 Suite 7200
Tallahassee, FL 32314-6700
850-410-3754

ILLINOIS

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

MARYLAND

Securities Commissioner
Division of Securities
200 St. Paul Place 20th Floor
Baltimore, Maryland 21202-2020
410-576-6360

CONNECTICUT

Connecticut Department of Banking
Securities Division
260 Constitution Plaza
Hartford, Connecticut 06103
800-831-7225

HAWAII

Commissioner of Securities of the State of Hawaii
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street Room 205
Honolulu, Hawaii 96813
808-586-2722

INDIANA

Chief Deputy Commissioner
Securities Divisions
302 West Washington Street Room E-111
Indianapolis, Indiana 46204
317-232-6681

MICHIGAN

Consumer Protection Division
Franchise Administrator
670 G. Mennen Williams Building
252 West Ottawa Street
Lansing, Michigan 48933
517-373-7117

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
651-539-1600

NEW JERSEY

Rodrigo Eustaquio
2333 Route 22 West
Union, New Jersey 07083
908-206-0073

NORTH DAKOTA

Franchise Examiner
600 East Boulevard
State Capitol 5th Floor,
Bismarck, North Dakota 58505
701-328-2910

RHODE ISLAND

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue Bldg. 69-2
Cranston, Rhode Island 02920
401-462-9527

TEXAS

Secretary of State
P.O. Box 12697
Austin, Texas 78711-2697
1019 Brazos
Austin, Texas 78701
512-463-5701

WISCONSIN

Franchise Registration
Divisions of Securities
P.O. Box 1768
Madison, Wisconsin 53701
608-266-1064

NEW YORK

New York Secretary of State
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231
518-473-2492

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8236

SOUTH DAKOTA

Franchise Administrator
Division of Securities
124 S. Euclid Ave Suite 104
Pierre, South Dakota 57501
605-773-4823

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main St, 9th Floor
Richmond, Virginia 23219
804-371-9733

State Administrator:
State Corporation Commission
1300 East Main St. 9th Floor
Richmond, Virginia 23219
804-371-9051

WASHINGTON

Securities Administrator
150 Israel Road SW
Tumwater, Washington 98501
360-902-8760

CANADA

Director of Franchises
Alberta Securities Commission Agency
21st Floor
10025 Jasper Avenue
Edmonton, Alberta T5J 3Z5

Director of Franchises
Ontario Securities Commission
Suite 1903
20 Queen Street, West
Toronto, Ontario MSH 3S8
(416) 593-8314

Director of Franchises
New Brunswick Securities Commission
Suite 300
85 Los Angeles Street
Saint John, New Brunswick 32L 2J2

Office of the Attorney General
Consumer, Corporate, and Insurance Division
PEI Securities Office
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
(902) 368-4569

EXHIBIT C

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EXHIBIT D

STATE ADDENDA

EXHIBIT D
STATE LAW ADDENDA
TO
FRANCHISE DISCLOSURE DOCUMENT
AND
FRANCHISE AGREEMENT

The following modifications are to the IRIS Alliance, LLC Disclosure Document and will supersede, to the extent then required by applicable state law, certain portions of the Franchise Agreement dated _____, 20____.

I. FRANCHISOR/FRANCHISEE RELATIONSHIP STATUTES
(Including Renewal and Termination Rights)

For franchises governed by laws of the following states:

CALIFORNIA, COLORADO, HAWAII, ILLINOIS, INDIANA, IOWA, MARYLAND,
MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND, SOUTH DAKOTA,
VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In addition,

ILLINOIS Illinois franchisees should note that the conditions under which your franchise can be terminated, and your rights upon non-renewal are governed by Illinois laws, Illinois Complied status 815 ILCS 709/19 and 709/20.

Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

INDIANA Indiana franchisees should note that Indiana Law provides that it is unlawful for a Franchise Agreement to contain certain provisions in the area of required purchases, modification, competition, increases in the price of goods on order termination and non-renewal, covenants not to compete, and limitations on litigation. Indiana law also prohibits franchisors from engaging in certain acts and practices, including coercion, refusing delivery of goods or services, denying the surviving spouse or estate of the Franchisee an opportunity to participate in the ownership of the franchise, unreasonable competition, unfair competition, unfair discrimination among franchisees, and using deceptive advertising.

MINNESOTA law requires that with respect to the franchises governed by Minnesota law, the Franchisor will comply with Minnesota. Statute 80C.14 subdivisions 3, 4, and 5 which require except in certain specific cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

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

In accordance with Minnesota Rule 2860.4400J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80C.12, to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify our from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

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

(Signature of Franchisee)

(Name of Franchisee)

(Title)

RHODE ISLAND Notwithstanding anything in this Agreement to the contrary, all Rhode Island located franchisees will be governed by the Rhode Island Franchise Investment Act.

WASHINGTON If any of the provisions of this Franchise Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will

prevail over inconsistent provisions of the Franchise Disclosure Document and the Franchise Agreement with regard to any franchise sold in Washington.

WISCONSIN Chapter 135, Stats. Of the Wisconsin Fair Dealership Law supersedes any provisions of the Franchise Agreement that may be inconsistent with that law.

II. POST-TERM COVENANTS NOT TO COMPETE

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes which limit the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

California Business and Professions Code	Sections 16,600 to 16.607
Michigan Compiled Laws	Section 445.771 et seq.
Montana Codes	SECTION 30-14-201
North Dakota Century Code	Section 9-08-06
Oklahoma Statutes	Section 15-217-19
Washington Code	Section 19.86.030

Other states have court decisions limiting the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

III. TERMINATION UPON BANKRUPTCY

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, VIRGINIA, WASHINGTON, WISCONSIN

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

IV. LIQUIDATED DAMAGES PROVISIONS

The following states have statutes which restrict or prohibit the imposition of liquidated damages provisions:

CALIFORNIA	Civil Code Section 1671
INDIANA	IC 23.2-2.5-2
MINNESOTA	Rule 2860.4400

State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.

For franchises governed by the laws of the state of MINNESOTA, liquidated damage provisions are void.

V. STATE ADDENDUMS

The following are Addendums for Franchises governed by the laws of the respective states as follows:

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document.

The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et. Seq., suspending or expelling such persons from membership in such association or exchange.

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

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

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in Union County, New Jersey with the costs being borne by the 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.

The Franchise Agreement requires application of the law of New Jersey. This provision may not be enforceable under California law.

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

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31 000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

OUR URL IS: WWW.IRISLABORATORIES.COM OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV

ILLINOIS

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration in a venue outside of Illinois.

The governing law or choice of law clause described in the Disclosure Document (including a risk factor on the cover page) and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application for the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Item 5 of the Disclosure Document and Section 4.1 of the Franchise Agreement is hereby amended if the Attorney General of Illinois requires the following: to provide that all initial franchise fees are deferred, or alternatively, deposited into escrow, until all Franchisor's pre-opening obligations to franchisee have been met and the franchisee is open for business. This deferral requirement has been imposed by the Illinois Attorney General's Office based upon Franchisor's financial condition. A financial assurance is not required as a condition of registration.

Illinois law requires that the Franchisor give you a copy of the Disclosure Document as registered with the Attorney General together with a copy of all proposed agreements relating to the sale of the franchise before the earlier of:

1. 14 days before our execution of a binding Franchise Agreement or other agreement, and
2. 14 days before the Franchisor receives any payment from you.

Your rights upon termination and non-renewal of the Franchise Agreement are set forth in Section 19 and Section 20 of the Illinois Franchise Disclosure Act.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

IRIS ALLIANCE, LLC.

FRANCHISEE

By:_____

By:_____

Title:_____

Title:_____

Date:_____

Date:_____

INDIANA

To the extent that Item 17 of the Disclosure Document and Section XVIII of the Franchise Agreement re inconsistent with the Indiana Deceptive Franchise Practice Law, which prohibits a prospective general release of any claims for liability imposed under it, the Indiana Deceptive Franchise Practice Law may supersede such inconsistent terms.

To the extent that Item 17 of the Disclosure Document and Section XXIV and Schedule 8 of the Franchise Agreement are in conflict with Section 2.7-1(9) of the Indiana Deceptive Franchise Practice Law, prohibiting

non-competition agreements exceeding 3 years or an area greater than the exclusive area granted in the Franchise Agreement, Indiana law shall prevail.

Section 2.7-1(10) of the Indiana Deceptive Franchise Practice Law, which prohibits limiting litigation brought for breach of the agreement, supersedes items in this Disclosure Document and Franchise Agreement, to the extent that such items are inconsistent with Section 27-1(10) of the Indiana Deceptive Franchise Practice Laws.

MARYLAND ADDENDUM

Item 17 of Disclosure Document is amended to state: The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of Disclosure Document is amended to state: The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of Disclosure Document is amended to state: The franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

Item 17 of Disclosure Document is amended to state: Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between IRIS Alliance, LLC, a New Jersey limited liability company (“IRIS Environmental”) and _____ a _____ (“Franchisee”).

1. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Any claims arising under the Maryland Franchise Registrations and Disclosure Law must be brought within 3 years after the grant of the franchise.
3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. Section XXXI of the Franchise Agreement (REPRESENTATIONS AND WARRANTIES BY THE FRANCHISEE) is deleted in its entirety.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Agreed to by:

FRANCHISEE: _____ By: _____ Name: _____ Title: _____ Date: _____	FRANCHISOR: IRIS ALLIANCE, LLC By: _____ Name: _____ Title: _____ Date: _____
--	---

MICHIGAN

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

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

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

2. The fact that the proposed transferee is a competitor of the Franchisor or Sub-Franchisor.
 3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 4. The failure of the Franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- H.** A provision that requires the Franchisee to resell to the franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bon fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the Franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).
- I.** A provision that permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Phone: 517/373-7117

MINNESOTA

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

In accordance with Minnesota Rule 2860.440J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80c.12), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify our

from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

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

NEW YORK

FRANCHISE DISCLOSURE DOCUMENT

The cover page of the Franchise Disclosure Document will be supplemented with the following inserted at the bottom of the cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Franchise Disclosure Document: Add the following:

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, and any person identified in Item 2. The following is added at the end of Item 3:

With regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

Item 4 of the Franchise Disclosure Document: Add the following language:

A. Neither the Franchisor, its predecessors, or any person identified in Item 2 filled as an individual or business for protection under the U.S. Bankruptcy Code during the ten-year period immediately before the date of the Disclosure Document:

B. Filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;

C. Obtained a discharge of its debts under the bankruptcy code; or

D. Was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner held this position and or company or partnership.

Item 5 of the Franchise Disclosure Document: Add at the end of the last paragraph:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17. Add the following:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee": You may terminate the agreement on any grounds available by law.

The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor": However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

I. Item 5 is amended by the addition of the following language to the original language:

Refund and cancellation provisions do not apply to franchises operating under the North Dakota franchise Investment Law. If the Company elects to cancel the Franchise Agreement, the Company will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred. This amount may not be more than fifty percent (50%) of the Franchise Fee.

II. Item 5, Note 1, the last paragraph shall be amended to read as follows:

If your Franchise Agreement is terminated, you may be required to continue royalty payments for so long as you or our assignee or successor continues to use our trademarks or systems in any way.

III. Item 6, Note 4, shall be amended to read as follows:

Note 4: You must protect, indemnify, and hold us harmless against any claims or losses arising out of your operation of the franchise business. Each party will bear its own expenses of any litigation to enforce the agreement.

IV. Item 17 is amended by the addition of the following language to the original language:

- A.** A provision in the Franchise Agreement that terminates the Franchise Agreement on the bankruptcy of the franchisee may not be enforceable under Title II, U.S. Code, Section 101.
- B.** The erosion of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.
- C.** The North Dakota Century Code, Section 9-08-06 limits the franchisor’s ability to restrict your ability to restrict your activity after the Franchise Agreement has ended.
- D.** Under North Dakota law, liquidated damages provisions are void. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions. Thus, the provision requiring you to continue to pay amounts to franchisor if you elect to cancel the agreement may not be enforceable under North Dakota law.

V. Item 17 is amended to read as follows:

PROVISION	FRANCHISE AGREEMENT	SUMMARY
Your obligations on termination non-renewal	FA: XXIV	De-Identification, payment, non-disclosure, non-competition; you continue to pay royalties for so long as you use the trademarks if terminated for breach, unless you abandon the business, abide by post termination covenants, and release and indemnify us.

VI. Item 17: The Choice of Law and Arbitration sections are amended to read as follows:

- A. The Franchise Agreement shall be governed by the laws of North Dakota.
- B. Except as specifically otherwise provided in the Franchise Agreement, all contract disputes that cannot be amicably settled will be determined by arbitration under the Federal Arbitration Act and in accordance with the rules of the American Arbitration Association. Arbitration will take place at an appointed time and place in the county and state in which your franchised business is located. However, nothing in the Franchise Agreement limits or precludes the parties from bringing an action in a court of competent jurisdiction for injunction or other provisional relief as needed or appropriate to compel a party to comply with its obligations or to protect the marks or the company's other property rights.
- C. The Choice of Forum section is amended to delete the following:
- Any action will be brought in the state or federal courts in Union County, New Jersey.

FRANCHISE AGREEMENT

I. Article IX, concerning refunds of initial franchise fees and royalties, is amended to add the following:

Refund and cancellation provisions do not apply to franchisees operating under the North Dakota Franchise Investment Law. If Franchisor elects to cancel this Franchise Agreement, Franchisor shall be entitled to a reasonable fee for its evaluation of Franchisees and related preparatory work performed and expenses actually incurred. This amount shall be no more than fifty percent (50%) of the franchise fee.

II. Sections XXIII and XXII, relating to termination and transfer, are amended to add the following:

The execution of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.

III. Section XXIII(H), providing for liquidated damages on termination of the Franchise Agreement, is hereby amended to read as follows:

- h. Pay to Franchisor royalty fees and other ongoing fees, and other amounts Franchisee owes to Franchisor, as though Franchisee were still an active Franchisee, for so long

as Franchisee or its assignee or successor continues to use the trademarks in any way. Franchisor is also entitled to all other applicable remedies.

IV. Section XXV is amended to read as follows:

In any action to enforce this Agreement or to seek remedies on default by either party, each party shall bear its own expenses of litigation or enforcement.

V. A. Section XXV is amended to add the following:

THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT ON ACCEPTANCE AND EXECUTION BY THE COMPANY AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF NORTH DAKOTA, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15, U.S.C. SECTIONS 1015, ET. SEQ.) .

B. Section XXV (H) providing for exclusive jurisdiction in Union County, New Jersey is deleted.

C. Paragraph XXV to the extent it provides for a limitation of one year on actions under the Franchise Agreement is hereby deleted.

D. Section XXV to the extent it provides for a waiver of punitive or exemplary damages, and a waiver of jury trial, is deleted.

VI. The Arbitration section shall be deleted and amended to read as follows:

Except as specifically otherwise provided in this Agreement, the parties agree that all contract disputes that cannot be amicably settled shall be determined by arbitration under the Federal Arbitration Act as amended and in accordance with the rules of the American Arbitration Association or any successor thereof. Arbitration shall take place at an appointed time and place in the County and State in which Franchisee's franchised business is located. However, nothing contained herein shall be construed to limit or to preclude the parties from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as the parties deem to be necessary or appropriate to compel either party to comply with its obligations hereunder or to protect the marks or other property rights of franchisor.

VII. The Acknowledgement section is amended to add the following:

Franchisee acknowledges that Franchisee received a copy of this Franchise Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

VIII. The Covenants section is amended to add the following:

Covenants not to compete on termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

RHODE ISLAND

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

A provision in a Franchise Agreement restricting jurisdiction of venue to a forum outside this state or requiring the application of the laws of another state are void with respect to a claim otherwise enforceable under this Act.

VIRGINIA

In recognition of the restrictions contained in 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for IRIS Alliance, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute ‘reasonable cause’ as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

This section operates as an addendum to the Franchise Agreement.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

The Disclosure Document and Franchise Agreement are amended to reflect that Franchisor agrees to defer collection of the initial Franchisee fees until Franchisee has received its initial training and is open for business.

ACKNOWLEDGEMENT

The undersigned does hereby acknowledge receipt of this addendum and further agrees that the applicable Washington state law addendum, if any supersedes any inconsistent portion of the Franchise Agreement dated _____, 20____, and of the Franchise Disclosure Document.

FRANCHISOR: IRIS Alliance, LLC

Signed: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

EXHIBIT E

OPERATION MANUAL TABLE OF CONTENTS



OPERATIONS MANUAL

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TOTAL PAGES IN OPERATIONS MANUAL: 228

EXHIBIT F

OPTION AGREEMENT

EXHIBIT F

FRANCHISE OPTION AGREEMENT

This Option Agreement is entered into as of _____, 20____ between IRIS Alliance, LLC (“Franchisor”) and _____ (“Optionee”).

1. Grant of Option. Optionee is hereby granted an option to be awarded an IRIS Environmental® Laboratories Franchise.

2. Location. Optionee has the exclusive right to enter into a Franchise Agreement during the term of this Option Agreement for an IRIS Environmental® Laboratories franchise to be opened within _____ miles of the “selected address” listed below. The exact location of the franchise is chosen by Optionee, subject to Franchisor’s approval.

3. Option Fee. A non-refundable option payment of \$5,000 is required with the execution of this Agreement. The option payment will be credited towards the Initial Franchise Fee of \$36,000 or \$18,000 for a second franchise and any additional franchises thereafter provided that the Franchise Agreement is executed on or before the expiration date of this Agreement. An Optionee must prove financial qualifications and pass the background, credit, and criminal checks generally required of IRIS Environmental® Laboratories franchisees and maintain those requirements at the time you exercise this option. No refund will be paid if the financial qualifications or background check of the owners cannot be met before a franchise is granted.

4. Term. This Option will have a term of six months and begins on the date of this Agreement listed below.

5. Notices. All notices sent by one party to the other must be hand-delivered, sent by registered or certified mail, return receipt requested, or transmitted by facsimile, or sent via electronic means if the sender can verify receipt. They will be addressed to Franchisor at its office as above designated, or at the other address Franchisor designates in writing, and addressed to Optionee at the address Optionee designates in writing. Any notice is deemed given and received, when delivered, if hand-delivered; if sent by facsimile or electronic means, on the next business day after sent; and if mailed, on the third business day following the mailing.

6. Governing Law. This Agreement is valid when executed and accepted by Franchisor and is governed by the laws of the State of New Jersey. Union County, New Jersey will be the venue for any arbitration or litigation. This choice of laws will not affect the scope of the New Jersey franchise, business opportunity or related statutes, and nothing in this Agreement will be deemed to extend the scope of application of those laws.

Selected Address _____

Dated _____, 20_____

Expiration Date _____

FRANCHISOR:
IRIS Alliance, LLC

Signed _____

Name _____

Title _____

OPTIONEE:

Signed _____

Name _____

Title _____

Signed _____

Name _____

Title _____

EXHIBIT G

List of Franchisees

LIST OF FRANCHISEES

Maryland	
Montgomery (2 units) Jason Brown 15 Fulks Corner Ave. Gaithersburg, MD 20877 (240)293-2200 jason@irisinspections.com	
Pennsylvania	
Villanova Tyler Sunshine 1260 Lake Mont Road Villanova, PA 19085 610-708-1298 tyler@irisinspections.com	
South Carolina	
Columbia Mitch Baker 84 Scoville St. Orangeburg, SC 29115 (803) 474-4333 mitch@irisinspections.com	

EXHIBIT H

Franchisees Who Left The System

Sussex County New Jersey Manhattan (New York #1) Raymond Zimmerman 18 Amicalola Road Highland Lakes, NJ 07422 (800)-201-0067 ray@irisinspecitons.com	Ocean County & Monmouth County NJ Steven Scoles and Denise Rivera 331 Newman Springs Rd. Bldg.1 Red Bank, NJ 07701 (640) 888-9009 steven@irisinspecitons.com , denise@irisinspections.com
Austin, TX (#1, #2) James Liburdi 2511 West Braker Lane Austin, Texas 78758 (512) 253-1550 james@irisinspections.com	Michigan Sally Medina (248) 838-8074
Raleigh 512 Kintyre Dr Clayton, NC 27520 (919) 275-5395	

EXHIBIT I

UNAUDITED FINANCIAL STATEMENT

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

IRIS Alliance

Balance Sheet

As of March 31, 2024

	JAN - DEC 2023	JAN - MAR, 2024
ASSETS		
Current Assets		
Bank Accounts		
Checking Account	235,509.46	249,570.69
Total Bank Accounts	\$235,509.46	\$249,570.69
Accounts Receivable		
Accounts Receivable (A/R)	53,498.97	4,077.62
Total Accounts Receivable	\$53,498.97	\$4,077.62
Other Current Assets		
Accrued Income	2,942.00	2,942.00
Deferred Franchise Cost, current portion	5,500.00	5,500.00
Undeposited Funds	4,041.45	4,041.45
Total Other Current Assets	\$12,483.45	\$12,483.45
Total Current Assets	\$301,491.88	\$266,131.76
Fixed Assets		
Accumulated Depreciation	-1,866.00	-1,866.00
Field Equipments	2,826.00	2,826.00
Total Fixed Assets	\$960.00	\$960.00
Other Assets		
Deferred Franchise Cost, net of current portion	12,167.00	12,167.00
Total Other Assets	\$12,167.00	\$12,167.00
TOTAL ASSETS	\$314,618.88	\$279,258.76
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable (A/P)	0.00	0.00
Total Accounts Payable	\$0.00	\$0.00
Credit Cards		
Credit Card	0.00	0.00
DEBIT CARD	0.00	0.00
Total Credit Cards	\$0.00	\$0.00
Other Current Liabilities		
Deferred Franchise Income - Current Portion	21,000.00	21,000.00
Due To/From Iris Environmental Laboratories	22,114.00	22,114.00
Total Other Current Liabilities	\$43,114.00	\$43,114.00
Total Current Liabilities	\$43,114.00	\$43,114.00

IRIS Alliance

Balance Sheet

As of March 31, 2024

	JAN - DEC 2023	JAN - MAR, 2024
Long-Term Liabilities		
Deferred Franchise Income	46,811.00	46,811.00
Loam NJ Emergency assistance	0.00	0.00
Total Long-Term Liabilities	\$46,811.00	\$46,811.00
Total Liabilities	\$89,925.00	\$89,925.00
Equity		
Member Equity Contributions	101,425.00	101,425.00
Opening Balance Equity	5,652.56	5,652.56
Retained Earnings	61,546.45	117,616.32
Net Income	56,069.87	-35,360.12
Total Equity	\$224,693.88	\$189,333.76
TOTAL LIABILITIES AND EQUITY	\$314,618.88	\$279,258.76

IRIS Alliance

Profit and Loss

January - December 2023

	JAN - DEC 2023	TOTAL
Income		
Discounts given	-2,520.00	\$ -2,520.00
Services	168,587.69	\$168,587.69
Uncategorized Income		\$0.00
Total Income	\$166,067.69	\$166,067.69
GROSS PROFIT	\$166,067.69	\$166,067.69
Expenses		
Advertising & Marketing	10,200.00	\$10,200.00
Commission Expense	42,500.01	\$42,500.01
Legal & Professional Services	11,646.00	\$11,646.00
QuickBooks Payments Fees	3,106.86	\$3,106.86
Total Expenses	\$67,452.87	\$67,452.87
NET OPERATING INCOME	\$98,614.82	\$98,614.82
Other Income		
Late Fee Income	111.05	\$111.05
Total Other Income	\$111.05	\$111.05
Other Expenses		
Depreciation Expense	428.00	\$428.00
Other Miscellaneous Expense		\$0.00
Bad Debt Expense	42,228.00	\$42,228.00
Total Other Miscellaneous Expense	42,228.00	\$42,228.00
Total Other Expenses	\$42,656.00	\$42,656.00
NET OTHER INCOME	\$ -42,544.95	\$ -42,544.95
NET INCOME	\$56,069.87	\$56,069.87

AUDITED FINANCIAL STATEMENTS

Financial Statements
and
Independent Auditor's Report

IRIS Alliance, LLC

December 31, 2023 and 2022



IRIS Alliance, LLC

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December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Member
IRIS Alliance, LLC

Opinion

We have audited the accompanying financial statements of IRIS Alliance, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IRIS Alliance, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IRIS Alliance, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 IRIS Alliance, 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

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fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IRIS Alliance, 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 IRIS Alliance, 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.

RW Group, LLC

Kennett Square, Pennsylvania
March 20, 2024

IRIS Alliance, LLC
Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash	\$ 239,551	\$ 218,209
Deferred franchise costs, current portion	9,200	5,500
Accounts receivable, net of \$3,427 allowance in 2022	-	18,322
Accrued income	621	2,942
Due from related party	-	-
Total Current Assets	249,372	244,973
Equipment		
Field equipment	2,826	2,826
Less: accumulated depreciation	(1,866)	(1,438)
Total Equipment	960	1,388
Other Assets		
Deferred franchise costs, net of current portion	7,700	12,167
TOTAL ASSETS	\$ 258,032	\$ 258,528

See accompanying notes to financial statements

IRIS Alliance, LLC
Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND MEMBER'S CAPITAL		
Current Liabilities		
Due to related party	\$ 22,114	\$ 22,114
Deferred franchise fees, current portion	34,500	21,000
Total Current Liabilities	56,614	43,114
Deferred franchise fees, net of current portion	29,435	46,811
TOTAL LIABILITIES	86,049	89,925
MEMBER'S CAPITAL	171,983	168,603
TOTAL LIABILITIES AND MEMBER'S CAPITAL	\$ 258,032	\$ 258,528

See accompanying notes to financial statements

IRIS Alliance, LLC**Statements of Income****For the Years Ended December 31, 2023 and 2022**

	2023	2022
Revenues		
Franchise fees	\$ 71,376	\$ 19,063
Royalty fees	12,625	32,269
Marketing and advertising fees	2,075	3,824
Proposal management services	250	3,000
Less: discounts	(2,520)	-
Total Revenues	83,806	58,156
Cost of Revenues		
Marketing and advertising fee	10,200	10,380
Total Cost of Revenues	10,200	10,380
Selling, General, and administrative expenses		
Professional fees	11,625	8,900
Depreciation and amortization	19,695	5,852
Allowance for credit losses	25,473	-
Other general and administrative fees	27,107	1,778
Total Selling, General, and Administrative Expenses	83,900	16,530
Other Income and Expenses		
Other income	13,674	18,007
Total Other Income and Expenses	13,674	18,007
NET INCOME (LOSS)	\$ 3,380	\$ 49,253

See accompanying notes to financial statements

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IRIS Alliance, LLC**Statements of Changes in Member's Capital
For the Years Ended December 31, 2023 and 2022**

	2023	2022
Member's Capital, beginning of year	\$ 168,603	\$ 119,350
Net Income (loss)	3,380	49,253
Member's Capital, end of year	\$ 171,983	\$ 168,603

See accompanying notes to financial statements

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IRIS Alliance, LLC**Statements of Cash Flows****For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Net income (loss)	\$ 3,380	\$ 49,253
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation expense	428	644
Amortization deferred franchise fees	(71,376)	(19,063)
Amortization deferred franchise costs	19,267	5,208
Increase/decrease in due to/from related party	-	-
Accrued income	2,321	-
Accounts Receivable	18,322	(18,322)
Deferred franchise costs	(18,500)	(5,000)
Deferred franchise fees	67,500	22,500
Net cash flow from operating activities	21,342	35,220
Cash Flows From Investing Activities		
Net cash flow from investing activities	-	-
Cash Flows From Financing Activities		
Net cash flow from financing activities	-	-
Net Change in Cash	21,342	35,220
Cash, beginning of year	218,209	182,989
Cash, end of year	\$ 239,551	\$ 218,209

See accompanying notes to financial statements

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IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

(1) Nature of Business

IRIS Alliance, LLC (the Company), a New Jersey limited liability company formed on February 1, 2018, is offering franchises for the operation of mold and asbestos inspection, testing and clearance certification businesses.

The Company began active operations in 2020. As of December 31, 2023, the Company has seven independent licensees operating in South Carolina, Maryland, Pennsylvania, New Jersey and New York and four franchisor operated locations. In 2023 four licenses were granted and six terminated. In 2022 two licenses were granted.

The Company's operating agreement defines the rights and obligations of its members. Generally, income and losses are allocated to the member. Distributions to the member is made in accordance with the terms of the operating agreement. The member is not required to make additional capital contributions to the Company beyond initial commitment contributions. No manager, officer, or member shall be personally liable for the debts, obligations, or liabilities of the Company. The Company will continue in existence in perpetuity unless dissolved as provided for in the operating agreement.

(2) Accounting Standards Adopted in 2023

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, which includes accounts receivable. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. There was not transition adjustment for the adoption of CECL.

(3) Significant Accounting Policies

Cash

For the purposes of the cash flow statement, cash and cash equivalents include unrestricted and restricted demand deposits, money market funds and certificate of deposits with original maturities of three months or less. As of December 31, 2023 and 2022 the Company does not have any cash equivalents or restricted cash.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

Accounts Receivable

Receivables represent amounts due for royalty fees, advertising fees and gift cards issued by the franchisees. The allowance for doubtful accounts is the Company's estimate of the amount of probable credit losses in the Company's existing accounts receivable.

Equipment

Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Accrued Income

Accrued income represents income earned by the Company as of December 31, 2023 and 2022, but not yet billed.

Deferred Franchise Costs

Deferred franchise costs represent costs incurred by the Company to acquire and enter into franchise agreements with franchisees. The deferred franchise costs are recognized as an expense on a straight-line basis over the term of the agreements, generally five years.

Deferred Franchise Fees

Deferred franchise fees represent the fees paid by franchisees to operate under the IRIS brand. Initial fees are generally \$15,000 and are for a term of five years, additional locations can be obtained for \$7,500 per location. Franchisees have the option to enter into two five-year additional terms for \$5,000 each. The deferred franchise fees are recognized as revenue on a straight-line basis over the term of the agreements.

Income Taxes

The Company is a limited liability company for federal, state, and local purposes. As such the Company does not record a tax provision for income taxes as the income is reportable by the members on their personal income tax returns. The Company's tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity.

Revenue Recognition

The Company generates revenue through franchise fees, royalty fees, marketing and advertising fees, proposal management services, phone services, and field operation fees.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

Franchise Fees

The Company requires the entire franchise fee to be paid upon execution of the franchise agreement or extension thereof, which generally have five-year terms. The franchise agreement requires the Company to provide various services throughout the term of the agreement including training and ongoing operational support. These services are interrelated with the franchise license and as such are considered to represent a single performance obligation. Recognition of franchise fee revenue is recognized over the term of the agreement on a straight-line basis beginning upon execution of the agreement.

Royalty Fees

The Company collects royalty fees, as stipulated in the franchise agreement. Royalty fees are sales-based, related to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Royalty Month	Monthly Fee	
	% Gross Revenue	Minimum
Month 1-12	5%	\$ 250
Month 13-24	6%	350
After 24 months	7%	750

Marketing and Advertising

Monthly marketing and advertising fees are collected, as stipulated in the franchise agreement equal to 1% of gross revenue, or \$50, whichever is greater. The fees are used to develop and promote the brand name for marketing purposes. These fees are sales-based, related to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Proposal Management Services

Proposal management services fees are charged for the use of the Company's privately labeled software to assist the franchisee in organizing, scheduling, and routing jobs, tracking the chain of custody for samples, sending client notifications, and creating reports. These services are provided by the Company on a monthly basis and are recognized as revenue over the term of the agreement. These services are billed in arrears.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

Phone Service Fee

The Company provides a virtual phone system platform for the operations of the businesses. The Company charges \$20-\$30 per number, per month, plus an additional \$5 for each dedicated extension the franchisee chooses to add. These services are billed in arrears. In March 2021, a related party began to directly charge the franchisees for these services.

Field Operations Fee

Field operations fee is charged to the franchisee for the assistance and guidance in running the business. These services are provided by the Company on a monthly basis and are recognized as revenue over the term of the agreement. These services are billed in arrears. In March 2021, a related party began to directly charge the franchisees for these services.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs relating to obligations under the franchise agreements was \$10,200 and \$10,380, for the years ended December 31, 2023 and 2022, respectively. There were no other advertising costs for the years ended December 31, 2023 and 2022, respectively.

Use of Estimates

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

(4) Related Party Transactions

In 2019 the Company had advanced funds to a related party, incurs interest at 6.5% per annum, and is repayable upon demand. In 2021 the related party advanced \$22,114 in funding to the Company which remains payable as of the end of December 31, 2023 and 2022, respectively. No interest is accruing on the advance. Further, the related party is providing services to franchisees on behalf of the Company.

(5) Contract Balances

Contract assets consist of accounts receivable, and commissions paid in connection with the acquisition of new franchisees (Deferred franchise costs).

Accounts receivable, net of allowance for doubtful accounts, as of December 31, 2023, 2022 and 2021, are \$-, \$18,322, and \$-, respectively.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

Deferred franchise costs are recognized as expense when the revenue is recognized, which is over the term of the respective agreement. As these costs are generally paid in cash at the beginning of the agreement, the cash paid is initially recorded as a contract asset until recognized as expense over time. If a contract is terminated early, the remaining unamortized balance is recognized as an expense, consistent with the recognition of any unamortized revenue.

Changes in the Company's contract assets for deferred franchise costs during the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 17,667	\$ 17,875
Costs incurred	18,500	5,000
Costs recognized as expense	(7,975)	(5,208)
Costs recognized on terminated contract	(11,292)	-
Balance, end of year	<u>\$ 16,900</u>	<u>\$ 17,667</u>

Estimated costs expected to be recognized in the future relating to the deferred franchise costs as of December 31, 2023 is as follows:

2024	\$ 5,700
2025	4,638
2026	2,887
2027	2,700
2028	975
	<u><u>\$ 16,900</u></u>

Contract liabilities consist of initial franchise fees. These are reported as deferred franchise fees and recognized as revenue over the term of the respective agreements. As these fees are generally received in cash at or near the beginning of the agreement, the cash received is initially recorded as a contract liability until recognized as revenue over time. If a contract is terminated early, the remaining unamortized balance is recognized as income if no further performance obligations are to be provided.

IRIS Alliance, LLC**Notes to Financial Statements****For the Years Ended December 31, 2023 and 2022**

Changes in the Company's contract liabilities for deferred franchise fees during the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 67,811	\$ 64,374
Fees received	67,500	22,500
Fees recognized as revenue	(27,188)	(19,063)
Fees recognized from terminated contract	(44,188)	-
Balance, end of year	\$ 63,935	\$ 67,811

Estimated revenue expected to be recognized in the future relating to the deferred franchise fees as of December 31, 2023 is as follows:

2024	\$ 19,500
2025	16,312
2026	11,062
2027	10,500
2028	6,561
	<u>\$ 63,935</u>

As of December 31, 2023 and 2022, the weighted average remaining life for amortizing both the deferred franchise costs and deferred franchise fees is 2.94 and 3.27 years, respectively.

(6) Equipment

Equipment consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Field Equipment	\$ 2,826	\$ 2,826
Accumulated depreciation	(1,866)	(1,438)
Total	\$ 960	\$ 1,388

Depreciation expense for the years ended December 31, 2023 and 2022 was \$428 and \$644, respectively.

IRIS Alliance, LLC**Notes to Financial Statements****For the Years Ended December 31, 2023 and 2022**

(7) Other Income

Other income consists of the following as of December 31, 2023 and 2022:

	2023	2022
License termination fee	\$ 7,200	\$ 14,400
Late payment penalties	-	1,009
Online fees	2,957	1,238
Miscellaneous income	3,517	1,360
Total other income	\$ 13,674	\$ 18,007

(8) Concentration of Credit Risk

The Company maintains its cash balances in accounts insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. The Company's cash balances may exceed the insured limits at the bank; however, the Company believes the risk of loss to be remote.

(9) Subsequent Events

The date to which events occurring after December 31, 2023, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 20, 2024, which is the date the financial statements were available to be issued.

IRIS Alliance

Profit and Loss

January - March, 2023

	TOTAL
Income	
Services	82,342.64
Uncategorized Income	
Total Income	\$82,342.64
GROSS PROFIT	\$82,342.64
Expenses	
Bank Charges & Fees	7,452.00
Commission Expense	10,000.01
Franchise expenses	34,776.00
Legal & Professional Services	8,950.00
QuickBooks Payments Fees	2,287.11
Total Expenses	\$63,465.12
NET OPERATING INCOME	\$18,877.52
NET INCOME	\$18,877.52

IRIS Alliance

Balance Sheet As of March 31, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking Account	233,955.90
Total Bank Accounts	\$233,955.90
Accounts Receivable	
Accounts Receivable (A/R)	18,321.96
Total Accounts Receivable	\$18,321.96
Other Current Assets	
Accrued Income	2,942.00
Deferred Franchise Cost, current portion	5,500.00
Undeposited Funds	3,130.95
Total Other Current Assets	\$11,572.95
Total Current Assets	\$263,850.81
Fixed Assets	
Accumulated Depreciation	-1,438.00
Field Equipments	2,826.00
Total Fixed Assets	\$1,388.00
Other Assets	
Deferred Franchise Cost, net of current portion	12,167.00
Total Other Assets	\$12,167.00
TOTAL ASSETS	\$277,405.81
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	0.00
Total Accounts Payable	\$0.00
Credit Cards	
DEBIT CARD	0.00
Total Credit Cards	\$0.00
Other Current Liabilities	
Deferred Franchise Income - Current Portion	21,000.00
Due To/From Iris Environmental Laboratories	22,114.00
Total Other Current Liabilities	\$43,114.00
Total Current Liabilities	\$43,114.00

Accrual Basis Monday, June 26, 2023 01:57 PM GMT-04:00

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IRIS Alliance

Balance Sheet

As of March 31, 2023

	TOTAL
Long-Term Liabilities	
Deferred Franchise Income	46,811.00
Loam NJ Emergency assistance	0.00
Total Long-Term Liabilities	\$46,811.00
Total Liabilities	\$89,925.00
Equity	
Member Equity Contributions	101,425.00
Opening Balance Equity	5,652.56
Retained Earnings	61,525.73
Net Income	18,877.52
Total Equity	\$187,480.81
TOTAL LIABILITIES AND EQUITY	\$277,405.81

Audited Financial Statements

Financial Statements
and
Independent Auditor's Report

IRIS Alliance, LLC

December 31, 2022 and 2021

IRIS Alliance, LLC

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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Member
IRIS Alliance, LLC

Opinion

We have audited the accompanying financial statements of IRIS Alliance, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IRIS Alliance, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 IRIS Alliance, 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IRIS Alliance, 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 IRIS Alliance, 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.

RW Group, LLC

Kennett Square, Pennsylvania
April 24, 2023

IRIS Alliance, LLC**Balance Sheets****December 31, 2022 and 2021**

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 218,209	\$ 182,989
Deferred franchise costs, current portion	5,500	4,500
Accounts receivable, net of \$3,427 allowance	18,322	-
Accrued income	2,942	2,942
Due from related party	-	-
Total Current Assets	244,973	190,431
Equipment		
Field equipment	2,826	2,826
Less: accumulated depreciation	(1,438)	(794)
Total Equipment	1,388	2,032
Other Assets		
Deferred franchise costs, net of current portion	12,167	13,375
TOTAL ASSETS	\$ 258,528	\$ 205,838

See accompanying notes to financial statements

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IRIS Alliance, LLC**Balance Sheets****December 31, 2022 and 2021**

	2022	2021
LIABILITIES AND MEMBER'S CAPITAL		
Current Liabilities		
Due to related party	\$ 22,114	\$ 22,114
Deferred franchise fees, current portion	21,000	16,500
Total Current Liabilities	43,114	38,614
Deferred franchise fees, net of current portion	46,811	47,874
TOTAL LIABILITIES	89,925	86,488
MEMBER'S CAPITAL	168,603	119,350
TOTAL LIABILITIES AND MEMBER'S CAPITAL	\$ 258,528	\$ 205,838

See accompanying notes to financial statements

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IRIS Alliance, LLC**Statements of Income****For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Revenues		
Franchise fees	\$ 19,063	\$ 28,688
Royalty fees	32,269	20,767
Marketing and advertising fees	3,824	3,635
Proposal management services	3,000	850
Phone service fees	-	90
Field operations fees	-	175
Less: discounts	-	(57)
Total Revenues	58,156	54,148
Cost of Revenues		
Marketing and advertising fee	10,380	10,474
Proposal management services	-	850
Phone service fee	-	90
Field operations fee	-	175
Total Cost of Revenues	10,380	11,589
Selling, General, and administrative expenses		
Professional fees	8,900	8,321
Depreciation and amortization	5,852	9,077
Other general and administrative fees	1,778	13,504
Total Selling, General, and Administrative Expenses	16,530	30,902
Other Income and Expenses		
Interest income	-	5,127
Other income	18,007	-
COVID-19 grant income	-	1,141
Total Other Income and Expenses	18,007	6,268
NET INCOME (LOSS)	\$ 49,253	\$ 17,925

See accompanying notes to financial statements

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IRIS Alliance, LLC

Statements of Changes in Member's Capital For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Member's Capital, beginning of year	\$ 119,350	\$ 101,425
Net Income (loss)	49,253	17,925
Member's Capital, end of year	\$ 168,603	\$ 119,350

See accompanying notes to financial statements

IRIS Alliance, LLC**Statements of Cash Flows****For the Years Ended December 31, 2022 and 2021**

	2022	2021
Cash Flows From Operating Activities		
Net income (loss)	\$ 49,253	\$ 17,925
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation expense	644	514
Amortization deferred franchise fees	(19,063)	(28,688)
Amortization deferred franchise costs	5,208	8,563
Increase/decrease in due to/from related party	-	(4,012)
Accrued income	-	(1,677)
Accounts Receivable	(18,322)	
Deferred franchise costs	(5,000)	(20,000)
Deferred franchise fees	22,500	60,000
Net cash flow from operating activities	35,220	32,625
Cash Flows From Investing Activities		
Repayment from related party	-	84,001
Purchase of equipment	-	(728)
Net cash flow from investing activities	-	83,273
Cash Flows From Financing Activities		
Advances from related party	-	20,999
Net cash flow from financing activities	-	20,999
Net Change in Cash	35,220	136,897
Cash, beginning of year	182,989	46,092
Cash, end of year	\$ 218,209	\$ 182,989
Non-Cash Investing Activities		
Related party loan reduced for intercompany costs	\$ -	\$ 1,115
Interest on due from related party added to principle	-	5,127
Non-cash change in due to/from related party	\$ -	\$ (4,012)

See accompanying notes to financial statements

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IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

(1) Nature of Business

IRIS Alliance, LLC (the Company), a New Jersey limited liability company formed on February 1, 2018, is offering franchises for the operation of mold and asbestos inspection, testing and clearance certification businesses.

The Company began active operations in 2020. As of December 31, 2022, the Company has nine independent licensees operating in New Jersey and New York and four franchisor operated locations. In 2022 two licenses were granted and one was terminated. In 2021 five licenses were granted, one of which was terminated and now operates as the franchisor's location.

The Company's operating agreement defines the rights and obligations of its members. Generally, income and losses are allocated to the member. Distributions to the member is made in accordance with the terms of the operating agreement. The member is not required to make additional capital contributions to the Company beyond initial commitment contributions. No manager, officer, or member shall be personally liable for the debts, obligations, or liabilities of the Company. The Company will continue in existence in perpetuity unless dissolved as provided for in the operating agreement.

(2) Significant Accounting Policies

Cash

For the purposes of the cash flow statement, cash and cash equivalents include unrestricted and restricted demand deposits, money market funds and certificate of deposits with original maturities of three months or less. As of December 31, 2022 and 2021 the Company does not have any cash equivalents or restricted cash.

Accounts Receivable

Receivables represent amounts due for royalty fees, advertising fees and gift cards issued by the franchisees. The allowance for doubtful accounts is the Company's estimate of the amount of probable credit losses in the Company's existing accounts receivable.

Equipment

Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Accrued Income

Accrued income represents income earned by the Company as of December 31, 2022 and 2021, but not yet billed.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Deferred Franchise Costs

Deferred franchise costs represent costs incurred by the Company to acquire and enter into franchise agreements with franchisees. The deferred franchise costs are recognized as an expense on a straight-line basis over the term of the agreements, generally five years.

Deferred Franchise Fees

Deferred franchise fees represent the fees paid by franchisees to operate under the IRIS brand. Initial fees are generally \$15,000 and are for a term of five years, additional locations can be obtained for \$7,500 per location. Franchisees have the option to enter into two five-year additional terms for \$5,000 each. The deferred franchise fees are recognized as revenue on a straight-line basis over the term of the agreements.

Income Taxes

The Company is a limited liability company for federal, state, and local purposes. As such the Company does not record a tax provision for income taxes as the income is reportable by the members on their personal income tax returns. The Company's tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity.

Revenue Recognition

The Company generates revenue through franchise fees, royalty fees, marketing and advertising fees, proposal management services, phone services, and field operation fees.

Franchise Fees

The Company requires the entire franchise fee to be paid upon execution of the franchise agreement or extension thereof, which generally have five-year terms. The franchise agreement requires the Company to provide various services throughout the term of the agreement including training and ongoing operational support. These services are interrelated with the franchise license and as such are considered to represent a single performance obligation. Recognition of franchise fee revenue is recognized over the term of the agreement on a straight-line basis beginning upon execution of the agreement.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Royalty Fees

The Company collects royalty fees, as stipulated in the franchise agreement. Royalty fees are sales-based, related to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Royalty Month	Monthly Fee	
	% Gross Revenue	Minimum
Month 1-12	5%	\$ 250
Month 13-24	6%	350
After 24 months	7%	750

Marketing and Advertising

Monthly marketing and advertising fees are collected, as stipulated in the franchise agreement equal to 1% of gross revenue, or \$50, whichever is greater. The fees are used to develop and promote the brand name for marketing purposes. These fees are sales-based, related to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Proposal Management Services

Proposal management services fees are charged for the use of the Company's privately labeled software to assist the franchisee in organizing, scheduling, and routing jobs, tracking the chain of custody for samples, sending client notifications, and creating reports. These services are provided by the Company on a monthly basis and are recognized as revenue over the term of the agreement. These services are billed in arrears.

Phone Service Fee

The Company provides a virtual phone system platform for the operations of the businesses. The Company charges \$20-\$30 per number, per month, plus an additional \$5 for each dedicated extension the franchisee chooses to add. These services are billed in arrears. In March 2021, a related party began to directly charge the franchisees for these services.

Field Operations Fee

Field operations fee is charged to the franchisee for the assistance and guidance in running the business. These services are provided by the Company on a monthly basis and are recognized as revenue over the term of the agreement. These services are billed in arrears. March 2021, a related party began to directly charge the franchisees for these services.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Advertising

Advertising costs are charged to operations when incurred. Advertising costs relating to obligations under the franchise agreements was \$10,380 and \$10,474, for the years ended December 31, 2022 and 2021, respectively. Other advertising costs were \$- and \$7,802, for the years ended December 31, 2022 and 2021, respectively.

Use of Estimates

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

(3) Related Party Transactions

In 2019 the Company had advanced funds to a related party, incurs interest at 6.5% per annum, and is repayable upon demand. In 2021 the related party repaid all amounts due and plus advanced funding to the Company. No interest is accruing on the advance. Further, the related party is providing services to franchisees on behalf of the Company. Net changes in the due to/from the related party are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ (22,114)	\$ 78,874
Interest on advances	-	5,127
Charge for franchise services provided	-	(1,115)
Payments from related party	-	(105,000)
Balance, end of year	\$ (22,114)	\$ (22,114)

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

(4) Contract Balances

Contract assets consist of accounts receivable, and commissions paid in connection with the acquisition of new franchisees (Deferred franchise costs).

Accounts receivable, net of allowance for doubtful accounts, as of December 31, 2022, 2021 and 2020, are \$18,322, \$-, and \$-, respectively.

Deferred franchise costs and are recognized as expense when the revenue is recognized, which is over the term of the respective agreement. As these costs are generally paid in cash at the beginning of the agreement, the cash paid is initially recorded as a contract asset until recognized as expense over time. If a contract is terminated early, the remaining unamortized balance is recognized as an expense, consistent with the recognition of any unamortized revenue.

Changes in the Company's contract assets for deferred franchise costs during the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance, beginning of year	\$ 17,875	\$ 6,438
Costs incurred	5,000	20,000
Costs recognized as expense	(5,208)	(4,438)
Costs recognized on terminated contract	-	(4,125)
Balance, end of year	\$ 17,667	\$ 17,875

Estimated costs expected to be recognized in the future relating to the deferred franchise costs as of December 31, 2022 is as follows:

2023	\$ 5,500
2024	5,500
2025	4,438
2026	1,937
2027	292
	<u>\$ 17,667</u>

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Contract liabilities consist of initial franchise fees. These are reported as deferred franchise fees and recognized as revenue over the term of the respective agreements. As these fees are generally received in cash at or near the beginning of the agreement, the cash received is initially recorded as a contract liability until recognized as revenue over time. If a contract is terminated early, the remaining unamortized balance is recognized as income if no further performance obligations are to be provided.

Changes in the Company's contract liabilities for deferred franchise fees during the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance, beginning of year	\$ 64,374	\$ 33,062
Fees received	22,500	60,000
Fees recognized as revenue	(19,063)	(16,313)
Fee recognized from terminated contract	-	(12,375)
Balance, end of year	\$ 67,811	\$ 64,374

Estimated revenue expected to be recognized in the future relating to the deferred franchise fees as of December 31, 2022 is as follows:

2023	\$ 21,000
2024	21,000
2025	16,562
2026	7,312
2027	1,937
	<u>\$ 67,811</u>

As of December 31, 2022 and 2021, the weighted average remaining life for amortizing both the deferred franchise costs and deferred franchise fees is 3.27 and 3.94 years, respectively.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Equipment

Equipment consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Field Equipment	\$ 2,826	\$ 2,826
Accumulated depreciation	(1,438)	(794)
Total	\$ 1,388	\$ 2,032

Depreciation expense for the years ended December 31, 2022 and 2021 was \$644 and \$514, respectively.

(5) Other Income

Other income consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
License termination fee	\$ 14,400	\$ -
Late payment penalties	1,009	-
Online fees	1,238	-
Miscellaneous income	1,360	-
Total other income	\$ 18,007	\$ -

(6) COVID-19 Grant Income

The Company was a recipient of a small business emergency grant through the New Jersey Economic Development Authority for the year ended December 31, 2021. Total grant income received was \$6,000 and was used for the purpose of offsetting lost revenue due to business interruption caused by COVID-19 from the period of March 1, 2020, through the date of the agreement, November 30, 2020.

(7) Concentration of Credit Risk

The Company maintains its cash balances in accounts insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. The Company's cash balances may exceed the insured limits at the bank; however, the Company believes the risk of loss to be remote.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

(8) Subsequent Events

The date to which events occurring after December 31, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is April 24, 2023, which is the date the financial statements were available to be issued.

Financial Statements
and
Independent Auditor's Report

IRIS Alliance, LLC

December 31, 2021 and 2020

IRIS Alliance, LLC

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December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Member
IRIS Alliance, LLC

Opinion

We have audited the accompanying financial statements of IRIS Alliance, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IRIS Alliance, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 IRIS Alliance, 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

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fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IRIS Alliance, 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 IRIS Alliance, 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.

RW Group, LLC

Kennett Square, Pennsylvania

February 21, 2022

IRIS Alliance, LLC
BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 182,989	\$ 46,092
Deferred franchise costs, current portion	4,500	1,500
Accrued income	2,942	1,265
Due from related party	-	78,874
Total Current Assets	190,431	127,731
Equipment		
Field equipment	2,826	2,098
Less: accumulated depreciation	(794)	(280)
Total Equipment	2,032	1,818
Other Assets		
Deferred franchise costs, net of current portion	13,375	4,938
TOTAL ASSETS	\$ 205,838	\$ 134,487
LIABILITIES AND MEMBER'S CAPITAL		
Current Liabilities		
Due to related party	\$ 22,114	\$ -
Deferred franchise fes, current portion	16,500	7,500
Total Current Liabilities	38,614	7,500
Deferred franchise fees, net of current portion	47,874	25,562
TOTAL LIABILITIES	86,488	33,062
MEMBER'S CAPITAL	119,350	101,425
TOTAL LIABILITIES AND MEMBER'S CAPITAL	\$ 205,838	\$ 134,487

See accompanying notes to financial statements

IRIS Alliance, LLC
STATEMENTS OF INCOME
For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenues		
Franchise fees	\$ 28,688	\$ 4,438
Royalty fees	20,767	3,363
Marketing and advertising fees	3,635	650
Proposal management services	850	420
Phone service fees	90	390
Field operations fees	175	735
Less: discounts	(57)	(453)
Total Revenues	54,148	9,543
Cost of Revenues		
Marketing and advertising fee	10,474	650
Proposal management services	850	420
Phone service fee	90	390
Field operations fee	175	735
Total Cost of Revenues	11,589	2,195
Selling, General, and administrative expenses		
Professional fees	8,321	10,443
Depreciation and amortization	9,077	1,342
Other general and administrative fees	13,504	1,804
Total Selling, General, and Administrative Expenses	30,902	13,589
Other Income and Expenses		
Interest income	5,127	4,947
Other income	1,141	-
COVID-19 grant income	-	6,000
Total Other Income and Expenses	6,268	10,947
NET INCOME (LOSS)	\$ 17,925	\$ 4,706

See accompanying notes to financial statements

IRIS Alliance, LLC
STATEMENTS OF CHANGES IN MEMBER'S CAPITAL
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Member's Capital, beginning of year	\$ 101,425	\$ 96,719
Net Income (loss)	17,925	4,706
Member's Capital, end of year	\$ 119,350	\$ 101,425

See accompanying notes to financial statements

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

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net income (loss)	\$ 17,925	\$ 4,706
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation expense	514	280
Amortization deferred franchise fees	(28,688)	(4,438)
Amortization deferred franchise costs	8,563	1,062
Increase/decrease in due to/from related party	(4,012)	(2,752)
Accrued income	(1,677)	(1,265)
Deferred franchise costs	(20,000)	(7,500)
Deferred franchise fees	60,000	37,500
Net cash flow from operating activities	32,625	27,593
Cash Flows From Investing Activities		
Repayment from related party	84,001	-
Purchase of equipment	(728)	(2,098)
Net cash flow from investing activities	83,273	(2,098)
Cash Flows From Financing Activities		
Advances from related party	20,999	-
Net cash flow from financing activities	20,999	-
Net Change in Cash	136,897	25,495
Cash, beginning of year	46,092	20,597
Cash, end of year	\$ 182,989	\$ 46,092
Non-Cash Investing Activities		
Related party loan reduced for intercompany costs	\$ 1,115	\$ 2,195
Interest on due from related party added to principle	5,127	4,947
Non-cash change in due to/from related party	\$ (4,012)	\$ (2,752)

See accompanying notes to financial statements

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

(1) Nature of Business

IRIS Alliance, LLC (the Company), a New Jersey limited liability company formed on February 1, 2018, is offering franchises for the operation of mold and asbestos inspection, testing and clearance certification businesses.

The Company began active operations in 2020. As of December 31, 2021, the Company has seven independent licensees operating in New Jersey and New York and four franchisor operated locations. In 2021 five licenses were granted, one of which was terminated and now operates as the franchisor's location.

The Company's operating agreement defines the rights and obligations of its members. Generally, income and losses are allocated to the member. Distributions to the member is made in accordance with the terms of the operating agreement. The member is not required to make additional capital contributions to the Company beyond initial commitment contributions. No manager, officer, or member shall be personally liable for the debts, obligations, or liabilities of the Company. The Company will continue in existence in perpetuity unless dissolved as provided for in the operating agreement.

(2) Significant Accounting Policies

Cash

For the purposes of the cash flow statement, cash and cash equivalents include unrestricted and restricted demand deposits, money market funds and certificate of deposits with original maturities of three months or less. As of December 31, 2021 and 2020 the Company does not have any cash equivalents or restricted cash.

Equipment

Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Accrued Income

Accrued income represents income earned by the Company as of December 31, 2021 and 2020, but not yet billed.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Deferred Franchise Costs

Deferred franchise costs represent costs incurred by the Company to acquire and enter into franchise agreements with franchisees. The deferred franchise costs are recognized as an expense on a straight-line basis over the term of the agreements, generally five years.

Deferred Franchise Fees

Deferred franchise fees represent the fees paid by franchisees to operate under the IRIS brand. Initial fees are generally \$15,000 and are for a term of five years, additional locations can be obtained for \$7,500 per location. Franchisees have the option to enter into two five-year additional terms for \$5,000 each. The deferred franchise fees are recognized as revenue on a straight-line basis over the term of the agreements.

Income Taxes

The Company is a limited liability company for federal, state, and local purposes. As such the Company does not record a tax provision for income taxes as the income is reportable by the members on their personal income tax returns. The Company's tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity.

Revenue Recognition

The Company generates revenue through franchise fees, royalty fees, marketing and advertising fees, proposal management services, phone services, and field operation fees.

Franchise Fees

The Company requires the entire franchise fee to be paid upon execution of the franchise agreement or extension thereof, which generally have five-year terms. The franchise agreement requires the Company to provide various services throughout the term of the agreement including training and ongoing operational support. These services are interrelated with the franchise license and as such are considered to represent a single performance obligation. Recognition of franchise fee revenue is recognized over the term of the agreement on a straight-line basis beginning upon execution of the agreement.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Royalty Fees

The Company collects royalty fees, as stipulated in the franchise agreement. Royalty fees are sales-based, related to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Royalty Month	Monthly Fee	
	% Gross Revenue	Minimum
Month 1-12	5%	\$ 250
Month 13-24	6%	350
After 24 months	7%	750

Marketing and Advertising

Monthly marketing and advertising fees are collected, as stipulated in the franchise agreement equal to 1% of gross revenue, or \$50, whichever is greater. The fees are used to develop and promote the brand name for marketing purposes. These fees are sales-based, related to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Proposal Management Services

Proposal management services fees are charged for the use of the Company's privately labeled software to assist the franchisee in organizing, scheduling, and routing jobs, tracking the chain of custody for samples, sending client notifications, and creating reports. These services are provided by the Company on a monthly basis and are recognized as revenue over the term of the agreement. These services are billed in arrears.

Phone Service Fee

The Company provides a virtual phone system platform for the operations of the businesses. The Company charges \$20-\$30 per number, per month, plus an additional \$5 for each dedicated extension the franchisee chooses to add. These services are billed in arrears. In March 2021, a related party began to directly charge the franchisees for these services.

Field Operations Fee

Field operations fee is charged to the franchisee for the assistance and guidance in running the business. These services are provided by the Company on a monthly basis and are recognized as revenue over the term of the agreement. These services are billed in arrears.

IRIS Alliance, LLC
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Advertising

Advertising costs are charged to operations when incurred. Advertising costs relating to obligations under the franchise agreements was \$10,474 and \$650, for the years ended December 31, 2021 and 2020, respectively. Other advertising costs were \$7,802 and \$1,535, for the years ended December 31, 2021 and 2020, respectively.

Use of Estimates

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

(3) Related Party Transactions

In 2019 the Company had advanced funds to a related party, incurs interest at 6.5% per annum, and is repayable upon demand. In 2021 the related party repaid all amounts due and plus advanced funding to the Company. Further, the related party is providing services to franchisees on behalf of the Company. Net changes in the due to/from the related party are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 78,874	\$ 76,122
Interest on advances	5,127	4,947
Charge for franchise services provided	(1,115)	(2,195)
Payments from related party	(105,000)	-
Balance, end of year	\$ (22,114)	\$ 78,874

IRIS Alliance, LLC**Notes to Financial Statements****For the Years Ended December 31, 2021 and 2020**

(4) Contract Balances

Contract assets consist of commissions paid in connection with the acquisition of new franchisees. These are reported as deferred franchise costs and are recognized as expense when the revenue is recognized, which is over the term of the respective agreement. As these costs are generally paid in cash at the beginning of the agreement, the cash paid is initially recorded as a contract asset until recognized as expense over time. If a contract is terminated early, the remaining unamortized balance is recognized as an expense, consistent with the recognition of any unamortized revenue.

Changes in the Company's contract assets for deferred franchise costs during the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 6,438	\$ -
Costs incurred	20,000	7,500
Costs recognized as expense	(4,438)	(1,062)
Costs recognized on terminated contract	(4,125)	-
Balance, end of year	<u>\$ 17,875</u>	<u>\$ 6,438</u>

Estimated costs expected to be recognized in the future relating to the deferred franchise costs as of December 31, 2021 is as follows:

2022	\$ 4,500
2023	4,500
2024	4,500
2025	3,438
2026	937
	<u>\$ 17,875</u>

Contract liabilities consist of initial franchise fees. These are reported as deferred franchise fees and recognized as revenue over the term of the respective agreements. As these fees are generally received in cash at or near the beginning of the agreement, the cash received is initially recorded as a contract liability until recognized as revenue over time. If a contract is terminated early, the remaining unamortized balance is recognized as income if no further performance obligations are to be provided.

IRIS Alliance, LLC**Notes to Financial Statements****For the Years Ended December 31, 2021 and 2020**

Changes in the Company's contract liabilities for deferred franchise fees during the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 33,062	\$ -
Fees received	60,000	37,500
Fees recognized as revenue	(16,313)	(4,438)
Fee recognized from terminated contract	(12,375)	-
Balance, end of year	\$ 64,374	\$ 33,062

Estimated revenue expected to be recognized in the future relating to the deferred franchise fees as of December 31, 2021 is as follows:

2022	\$ 16,500
2023	16,500
2024	16,500
2025	12,062
2026	2,812
	<u>\$ 64,374</u>

As of December 31, 2021 and 2020, the weighted average remaining life for amortizing both the deferred franchise costs and deferred franchise fees is 4.39 and 3.94 years, respectively.

Equipment

Equipment consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Field Equipment	\$ 2,826	\$ 2,098
Accumulated depreciation	(794)	(280)
Total	\$ 2,032	\$ 1,818

Depreciation expense for the years ended December 31, 2021 and 2020 was \$514 and \$280, respectively.

IRIS Alliance, LLC

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

(5) COVID-19 Grant Income

The Company was a recipient of a small business emergency grant through the New Jersey Economic Development Authority for the year ended December 31, 2020. Total grant income received was \$6,000 and was used for the purpose of offsetting lost revenue due to business interruption caused by COVID-19 from the period of March 1, 2020, through the date of the agreement, November 30, 2020.

(6) Concentration of Credit Risk

The Company maintains its cash balances in accounts insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. The Company's cash balances may exceed the insured limits at the bank; however, the Company believes the risk of loss to be remote.

(7) Risks and Uncertainties

In March 2020, the World Health Organization declared COVID-19 to be a world-wide pandemic. In response, government agencies initiated various responses to limit the spread of the virus, including stay-at-home orders and other measures. As a result, the Company experienced delays in entering into franchise agreements and a reduction in revenue due to franchisees' operations being negatively impacted. The total eventual economic impact of COVID-19 has not been determined by management.

(8) Subsequent Events

The date to which events occurring after December 31, 2021, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 21, 2022, which is the date the financial statements were available to be issued.

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	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	September 18, 2023
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

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.

EXHIBIT J

Receipt

RETURN THIS SIGNED COPY TO THE FRANCHISOR
RECEIPT

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

If IRIS Alliance, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to the franchisor, or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting, or 10 business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

If IRIS Alliance, LLC does not deliver this Disclosure Document on time, or it if 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. 20850, and the appropriate state agency as identified in Exhibit B of this Disclosure Document.

IRIS Alliance, LLC's franchise sellers are: Rodrigo Eustaquio, Rick Eustaquio and Catarina Guimaraes at 2333 Route 22 West, Union, NJ 07083, (908) 206-0073.

Issuance Date: March 20, 2024 (with effective dates as stated on the page immediately before this Exhibit in this Disclosure Document).

I received an IRIS Environmental® Laboratories Disclosure Document dated March 20, 2024 that included the following Exhibits:

- A Franchise Agreement with attached Schedules
- B List of State Agencies and Regulators
- C Franchise Disclosure Questionnaire
- D State Addenda
- E Operations Manual Table of Contents
- F Option Agreement List
- G List of Franchisees
- H Franchisees Who Have Left the System
- I Financial Statements
- J Receipts

Date

Recipient/Franchise Applicant

RETURN THIS SIGNED FORM TO THE FRANCHISOR. Mail to: IRIS Alliance, LLC, 2333
Route 22 West, Union, NJ 07083. Fax to: (908) 206-0093

APPLICANT COPY

RECEIPT

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

If IRIS Alliance, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to the franchisor, or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting, or 10 business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

If IRIS Alliance, LLC does not deliver this Disclosure Document on time, or it if 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. 20850, and the appropriate state agency as identified in Exhibit B of this Disclosure Document.

IRIS Alliance, LLC's franchise sellers are: Rodrigo Eustaquio, Rick Eustaquio and Catarina Guimaraes at 2333 Route 22 West, Union, NJ 07083, (908) 206-0073.

Issuance Date: March 20, 2024 (with effective dates as stated on the page immediately before this Exhibit in this Disclosure Document).

I received an IRIS Environmental® Laboratories Disclosure Document dated March 20, 2024 that included the following Exhibits:

- A Franchise Agreement with attached Schedules
- B List of State Agencies and Regulators
- C Franchise Disclosure Questionnaire
- D State Addenda
- E Operations Manual Table of Contents
- F Option Agreement List
- G List of Franchisees
- H Franchisees Who Have Left the System
- I Financial Statements
- J Receipts

Date

Recipient/Franchise Applicant

THIS SIGNED FORM REMAINS WITH THE FRANCHISE APPLICANT